
**UCHUMI SUPERMARKETS LIMITED
AND SUBSIDIARIES**

ANNUAL REPORT

AND FINANCIAL STATEMENTS

30 JUNE 2013

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BOARD OF DIRECTORS



Ms. Khadija Mire
Appointed on 25 November 2011
Appointed as the Chairperson
on 16th October



Eng. Abdulrazaq Adan Ali
P.S. Ministry of Trade -
Former Chairman



Mrs. Doris Thangei
Representing
KWA Holding EA Limited



Ms. Mbatha Mbithi
Representing Industrial &
Commercial Development
Corporation



Mr. James R. Murigu
Appointed on 25 November 2011



Dr. Jonathan Ciano
Chief Executive Officer



Mr Bartholomew Ragalo
Appointed on 25 November 2011



Pauline W Kimotho
Company Secretary /
Legal Officer

NOTICE OF THE AGM

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of the Company will be held on Friday, 22nd November 2013 at the Kenyatta International Conference Centre (KICC) Amphitheatre Nairobi at 10.00 am to transact the following business:

ORDINARY BUSINESS

1. The Company Secretary to read the notice convening the meeting.
2. To receive, consider, and if thought fit adopt the Accounts for the year ended 30th June 2013 together with the Directors' and Auditors' reports thereon.
3. To approve payment of a final dividend of Kshs 0.30 for each ordinary share of Kshs 5.00 par value on the issued share capital of the Company for the year ended 30 June 2013.
4. Election of Directors:
 - a. In accordance with Article 100 of the Company's Articles of Association Ms Khadija Mire retires by rotation and being eligible offers herself for re-election.
 - b. In accordance with Article 100 of the Company's Articles of Association Mr. James Murigu retires by rotation and being eligible offers himself for re-election.
5. To confirm the Director's remuneration for the year ended 30th June 2013.
6. To note that Ernst & Young, having expressed their willingness, 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.

By Order of the Board



Pauline Kimotho
Company Secretary

Notes:

1. In accordance with Article 100A, any member duly qualified to attend and vote at the meeting may by notice duly signed by him or her and delivered to the Company Secretary at the Head office, Yarrow Road off Nanyuki Road P.O. Box 73167 00200 Nairobi not less than three(3) and not more than(twenty one) 21 days before the date appointed for the annual general meeting ,give notice of his intention to propose any other person for election to the Board, such notice is to be accompanied by a notice signed by the person proposed of his or her willingness to be elected.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member of the company to attend and vote on his/her behalf. A form may be obtained from the Company's website (www.uchumi.com) or from the Company's share registrar's, Funguo Registrars Limited, 17th Floor Uchumi House, Aga Khan Walk, P. O. Box 45519 – 00100 Nairobi. To be valid, a form of proxy must be duly completed and signed by the member and lodged at the offices of the Company's registrars not later than 10.00am on Tuesday 19th November 2013, failing which it will be invalid. In the case of a body corporate the proxy must be under its common seal.
3. A copy of this notice, proxy form and entire annual report and accounts may be viewed on the Company's website at www.uchumi.com or a printed copy obtained from the Company's share registrars, Funguo Registrars Limited upon request.

CHAIRMAN'S STATEMENT

It is my pleasure to present to all shareholders the Annual Report and Financial Statements of Uchumi Supermarkets Limited for the year ended 30th June 2013. The operating environment in the Eastern African Region continued to be very challenging but Uchumi has continued to be resilient by recording positive performance for the sixth straight year.

THE REGIONAL ENVIRONMENT

Regional economies faced mixed challenges in the 2012/13 financial year. High interest rates adversely affected the cost of borrowing resulting in higher cost of living in the region. The General Election fever under a new constitutional dispensation in Kenya came with economic challenges from around September 2012 up to April/May 2013. Freezing of government expenditure and accompanying macro-economic dynamics negatively affected the purchasing power. The financial crisis in the Eurozone has been easing and we expect the recovery to have a positive effect on economic performance of the East African countries in the coming years.

The economic slowdown notwithstanding, Uchumi registered growth in branch network in the East African region with an additional one branch in Uganda and two more in Kenya during the year ended 30th June 2013. An additional branch in Kisii was opened post- balance sheet date in July 2013.

RESULTS FOR THE YEAR ENDED 30TH JUNE 2013

The Uchumi Group recorded a profit of KSh.486 million before tax compared to KSh.403 million in 2011/12, representing a 20.6% increase. There was a modest growth of 3.2% in Net Revenues from Kshs 13.919 billion to Kshs.14.369 billion in 2012/13. The balance Sheet total assets grew by KShs.632 million to stand at KShs. 5.574 billion as at 30th June 2013 as a result of the good performance registered during the year.

2013 DIVIDEND


The Board of Directors has recommended a total dividend payout for the year ended 30th June 2013 of Kshs 0.30 per share (subject to with-holding tax where applicable) on 265,426,614 ordinary shares of Kshs 5 each. This will however be subject to approval by the shareholders at the Annual General Meeting scheduled for 22nd November 2013.

OUTLOOK INTO 2013/14

In order to continue with the growth of the company as envisioned in the Uchumi strategy, we intend to open one new branch in Uganda, one in Tanzania and six in Kenya to competitively position the Uchumi brand. We are hopeful that the Cross-Listing in of Uchumi shares in the Uganda Stock Exchange, Dar es salaam Securities Exchange and the Rwanda Stock Exchange and the Rights Issue shall be completed by end of December 2013.

Finally, on behalf of the Board of Directors, management and staff of Uchumi Supermarkets, I wish to express my heartfelt gratitude to all our customers, shareholders, the authorities in Kenya, Uganda, Tanzania, Rwanda and business partners for the continued support that has enabled us progressively grow and realize our aspirations.

May you all have happy holidays and a prosperous 2014.



Ms KHADIJA MIRE
CHAIRPERSON

The Board of directors is committed to upholding corporate governance and has to this end signed a code of corporate governance that governs the Board's conduct of the Company's business. The Board is also guided by the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority.

The Board of Directors on behalf of the shareholders ensures that the Company is run in accordance with the law and the highest standards of business ethics. It is also responsible for building shareholders value through ensuring growth and profitability of the Company.

The Board meets regularly to appraise itself on the Company's operations and advice and guide management accordingly.

The Company is keen on effectively equipping its directors. In the year under review two board members visited the company's subsidiaries in Tanzania and Uganda. Directors also visited various sites under consideration for growth of the Company's branch network to get firsthand experience of business operations.

Board composition

The Board is made up of seven Board members. Out of the seven six are non-executive directors (three institutional directors and three independent directors) and one executive director. The Board Composition is in compliance with Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya which require that at least of a third of the directors must be independent directors.

The Board is responsible for the effective control of the Company's strategic, financial and operational issues. The daily running of the business is delegated to the Chief Executive Officer together with the management of the Company.

Board Committees

The Board has three standing committees; Audit Committee, the Staff and Administrative Matters Committee and the Strategies and Business Development Committee. The Committees meet regularly under the terms of reference set by the Board and make recommendations to the Board on matters under their mandate. The Committees are chaired by the non-executive directors.

a. Audit Committee:

The Committee in the year was chaired by Mr. James Murigu. The Committee comprises of four non-executive directors. The members of the Committee during the year under review were:

1. Mr. James Murigu- Chair
2. ICDC
3. KWA Holdings EA Ltd
4. Principal Secretary for Commerce and Tourism

The Committee met twice in the year under review.

The Committee's main functions include advising the Group Board of Directors on matters relating to finance, assets and liabilities of the Company; reviewing the adequacy, scope, functions and resources of the internal audit function; reviewing the Company's annual budgets and recommend these to the Group's Board for approval.

b. Staff and administrative matters Committee

The Committee in the year was chaired by KWA Holdings EA Ltd. The Committee comprises of five non-executive directors and one executive director. The Committee membership grew from five to six with the inclusion of Mr. Bartholomew Ragalo in the Committee as Deputy Chair.

The members of this Committee during the year under review were:

1. KWA Holdings EA Ltd- chair
2. Mr. Bartholomew Ragalo- deputy chair
3. ICDC
4. Principal Secretary for Commerce and Tourism
5. Ms Khadija Mire
6. Dr. Jonathan Ciano

The committee met twice during the year under review.

The Committee's main functions include: reviewing issues related to compensation of Uchumi staff members and the Group Board of Directors; informing the Board on retiring non executive directors and advise the Board on whether to support re-nomination of a retiring director.

c. Strategies and business development Committee

The Committee in the year was chaired by ICDC. The Committee comprises of four non-executive directors and one executive director. The members of this Committee during the year under review were:

1. ICDC- chair
2. KWA Holdings EA Ltd
3. PS Ministry of Trade.
4. Mr. Bartholomew Ragalo
5. Dr. Jonathan Ciano

The committee met twice during the year under review.

The Committee's main functions include: reviewing the Company's strategic plans including short-term priorities and recommend these to the Group Board for approval and; consider and approve for recommendation to the Group Board all business growth, branch expansion and business development plans within the strategic plans and budgets.

Board/Board Committees attendance

The Board and Board Committees hold regular meetings to discuss the Company's business, operations and performance. On occasion the Board holds special meetings as and of when the need arises.

Details of attendance by non executive directors are as follows:

NAME OF DIRECTOR	MAIN BOARD	AUDIT COMMITTEE	STRATEGIES AND BUSINESS DEVELOPMENT	STAFF AND ADMINISTRATIVE MATTERS
NUMBER OF MEETINGS	4	2	2	2
Principal Secretary for Commerce and Tourism	2	0	0	
KWA Holdings EA Ltd	3	2	2	2
ICDC	4	2	2	2
Mr. James Murigu	4	2	N/A	N/A
Mr. Bartholomew Ragalo	3	N/A	1	N/A
Ms. Khadija Mire	4	N/A	N/A	2

Directors' Emoluments and Loans

The total amount of emoluments paid to directors for services rendered during the year are disclosed in the notes to the financial statements.

In the year no director was entitled to receive any benefit other than directors' allowances and amounts received under employment contracts for the executive director.

DIRECTORS SHAREHOLDING AS AT 30 JUNE 2013

NAME	SHARES HELD
(GOK) Rep PRINCIPAL SECRETARY COMMERCE AND TOURISM	35,576,550
KWA HOLDINGS EA LTD	11,365,309
ICDC	7,288,472
JONATHAN CIANO	336,179
JAMES MURIGU	24,327
KHADIJA MIRE	2,900
BARTHOLOMEW RAGALO	

Relations with shareholders

The Company has retained the services of a shares registrar who in conjunction with the Company Secretary respond to all shareholders issues.

The Company is committed to ensuring that shareholders and the relevant stakeholders, Capital Markets Authority and the Nairobi Stock Exchange are provided with complete and timely information. To this end the Company releases its half year and annual performance reports through the media and furnishes the same to the Capital Markets Authority and the Nairobi Stock Exchange.

In the year the Company began the process of dematerialization of its shares in line with CDSC's intention to dematerialize all shares.

TOP 20 SHAREHOLDERS AS AT 30 JUNE 2013

NAME OF SHAREHOLDER	ADDRESS	NO OF SHARES
GOVERNMENT OF KENYA		35,576,550
STANDARD CHARTERED NOMINEES NON-RESD. A/C KE8723	P.O. BOX 40984 NAIROBI	13,158,600
GOODWILL(NAIROBI)LIMITED A/C K867	P.O.BOX 40100 NAIROBI	12,601,400
KARIM JAMAL	P.O BOX 49863 NAIROBI	12,489,146
KWA HOLDINGS E.A LIMITED	P.O BOX 40550-00100 NAIROBI	11,250,000
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9913	P.O. BOX 40984 NAIROBI	8,166,000
STANDARD CHARTERED NOMINEES LTD NON RESD A/C KE11663	40984 NAIROBI	7,408,787
INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION	P.O. BOX 45519	7,288,472
STANDARD CHARTERED NOMINEES A/C 9389	P.O.BOX 40984 NAIROBI	6,631,200
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9729	P.O.BOX 40984 NAIROBI	5,713,600
CFC STANBIC NOMINEES A/C NR13736	30550 NAIROBI	4,426,300
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9289	P.O.BOX 40984 NAIROBI	4,100,000
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9598	P.O.BOX 40984 NAIROBI	4,095,600
STANDARD CHARTERED NOMINEES RESD A/C KE11450	40984 NAIROBI	3,651,700
STANDARD CHARTERED NOMINEES NON-RED. A/C 9827	P.O. BOX 40984 NAIROBI	3,250,169
OLD MUTUAL LIFE ASSURANCE COMPANY LTD	P.O BOX 30059 NAIROBI	3,221,140
STANDARD CHARTERED NOMINEES A/C 1256B	P.O. BOX 40984 NAIROBI	2,692,650
STANDARD CHARTERED NOMINEES A/C 9688	P.O.BOX 40984 NAIROBI	2,554,531
CFC STANBIC NOMINEES LTD A/C NR1030610	P.O. BOX 30550 NAIROBI	2,401,400
STANDARD CHARTERED NOMINEES NON-RESIDENT A/C 953	P.O BOX 40984 NAIROBI	2,330,800

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES



CEO Uchumi supermarkets Ltd ,The Manager sarit branch with uchumi staff members at Jehovah Jire children's home last year.



Uchumi branch City square manager Rabbeca plus the staff members



Sarit Hyper - Junior Shelter Gachie

CSR being one of the core values of Uchumi Supermarkets Ltd, the company has continued to give back to the community in the past few years.

Every year, the company allots part of its Christmas campaign budget to CSR activities and ensures that every branch undertakes an activity in its region to share the joy of Christmas. This year Uchumi was involved in numerous initiatives ranging from donation of food, education, charity walks, hospital donations, wild life conservation, child rescue programmes among others.

In the year under review all Uchumi branches chose an institution to visit and interact with different people as well as give material support. Some of the institutes visited include Jehovah Jire Children's Home (Nairobi) and Glory of Christ and Orphanage Ministry (Nairobi) and the Seventh Day Adventist Rehabilitation Centre a rescue centre for the girl child where text books exercise books and food were donated.

In support of the health sector the company donated wheel chairs to Kajiado District Hospital ,Pumwani Maternity Hospital, Mathari Mental Hospital, Kayole 11 Sub district Hospital, Dagorreti Sub district Hospital Mutuini, Kangemi Health Centre, Dandora I Health Centre, Dandora II District Health Centre, Annex Hospital Nakuru, Moi teaching and referral Hospital and Chogoria P.C.E.A Hospital.

The company also partnered with various institutions among them Kenya Diabetic Management (DMI) (in support of the Diabetes walk), Cervical Health Net Work (in their cervical cancer awareness campaign), TBN Family Media (in their Mother's day initiative at Mukuru Rehabilitation center), Rhino Ark (for their annual Rhino Ark Safari Rally), Kenya Institute of Management (in their campaign to help people living with albinism) ,and Morris Moses Foundation (in their save the cradle Campaign)

Over the years the Company has participated in the Standard Chartered Marathon, UAP Ndakaini marathon and Safaricom LEWA marathon as well as KWS Hell's Gate Wheelbarrow race giving staff an opportunity to bond as they do good.

COMPANY INFORMATION

PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

BANKERS

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

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

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

AUDITORS

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

REGISTRARS

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

COMPANY SECRETARY

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

The directors submit their report and the audited financial statements for the year ended 30 June 2013 which show the state of the group's affairs.

1. PRINCIPAL ACTIVITIES

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

2. OPERATIONS OF THE COMPANY

On 31 May 2006, the Board and Management of Uchumi Supermarkets Limited passed a resolution to cease trading and the company operations were shut down, a closure that lasted from 1 June 2006 to 14 July 2006. Following the decision to cease trading, the company's debenture holders were compelled to appoint Receiver Managers on 02 June 2006. Subsequently, the Government of Kenya appointed a Task Force, in collaboration with the debenture holders, to work out a 'rescue plan' for the company. On the recommendation of the Task Force, a Framework Agreement relating to a business rescue plan was drawn and was entered into between the company, debenture holders, the Government of Kenya and unsecured creditors. On 14 July 2006, the debenture holders appointed a Specialist Receiver Manager and the company re-opened for operations on 15 July 2006.

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

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

3. RESULTS

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

4. DIVIDEND

The directors have recommended for approval by the shareholders a first and final dividend of KShs.0.30 per ordinary share (2012: KShs.0.30).

5. RESERVES

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

6. DIRECTORS

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

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

* Eng. Abdulrazaq Adan Ali served as a director up to April 2013 as the Permanent Secretary, Ministry of Trade

**Ms. Doris Thange'i was appointed as an alternate director representing KWA Holdings EA Limited on 5 April 2013

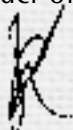
7. FINANCIAL STATEMENTS

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

8. AUDITOR

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

By Order of the Board



Secretary

2nd September

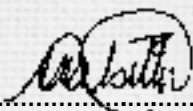
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STATEMENT OF DIRECTORS' RESPONSIBILITIES


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 the company as at the end of the financial year and of the operating results of the group and of the company for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose, with reasonable accuracy, the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

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



.....
Director



.....
Director

2nd September 2013

.....
Date

Report On the Financial Statements

We have audited the accompanying financial statements of Uchumi Supermarkets Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 19 to 64, which comprise the statement of financial position of the Group and the Company as at 30 June 2012 and the income statement of the Group and the Company, statement of comprehensive income of the Group and the Company, statement of changes in equity of the Group and the Company, statement of cash flows of the Group and the Company for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

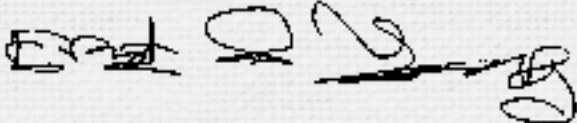
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 30 June 2013 and the financial performance and cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards and the 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 Group and the Company, so far as appears from our examination of those books;
- iii) The Group's and the Company's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.



Nairobi

4th September
.....2013

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(a)	2,255,442	2,114,777
Investment properties	4	1,480,000	1,000,000
Intangible asset	5	21,707	15,899
Prepaid operating lease rentals	6	19,470	19,738
Deferred tax asset	8.1	71,599	197,328
		3,848,218	3,347,742
CURRENT ASSETS			
Inventories	9	1,185,065	1,067,959
Trade and other receivables	10	435,791	388,424
Tax recoverable	8.1	-	5,300
Short term deposits	26	-	33,033
Bank and cash balances	26	104,459	99,430
		1,725,315	1,594,146
TOTAL ASSETS		5,573,533	4,941,888
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,327,133	1,327,133
Reserves	13	1,598,279	1,330,677
		2,925,412	2,657,810
NON-CURRENT LIABILITIES			
Term loans	14	200,000	80,309
CURRENT LIABILITIES			
Trade and other payables	15	1,845,793	1,631,350
Deferred revenue	16	12,264	17,097
Tax payable	8.1	673	-
Amounts due to related parties	11	16,054	12,879
Term loans	14	180,309	104,843
Bank overdraft	26	393,028	437,600
		2,448,121	2,203,769
TOTAL EQUITY AND LIABILITIES		5,573,533	4,941,888

The financial statements were approved by the Board of Directors on.....2nd September.....2013
and were signed on its behalf by:-

.....)

.....) Directors

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
REVENUE			
Sales	17	14,270,598	13,802,191
Income from redemption of loyalty points	16	98,045	116,339
		14,368,643	13,918,530
COST OF SALES	18	(11,600,148)	(11,407,227)
		2,768,495	2,511,303
CHANGE IN VALUE OF INVESTMENT PROPERTIES		480,000	250,000
OTHER INCOME	4	430,709	378,407
	19		
		3,679,204	3,139,710
EXPENSES:-			
Administration and establishment	20	(3,055,665)	(2,572,249)
Selling and distribution	21	(121,575)	(139,036)
		(3,177,240)	(2,711,285)
PROFIT FROM OPERATING ACTIVITIES		501,964	428,425
FINANCE COSTS	22	(16,062)	(25,082)
PROFIT BEFORE TAX	23	485,902	403,343
INCOME TAX EXPENSE	8.2	(128,892)	(129,366)
PROFIT FOR THE YEAR		357,010	273,977
ATTRIBUTABLE TO:			
Owners of the parent		357,010	273,977
EARNINGS PER SHARE			
Basic and diluted – KShs.	24	1.35	1.03

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
PROFIT FOR THE YEAR		357,010	273,977
OTHER COMPREHENSIVE INCOME:			
Revaluation of land and buildings		-	190,000
Deferred tax effect on revaluation surplus	8.1	-	(57,000)
Exchange differences on translation of foreign entity		(9,781)	(28,332)
Other comprehensive income for the year, net of taxes		(9,781)	104,668
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		347,229	378,645
ATTRIBUTABLE TO:			
Owners of the parent		347,229	378,645

UCHUMI SUPERMARKETS LIMITED
STATEMENT OF FINANCIAL POSITION OF THE COMPANY
AS AT 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3(b)	1,845,435	1,650,190
Intangible asset	5	21,232	15,010
Prepaid operating lease rentals	6	19,470	19,738
Investment in subsidiaries	7	205,129	205,129
Deferred tax asset	8.1	71,599	193,553
		2,162,865	2,083,620
CURRENT ASSETS			
Inventories	9	946,071	802,063
Trade and other receivables	10	277,741	303,142
Amounts due from related parties	11	766,099	534,656
Tax recoverable	8.1	-	255
Short term deposits	26	-	33,033
Bank and cash balances	26	75,064	58,787
		2,064,975	1,731,936
TOTAL ASSETS		4,227,840	3,815,556
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,327,133	1,327,133
Reserves	13	1,016,222	831,152
		2,343,355	2,158,285
NON CURRENT LIABILITIES			
Term loans	14	200,000	80,309
CURRENT LIABILITIES			
Trade and other payables	15	1,176,198	1,016,442
Deferred revenue	16	1,309	15,168
Amount due to related parties	11	16,054	12,879
Tax payable	8.1	1,899	-
Term loans	14	180,309	104,843
Bank overdraft	26	308,716	427,630
		1,684,485	1,576,962
TOTAL EQUITY AND LIABILITIES		4,227,840	3,815,556

The financial statements were approved by the Board of Directors on.....2nd September.....2013
and were signed on its behalf by:-

.....)
.....) Directors

UCHUMI SUPERMARKETS LIMITED
 INCOME STATEMENT OF THE COMPANY
 FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
REVENUE			
Sales	17	12,197,652	11,849,709
Income from redemption of loyalty points	16	97,960	116,339
		12,295,612	11,966,048
COST OF SALES	18	(9,960,464)	(9,859,826)
		2,335,148	2,106,222
OTHER INCOME	19	357,355	312,000
		2,692,503	2,418,222
EXPENSES:-			
Administration and establishment	20	(2,169,266)	(1,902,330)
Selling and distribution	21	(113,586)	(118,905)
		(2,282,852)	(2,021,235)
PROFIT FROM OPERATING ACTIVITIES		409,651	396,987
FINANCE COSTS	22	(16,062)	(25,082)
PROFIT BEFORE TAX	23	393,589	371,905
INCOME TAX EXPENSE	8.2	(128,892)	(129,366)
PROFIT FOR THE YEAR		264,697	242,539
EARNINGS PER SHARE			
Basic and diluted – KShs.	24	1.00	0.91

UCHUMI SUPERMARKETS LIMITED
 STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY
 FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
PROFIT FOR THE YEAR		264,697	242,539
OTHER COMPREHENSIVE INCOME:			
Revaluation of land and buildings		-	190,000
Deferred tax effect	8.1	-	(57,000)
Other comprehensive income for the year, net of taxes		-	133,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		264,697	375,539

UCHUMI SUPERMARKETS LIMITED
STATEMENT OF CHANGES IN EQUITY OF THE COMPANY
FOR THE YEAR ENDED 30 JUNE 2013

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Accumulated losses KShs'000	Total KShs'000
At 1 July 2011	1,327,133	1,090,015	578,500	(1,212,902)	1,782,746
Transfer to accumulated losses	-	-	(10,842)	10,842	-
Profit for the year	-	-	-	242,539	242,539
Other comprehensive income for the year	-	-	133,000	-	133,000
At 30 June 2012	1,327,133	1,090,015	700,658	(959,521)	2,158,285
At 1 July 2012	1,327,133	1,090,015	700,658	(959,521)	2,158,285
Transfer to accumulated losses	-	-	(10,842)	10,842	-
Dividends paid	-	-	-	(79,627)	(79,627)
Profit for the year	-	-	-	264,697	264,697
Other comprehensive income for the year	-	-	-	-	-
At 30 June 2013	1,327,133	1,090,015	689,816	(763,609)	2,343,355

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		485,902	403,343
Adjustments for:			
Depreciation of property, plant and equipment	3(a)	275,510	190,802
Change in fair value of investment properties	4	(480,000)	(250,000)
Amortisation of prepaid operating lease rentals	6	268	275
Amortisation of intangible asset	5	8,019	13,995
Interest received	19	(3,050)	(8,222)
Profit on disposal of property, plant and equipment		(1,038)	(1,806)
Operating profit before working capital changes		285,611	348,387
Increase in trade and other receivables		(47,367)	(59,329)
Increase in amounts due to related parties		3,175	2,094
Increase in inventories		(117,106)	(229,068)
Increase in trade and other payables		214,443	520,366
Decrease in deferred revenue		(4,833)	(30,591)
Net cash flows from operations		333,923	551,859
Interest received	19	3,050	8,222
Income tax paid	8.1	(4,784)	(14,527)
Net cash generated from operating activities		332,189	545,554
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)	(427,237)	(715,542)
Proceeds from disposal of property and equipment		1,038	2,288
Purchase of intangible asset	5	(13,851)	(12,663)
Net cash used in investing activities		(440,050)	(725,917)
FINANCING ACTIVITIES			
Payment of dividends			
Receipt / (Repayments) of long term borrowing		(79,627)	-
Net cash generated from / (used in) in financing activities		195,157	(135,416)
		115,530	(135,416)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		7,669	(315,779)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(305,137)	(5,959)
Effects of exchange rate changes on opening net investment in foreign entities		8,899	16,601
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	(288,569)	(305,137)

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 KShs'000	2012 KShs'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		393,589	371,905
Adjustments for:			
Depreciation of property, plant and equipment	3(b)	171,478	120,118
Amortisation of prepaid operating lease rentals	6	268	275
Profit on disposal of property, plant and equipment		(1,038)	(1,806)
Interest received	19	(3,050)	(8,222)
Amortisation of intangible asset	5	7,629	13,594
Operating profit before working capital changes		568,876	495,864
Decrease / (increase) in trade and other receivables		25,401	(27,804)
Increase in related parties balances		(228,268)	(198,126)
Increase in inventories		(144,008)	(44,061)
Increase in trade and other payables		159,756	38,827
Decrease in deferred revenue		(13,859)	(32,520)
Cash flows from operations		367,898	232,180
Interest received	19	3,050	8,222
Tax paid	8.1	(4,784)	(7,024)
Net cash generated from operating activities		366,164	233,378
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(b)	1,038	2,288
Proceeds from disposal of property and equipment		(13,851)	(12,248)
Purchase of intangible asset	5	(379,536)	(360,695)
Net cash used in investing activities			
FINANCING ACTIVITIES			
Payment of dividends		(79,627)	-
Receipt / (Repayments) of long term borrowing		195,157	(135,416)
Net cash generated from / (used in) financing activities		115,530	(135,416)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		102,158	(262,733)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(335,810)	(73,077)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	(233,652)	(335,810)

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 30 June 2013 were authorised for issue by the directors on 2 September 2013.

2. ACCOUNTING POLICIES

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

a) Basis of preparation

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

b) Statement of compliance

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

c) Consolidation of financial statements

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date control ceases.

The consolidated financial statements of the group comprise the financial statements of the company and its subsidiaries at the end of the reporting period.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies for the subsidiaries are consistent with the policies adopted by the company.

2. ACCOUNTING POLICIES (Continued)

d) Critical accounting estimates, judgements and assumptions

In the process of applying the company's accounting policies, the directors make certain estimates, judgments and assumptions about future events. In practice, the estimated and assumed results may differ from the actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Property, plant and equipment

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

Impairment of non-financial assets

The directors assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Deferred tax assets

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

Allowances for obsolete inventories

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

Allowances for credit losses

The directors review the receivables portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable.

Estimation of fair value of points earned under the customer loyalty programme

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

Revaluation of property, plant and equipment and investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The group engaged an independent valuation specialist to assess fair value as at 30 June 2013 for investment properties. A valuation methodology based on comparable market data was adopted.

2. ACCOUNTING POLICIES (Continued)

e) New and amended IFRS and IFRIC interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets:

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The group's investment properties comprise two pieces of land held for capital appreciation and carrying amounts of the properties will be recovered entirely through sale. Since there is currently no capital gains tax in Kenya, no deferred tax provision has been made on fair value gains. The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the Group's financial position, performance or its disclosures.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1:

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that will never be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that could be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance. The amendment is effective for annual periods beginning on or after 1 July 2012 and has no effect on the Group's financial position, performance or its disclosures.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the group's financial statements are listed below. This listing is of standards and interpretations issued, which the group reasonably expects to be applicable at a future date. The group intends to adopt those standards when they become effective. The group expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the group's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact the group is still assessing the possible impact.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. There are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. Past service costs as a result of plan amendments are to be recognised immediately. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. Although the group will not be impacted by amendments relating to defined benefit plans, the impact on the definitions of short-term and long-term employee benefits is still being assessed. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

2. ACCOUNTING POLICIES (Continued)*e) New and amended IFRS and IFRIC interpretations (continued)**Standards issued but not yet effective (continued)**IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the group as the company does not have any investments in associates and interests in joint arrangements.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The group is currently assessing the impact of adopting IFRS 9. However, since the impact of adoption depends on the assets held by the group at the date of adoption, it is not practical to quantify the effect.

2. ACCOUNTING POLICIES (Continued)

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

Standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and will have no impact on the group as it is not party to any joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

2. ACCOUNTING POLICIES (Continued)

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

Standards issued but not yet effective (continued)

IAS 36 Impairment of Assets - Disclosure requirements for the recoverable amount of impaired assets

The IASB has issued amendments to IAS 36 - Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendment will become effective for annual periods beginning on or after 1 January 2014 and may have an impact on the group's disclosure in future.

Annual Improvements May 2012

These improvements will not have an impact on the group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

2. ACCOUNTING POLICIES (Continued)

f) Revenue recognition

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

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

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

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

g) Customer loyalty programme

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

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

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

h) Inventories

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

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

Food items

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

Non food items

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

2. ACCOUNTING POLICIES (Continued)

i) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (Continued)**j) Foreign currencies**

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

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

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

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

k) Financial instruments

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

Financial assets are recognised initially at fair value plus directly attributable transaction costs.

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

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

Loans and receivables

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

2. ACCOUNTING POLICIES (Continued)

k) Financial instruments (Continued)

Impairment of financial assets

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

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

Interest-bearing loans and borrowings

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

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

Cash and cash equivalents

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

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

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

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

Trade payables

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

2. ACCOUNTING POLICIES (Continued)

k) Financial instruments (Continued)

Derecognition of financial assets

i) Financial assets

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

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

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

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

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

ii) Financial liabilities

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

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

Offsetting

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

2. ACCOUNTING POLICIES (Continued)

l) Tax

Current corporate tax

Current corporate tax is provided on the basis of the results for the year as shown in the income statement, adjusted in accordance with the tax legislations and at the tax rate that has been enacted or substantively enacted at the reporting date. Corporate tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method, on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit, it is not accounted for.

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

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

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

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

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

Value added tax

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

2. ACCOUNTING POLICIES (Continued)

m) Employee benefit costs

Retirement benefit plans

The company contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs.200 per employee per month. The company's contributions to the above scheme are charged to the profit or loss in the year to which they relate.

Employee entitlements

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

n) Impairment of non-financial assets

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

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

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

o) Borrowing costs

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

p) Leases

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

2. ACCOUNTING POLICIES (Continued)

p) Leases (Continued)

Group as a lessee

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

q) Intangible assets

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

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

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

r) Cost of sales

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

s) Investments in subsidiaries

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

t) Segmental reporting

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

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

v) Investment properties

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

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

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

**UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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

	Buildings and freehold land KShs' 000	Improvements to premises KShs' 000	Plant and machinery KShs'000	Vehicles and equipment KShs'000	Total KShs'000
At 30 June 2013:					
COST OR VALUATION					
At 1 July 2012	1,268,215	300,431	819,339	990,397	3,378,382
Additions	-	63,024	147,352	216,861	427,237
Disposals	-	-	(17,730)	(80,225)	(97,955)
Exchange differences	-	(1,573)	(8,983)	(5,361)	(15,917)
At 30 June 2013	1,268,215	361,882	939,978	1,121,672	3,691,747
Comprising:					
Cost	6,882	361,882	939,978	1,121,672	2,430,414
Valuation	1,261,333	-	-	-	1,261,333
	1,268,215	361,882	939,978	1,121,672	3,691,747
DEPRECIATION					
At 1 July 2012	25,882	255,490	359,659	622,574	1,263,605
Charge for the year	19,987	28,249	97,600	129,674	275,510
Disposals	-	-	(17,730)	(80,225)	(97,955)
Exchange differences	-	(1,362)	(2,116)	(1,377)	(4,855)
At 30 June 2013	45,869	282,377	437,413	670,646	1,436,305
NET CARRYING AMOUNT					
At 30 June 2013	1,222,346	79,505	502,565	451,026	2,255,442

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

Buildings and freehold land were last valued in July 2012 by Kiragu & Mwangi Limited, independent professional valuers. Valuations were made on the basis

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

At 30th June 2012	Buildings and freehold land	Improvements to premises	Plant and machinery	Vehicles and Equipment	Total
	KShs' 000	KShs'000	KShs'000	KShs'000	KShs'000
COST OR VALUATION					
At 1 July 2011	1,096,882	271,556	517,994	726,804	2,613,236
Increase on revaluation	171,333	-	-	-	171,333
Additions	-	46,258	331,887	337,397	715,542
Disposals	-	(1,107)	(29,889)	(66,688)	(97,684)
Exchange differences	-	(16,276)	(653)	(7,116)	(24,045)
At 30 June 2012	1,268,215	300,431	819,339	990,397	3,378,382
Comprising:					
Cost	6,882	300,431	819,339	990,397	2,117,049
Valuation	1,261,333	-	-	-	1,261,333
	1,268,215	300,431	819,339	990,397	3,378,382
DEPRECIATION					
At 1 July 2011	25,549	215,644	326,048	607,261	1,174,502
Eliminated on revaluation	(18,667)	-	-	-	(18,667)
Charge for the year	19,000	39,547	51,605	80,650	190,802
Disposals	-	(1,107)	(29,889)	(66,206)	(97,202)
Exchange differences	-	1,406	11,895	869	14,170
At 30 June 2012	25,882	255,490	359,659	622,574	1,263,605
NET CARRYING AMOUNT					
At 30 June 2012	1,242,333	44,941	459,680	367,823	2,114,777

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**3. (b) PROPERTY, PLANT AND EQUIPMENT
(GROUP)**

At 30th June 2013	Buildings and freehold land	Improvements to premises	Plant and machinery	Vehicles and Equipment	Total
	KShs' 000	KShs'000	KShs'000	KShs'000	KShs'000
COST OR VALUATION					
At 1 July 2012	1,268,215	270,271	399,561	800,166	2,738,213
Additions	-	57,279	102,057	207,387	366,723
Disposals	-	-	(17,730)	(80,225)	(97,955)
At 30 June 2013	1,268,215	327,550	483,888	927,328	3,006,981
Comprising:					
Cost	6,882	327,550	483,888	927,328	1,745,648
Valuation	1,261,333	-	-	-	1,261,333
At 30 June 2013	1,268,215	327,550	483,888	927,328	3,006,981
DEPRECIATION					
At 1 July 2012	25,882	220,674	275,771	565,696	1,088,023
Charge for the year	19,987	26,058	41,235	84,198	171,478
Disposals	-	-	(17,730)	(80,225)	(97,955)
At 30 June 2013	45,869	246,732	299,276	569,669	1,161,546
NET CARRYING AMOUNT					
At 30 June 2013	1,222,346	80,818	184,612	357,659	1,845,435

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

Buildings and freehold land were last valued in July 2012 by Kiragu & Mwangi Limited, independent professional valuers. Valuations were made on the basis of open market value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**3. (b) PROPERTY, PLANT AND EQUIPMENT
(GROUP) continued**

At 30th June 2012	Buildings and freehold land	Improvements to premises	Plant and machinery	Vehicles and Equipment	Total KShs'000
COST OR VALUATION	KShs' 000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 July 2011	1,096,882	236,476	325,850	654,621	2,313,829
Increase on revaluation	171,333	-	-	-	171,333
Additions	-	34,902	103,600	212,233	350,735
Disposals	-	(1,107)	(29,889)	(66,688)	(97,684)
At 30 June 2012	1,268,215	270,271	399,561	800,166	2,738,213
Comprising:					
Cost	6,882	270,271	399,561	800,166	1,476,880
Valuation	1,261,333	-	-	-	1,261,333
DEPRECIATION					
At 1 July 2011	25,549	186,160	286,657	585,408	1,083,774
Eliminated on revaluation	(18,667)	-	-	-	(18,667)
Charge for the year	19,000	35,621	19,003	46,494	120,118
Disposals	-	(1,107)	(29,889)	(66,206)	(97,202)
At 30 June 2012	25,882	220,674	275,771	565,696	1,088,023
NET CARRYING AMOUNT					
At 30 June 2012	1,242,333	49,597	123,790	234,470	1,650,190

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

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

4. INVESTMENT PROPERTIES

	Group 2013	Company 2012	Company 2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Balance brought forward	1,000,000	750,000	-	-
Change in fair value during the year	480,000	250,000	-	-
At 30 June	1,480,000	1,000,000	-	-

Investment properties relate to two pieces of land held by the company's subsidiary, Kasarani Mall Limited, under long-term lease arrangements with the Government of Kenya with Kasarani Mall Limited as the lessee. The land was valued at KShs.1.48 billion by Kiragu & Mwangi Limited, accredited independent valuers, as at 30 June 2013. The present value of the ground rent obligations is immaterial and thus, the valuation amount of KShs.1.48 billion (2012: KShs.1 billion) is equivalent to the fair values of these properties.

Additions relate to the cost incurred in constructing a perimeter wall around the properties.

5. INTANGIBLE ASSET

	Group 2013	Company 2012	Company 2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
COST				
Balance brought forward	58,288	45,568	56,561	44,313
Additions	13,851	12,663	13,851	12,248
Exchange difference	(50)	57	-	-
At 30 June	72,089	58,288	70,412	56,561

AMORTISATION

Balance brought forward	42,389	28,375	41,551	27,957
Amortisation for the year	8,019	13,995	7,629	13,594
Exchange difference	(26)	19	-	-
At 30 June	50,382	42,389	49,180	41,551

NET CARRYING AMOUNT

At 30 June	21,707	15,899	21,232	15,010
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6. PREPAID OPERATING LEASE RENTALS

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Balance brought forward	19,738	20,013	19,738	20,013
Amortisation for the year	(268)	(275)	(268)	(275)
At 30 June	19,470	19,738	19,470	19,738

Prepaid operating leases relate to one piece of land held by the company under a long term lease arrangement, with the Government of Kenya where the company is a lessee. The remaining lease period is 81 years.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	Shareholding	KShs'000
Uchumi Supermarkets (Uganda) Limited	100%	204,929
Uchumi Supermarkets (Tanzania) Limited	100%	200
Kasarani Mall Limited	100%	205,129
		205,129

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

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

8. TAXATION
8.1 STATEMENT OF FINANCIAL POSITION
INCOME TAX RECOVERABLE/(PAYABLE)

	Group 2013 KShs'000	2012 KShs'000	Company 2013 KShs'000	2012 KShs'000
Balance brought forward	5,300	93	255	(2,263)
Tax charge for the year	(6,916)	(6,963)	(6,916)	(6,963)
Prior year (under)/overprovision	3,753	4,399	(22)	2,457
Tax paid during the year	4,784	14,527	4,784	7,024
Exchange difference	(7,594)	(6,756)	-	-
At 30 June	(673)	5,300	(1,899)	255
Tax recoverable	1,226	5,044	-	-
Tax payable	(1,899)	256	(1,899)	255
	(673)	5,300	(1,899)	255

DEFERRED TAX ASSET

Movements in deferred tax during the year were as follows;
Group At 30 June 2013

	2012 KShs'000	Income statement KShs'000	Equity KShs'000	2013 KShs'000
Deferred tax asset is attributable to the following items:				
Tax losses carried forward	341,890	(126,974)	-	214,916
Excess of depreciation over tax allowances	45,797	4,893	-	50,690
Other temporary differences	26,128	(3,648)	-	22,480
Revaluation reserve	(216,487)	-	-	(216,487)
	197,328	(125,729)	-	71,599

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. TAXATION (Continued)
8.1 STATEMENT OF FINANCIAL POSITION (Continued)
DEFERRED TAX ASSET (Continued)
Group At 30 June 2012

Deferred tax asset is attributable to the following items:				
Tax losses carried forward	2011		Income statement	Equity
Excess of depreciation over tax allowances	468,001		(126,111)	-
Other temporary differences	50,770		(4,973)	-
Revaluation reserve	21,846		4,282	-
	(159,487)		-	(57,000)
	381,130		(126,802)	(57,000)
				197,328

Company				
At 30 June 2013	2012		Income statement	Equity
Tax losses carried forward	341,890		(126,974)	-
Excess of depreciation over tax allowances	45,797		4,893	-
Other temporary differences	22,353		127	-
Revaluation reserve	(216,487)		-	-
	193,553		(121,954)	-
				71,599

8. TAXATION (Continued)
8.1 STATEMENT OF FINANCIAL POSITION (Continued)
DEFERRED TAX ASSET (Continued)

Company At 30 June 2012	2011 KShs'000	Income statement KShs'000	Equity KShs'000	2012 KShs'000
Tax losses carried forward	468,001	(126,111)	-	341,890
Excess of depreciation over tax allowances	49,454	(3,657)	-	45,797
Other temporary differences	15,351	7,002	-	22,353
Revaluation reserve	(159,487)	-	(57,000)	(216,487)
	373,319	(122,766)	(57,000)	193,553

8.2

	Group		Company	
	2013	2012	2013	2012
Corporation tax	KShs'000	KShs'000	KShs'000	KShs'000
Prior year over /(under) provision	(6,916)	(6,963)	(6,916)	(6,963)
	3,753	4,399	(22)	363
	(128,892)	(129,366)	(128,892)	(129,366)
Accounting profit before tax	485,902	403,343	393,589	371,905
Tax calculated at tax rate of 30%	(145,771)	(121,003)	(118,077)	(111,572)
Tax effect of items not deducted for tax	16,879	(8,363)	(10,815)	(17,794)
	(128,892)	(129,366)	(128,892)	(129,366)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9. INVENTORIES

	Group 2013	Company 2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Food	444,602	437,313	348,666	328,260
Non-food	701,959	498,749	561,108	428,889
Other	38,504	131,897	36,297	44,914
	1,185,065	1,067,959	946,071	802,063

Other inventory relate to packaging materials and empties and crates.

10. TRADE AND OTHER RECEIVABLES

	Group 2013	Company 2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	85,634	142,328	76,60	114,075
Prepayments and other receivables	350,157	246,096	200,881	189,067
	435,791	388,424	277,741	303,142

Aging analysis of trade receivables:

Neither past due nor impaired
Past due but not impaired: 30 to 60 days
Impaired: Over 60 days

	56,317	116,533	36,388	94,194
	29,317	25,795	40,472	19,881
	28,898	28,854	24,698	24,698
	114,532	171,182	101,558	138,773
	(28,898)	(28,854)	(24,698)	(24,698)
	85,634	142,328	76,860	114,075

Allowance for credit losses

Movement in allowance for credit losses:

At 1 July	28,854	24,818	24,698	22,565
Income statement movement (Note 20)	44	4,036	-	2,133
At 30 June	28,898	28,854	24,698	24,698

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

There were no trade receivables written off during the year.

Neither past due nor impaired

The group classifies trade receivables under this category for receivables that are up to date with their payments and conforming to all the agreed terms and conditions. Such customers are financially sound and demonstrate capacity to continue to service their debts in the future.

11. RELATED PARTY TRANSACTIONS AND BALANCES

The company is related to various other entities through common shareholding and /or directorships. The following balances relating to transactions entered into with related parties arising from sale and purchase of goods/ services were outstanding at year end:

	Company	2012	2013
			KShs'000
i) Amounts due from related parties:			
Uchumi Supermarkets (Uganda) Limited	308,663	90,551	
Uchumi Supermarkets (Tanzania) Limited	324,413	312,942	
Kasarani Mall Limited	133,023	131,163	
	766,099	534,656	
ii) Amounts due to related parties:			
	Company	2012	2013
			KShs'000
Industrial and Commercial Development Corporation (ICDC)	369	369	
Kenya Wine Agencies Limited (KWAL)	15,685	12,510	
	Group	2012	2013
			KShs'000
		369	369
		12,510	15,685
		12,879	16,054

The balance due from Uchumi Supermarkets (Uganda) Limited relates to expenses paid by the group on behalf of the subsidiary. The balance due from Uchumi Supermarkets (Tanzania) Limited relates to costs incurred to set up the subsidiary which commenced operations in July 2011. The balance due from Kasarani Mall Limited relates to purchase and maintenance costs of the investment property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Purchases from KWAL	92,632	98,427	92,632	98,427
iii) Senior management compensation:				
Short term employee benefits	78,961	52,072	73,713	45,022
Post employment benefits	5,535	4,613	5,535	4,613
	84,496	56,685	79,248	49,635

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2013, the group did not record any impairment of receivables relating to amounts owed by related parties (2011: KShs Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

12. SHARE CAPITAL

	2013 KShs'000	2012 KShs'000
Authorised:		
500,000,000 (2012: 300,000,000) ordinary shares of KShs.5 each	2,500,000	1,500,000
25,000,000 preference shares of KShs.20 each	500,000	500,000
	3,000,000	2,000,000
Issued and fully paid:		
265,426,614 (2012: 265,426,614) ordinary shares of Shs.5 each	1,327,133	1,327,133

13. RESERVES

	Group 2013 KShs'000	2012 KShs'000	Company 2013 KShs'000	2012 KShs'000
Accumulated losses	(104,428)	(392,653)	(763,609)	(959,521)
Share premium	1,090,015	1,090,015	1,090,015	1,090,015
Revaluation reserve	689,816	700,658	689,816	700,658
Translation reserve	(77,124)	(67,343)	-	-
	1,598,279	1,330,677	1,016,222	831,152

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. LOANS Group Company

	Group 2013 KShs'000	2012 KShs'000	Company 2013 KShs'000	2012 KShs'000
Borrowings are made up as follows:				
a) Non-current				
Term loan	200,000	80,309	200,000	80,309
Current				
Bank overdraft	393,028	437,600	308,716	427,630
Term loan	180,309	104,843	180,309	104,843
	573,337	542,443	489,025	532,473
	773,337	622,752	689,025	612,782
Maturity profile of non-current borrowings				
Between 1 and 2 years	100,000	80,309	100,000	80,309
Between 2 and 5 years	100,000	-	100,000	-
	200,000	80,309	200,000	80,309
Term Loan				
Non-current				
ICDC	200,000	-	200,000	-
Government of Kenya	-	80,309	-	80,309
Current	200,000	80,309	200,000	80,309
ICDC	100,000	-	100,000	-
Government of Kenya	80,309	104,843	80,309	104,843
	180,309	104,843	180,309	104,843

14. LOANS (Continued)

The company acquired a new loan from ICDC in June 2013 of KShs.300 million at the base rate (currently 16%) to be repaid on a quarterly basis over a period of three years without a moratorium period.

The ICDC loan is secured by a first charge on LR 209/12593, a leasehold property.

The loan from the Government of Kenya was restructured in December 2009 with KShs.350 million converted into equity and the balance to be repaid up to December 2014. An amount of KShs 60 million is repayable every six months as per the loan agreement.

The Government of Kenya loan is secured by a debenture with a first legal charge over the entire assets of the company and with a floating charge over inventories and trade receivables.

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

	2013	2012
Term loan	9.50%	9.50%
Bank overdrafts	15.10%	14.50%

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Trade payables	1,596,030	1,444,094	1,041,394	923,156
Accrued expenses	197,656	77,881	106,947	68,887
Other payables	52,107	109,375	27,857	24,399
	1,845,793	1,631,350	1,176,198	1,016,442

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

	Group		Company	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
16. DEFERRED REVENUE				
At 1 July	17,097	47,688	15,168	47,688
Deferred during the year	92,691	85,748	84,101	83,819
Released to the income statement	(98,045)	(116,339)	(97,960)	(116,339)
	521	-	-	-
At 30 June	12,264	17,097	1,309	15,168

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

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
17. SALES				
Food	9,304,970	9,190,868	7,973,930	7,935,897
Personal care	2,916,613	2,702,045	2,507,038	2,324,650
General merchandise	1,844,198	1,709,254	1,565,456	1,444,489
Textiles	204,817	200,024	151,228	144,673
	14,270,598	13,802,191	12,197,652	11,849,709

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
18. COST OF SALES				
Food	7,567,373	7,658,306	6,513,40	6,663,826
Personal care	2,385,260	2,230,663	2,061,79	1,930,506
General merchandise	1,494,453	1,375,046	1,273,57	1,164,751
Textiles	153,062	143,212	111,694	100,743
	11,600,148	11,407,227	9,960,46	9,859,826

19. OTHER INCOME

Promotions income	89,487	64,835	76,497	64,834
Profit on disposal of property, plant and equipment	1,038	1,806	1,038	1,806
Speciality shop income	166,850	207,411	134,034	141,005
Miscellaneous income	170,284	96,133	142,736	96,133
Interest receivable	3,050	8,222	3,050	8,222
	430,709	378,407	357,355	312,000

20. ADMINISTRATION AND ESTABLISHMENT EXPENSES

Staff costs (Note 27)	1,084,642	914,078	836,323	666,195
Establishment costs	466,563	400,740	340,161	319,679
Rent	622,056	475,001	390,805	321,135
Computer expenses	25,552	23,392	21,844	20,364
Motor running expenses	39,320	39,047	39,276	37,231
Auditors' remuneration	13,795	10,800	8,400	7,000
Consultancy fees	46,925	39,490	42,625	36,181
Increase in allowance for credit losses	44	4,036	-	2,133
Credit card commission	43,594	39,899	43,136	39,409
Bank charges and commission	17,410	32,401	13,903	30,394
Amortisation of intangible asset	8,019	13,995	7,629	13,594
Amortisation of operating lease rentals	268	275	268	275
Depreciation of property and equipment	275,510	190,802	171,478	120,118
General expenses	411,967	388,293	253,418	288,622
	3,055,665	2,572,249	2,169,266	1,902,330

21. SELLING AND DISTRIBUTION

Marketing expenses	121,575	139,036	113,586	118,905
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22. FINANCE COSTS

Interest – unsecured loans	16,062	25,082	16,062	25,082
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23. PROFIT BEFORE TAX

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
The profit before tax is stated after charging:-				
Depreciation of property, plant and equipment	275,510	190,802	171,478	120,118
Amortisation of intangible asset	8,019	13,995	7,629	13,594
Amortisation of operating lease rentals	268	275	268	275
Auditors' remuneration	13,795	10,800	8,400	7,000
Directors' emoluments:				
-As executives	21,156	19,236	21,156	19,236
-As directors	3,143	905	3,143	905
And after crediting:				
Gain on disposal of property, plant and equipment	1,038	1,806	1,038	1,806

24. EARNINGS PER SHARE

The earnings per share is calculated on the profit after tax and on the number of ordinary shares in issue during the year, as follows:-

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Profit for the year	357,010	273,977	264,697	242,539
Number of ordinary shares	265,427	265,427	265,427	265,427
Profit per share – KShs.	1.35	1.03	1.00	0.91

25. DIVIDEND PROPOSED

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

	Group	
	2013	2012
	KShs'000	KShs'000
Final proposed dividend per share KShs.0.30 (2012: KShs.0.30)	79,627	79,627
Dividends paid	79,627	-

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Bank and cash balances	104,459	99,430	75,064	58,787
Short term deposits	-	33,033	-	33,033
Bank overdraft	(393,028)	(437,600)	(308,716)	(427,630)
	(288,569)	(305,137)	(233,652)	(335,810)

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group, and earn interest at a rate of 8.5%-11% (2012: 2.5%-15%).

The bank overdraft is secured by a debenture with a first legal charge over the entire assets of the company and with a floating charge over inventory and debtors.

27. EMPLOYEE BENEFITS

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Salaries	602,615	543,090	463,125	375,086
Medical	37,021	27,696	30,247	22,109
Pension	46,957	30,587	34,489	26,915
Other	398,049	312,705	308,462	242,085
	1,084,642	914,078	836,323	666,195

28. SEGMENT INFORMATION

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

28. SEGMENT INFORMATION

	Kenya KShs '000	Uganda KShs '000	Tanzania KShs '000	Group KShs '000	
Year ended 30 June 2012:					
Sales	11,849,709	1,592,186	360,296	-	13,802,191
Profit before tax	621,905	(75,853)	(142,709)	-	403,343
Current assets	1,731,936	309,006	87,860	(534,656)	1,594,146
Non-current assets	3,083,620	304,426	164,825	(205,129)	3,347,742
Total segment assets	4,815,556	613,432	252,685	(739,785)	4,941,888
Current liabilities	1,708,125	603,310	415,257	(522,923)	2,203,769
Non-current liabilities	80,309	-	-	-	80,309
Total segment liabilities	1,788,434	603,310	415,257	(522,923)	2,284,078

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

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

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

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by Risk and Compliance Committee.

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

Interest rate risk

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

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest margin may increase as a result of changes in the prevailing levels of base rates applied by ICDC and the Government of Kenya based on lending covenants entered into with the company. The balances outstanding as at 30 June 2013 are disclosed under note 14.

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

- Interest-bearing liabilities outstanding as at 30 June 2013 were outstanding at those levels for the whole year,
- All other variables are held constant.

If interest rates on bank overdraft had been 3 percent higher or lower, the group's net profit for the year ended 30 June 2013 would increase or decrease by KShs.12 million (2012 – KShs.13 million)

If interest rates on bank overdraft had been 3 percent higher or lower, the company's net profit for the year ended 30 June 2013 would increase or decrease by KShs.9 million (2012 – KShs.13 million)

The group's exposure to the risks associated with changes in interest rates is minimal as its borrowings are pegged to fixed interest rates that were agreed in advance and do not change. In light of this, the directors are of the opinion that any sensitivity analysis with respect to the interest rate risk would be unrepresentative.

Foreign currency exchange risk

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

Credit risk

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

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

	Group 2013 KShs'000	2012 KShs'000	Company 2013 KShs'000	2012 KShs'000
Bank balance	104,459	99,430	75,064	58,787
Short term deposits	-	33,033	-	33,033
Trade receivables	85,634	142,328	76,860	114,075
Amounts due from related parties	-	-	766,099	534,656
	190,093	274,791	918,023	740,551

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the rate of 8.5%-11% (2012: 2.5%-15%).

Liquidity risk

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

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

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

Liquidity risk analysis

At 30 June 2013	Group				
	Less than 1 year KShs'000	Between 1 and 2 years KShs'000	2 and 5 years KShs'000	Over 5 years KShs'000	Total KShs'000
Trade payables	1,596,030	-	-	-	1,596,030
Due to other related parties	16,054	-	-	-	16,054
Bank overdraft	393,028	-	-	-	393,028
Term loans	180,309	100,000	100,000	-	380,309
	2,185,421	100,000	100,000	-	2,385,421
At 30 June 2012					
Trade payables	1,444,094	-	-	-	1,444,094
Due to other related parties	12,879	-	-	-	12,879
Bank overdraft	437,600	-	-	-	437,600
Term loans	104,843	80,309	-	-	185,152
	1,999,416	80,309	-	-	2,079,725

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Company At 30 June 2013	Between				Total KShs'000
	Less than 1 year KShs'000	Between 1 and 2 years KShs'000	2 and 5 years KShs'000	Over 5 years KShs'000	
Trade payables	1,041,394	-	-	-	1,041,394
Due to other related parties	16,054	-	-	-	16,054
Bank overdraft	308,716	-	-	-	308,716
Term loans	180,309	100,000	100,000	-	380,309
	1,546,473	100,000	100,000	-	1,746,473
At 30 June 2012					
Trade payables	923,156	-	-	-	923,156
Due to other related parties	12,879	-	-	-	12,879
Bank overdraft	427,630	-	-	-	427,630
Term loans	104,843	80,309	-	-	185,152
	1,468,508	80,309	-	-	1,548,817

30. CAPITAL MANAGEMENT

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

The group manages the following components as part of capital:

	2013 KShs '000	2012 KShs '000
Share capital	1,327,133	1,327,133
Reserves	1,598,279	1,330,677
	2,925,412	2,657,810

31. CAPITAL COMMITMENTS

There were no contracted capital commitments as at 30 June 2013

32. OPERATING LEASE COMMITMENTS

Operating lease commitments – Group and company as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2013	2012	2013	2012
	KShs'000	KShs'000	KShs'000	KShs'000
Not later than one year	514,559	469,557	455,698	354,692
Later than one year and not later than five years	1,431,754	1,094,601	1,002,929	651,137
Later than five years	1,204,868	1,084,889	783,279	673,395
	3,151,181	2,649,047	2,241,906	1,679,224

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

33. CONTINGENT LIABILITIES

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

