

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS

AT

30 JUNE 2019

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

SECTIONS	Page
Company information	1-2
Report of the directors	3-5
Statement of directors' responsibilities	6
Report of the independent auditors	7-8
Consolidated statement of profit or loss and other comprehensive income	9
Company statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Company statement of financial position	12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated statement of cash flows	15
Company statement of cash flows	16
Notes to the financial statements	17-59

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

COMPANY INFORMATION

DIRECTORS

John Karani
Timothy Kabiru
Ministry of Trade
Industrial and Commercial
Development Corporation
Fred Rabongo
Baiju Shah
George Karanja
Yesse Oenga
Mohamed Mohamed
Mohamed Mohamed
John Mwara
Lawrence Ngao

Chairperson

Ambrose Ongango

Represented by Kennedy Wanderi
Appointed 2018
Appointed 01.05.18
Appointed 01.05.18
Appointed 2018
Appointed 2018
Resigned 2022
Appointed August 2023
Chief Executive Officer - Appointed Feb 2024

PRINCIPAL PLACE OF BUSINESS

Langata Hyper Mall, Carnivore Road
PO Box 73167 - 00200
Nairobi.

AUDITORS

Mugo Waweru & Associates
Certified Public Accountants of Kenya
Brunei House, 2nd Floor
P O Box 27705-00506
Nairobi.

REGISTRARS

Central Depository & Settlement Corporation (CDSC)
10th Floor, Europa Towers;
Lantana Road, off Rhapta Road, Westlands,
P.O Box 3464 - 00103
Nairobi.

REGISTERED OFFICE

Langata Hyper Mall, Carnivore Road
PO Box 73167 - 00200
Nairobi.

COMPANY SECRETARY

CS. Judith Matata

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

COMPANY INFORMATION (CONTINUED)

BANKERS

Kingdom Bank Limited
Argwings Kodhek Close
P.O. Box 22741-00400
Nairobi

KCB Bank Kenya Limited
Kencom House
Moi Avenue
P.O. Box 48400 - 00100
Nairobi

Equity Bank Limited
NHIF Building
Upper Hill Road
P.O. Box 75104 - 00200
Nairobi

Co-operative Bank of Kenya Limited
Nairobi Business Centre
Haile Selassie Avenue
P.O. Box 19555
Nairobi

UBA Kenya Bank Ltd Limited
2nd Floor, Imperial Court Westlands
P O Box 31154-00100
Nairobi

UCHUMI SUPERMARKETS PLC

Under Company Voluntary Arrangement

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

REPORT OF THE DIRECTORS

The Directors submit their Report and the Audited Consolidated and Separate Financial Statements for the year ended 30 June 2019 which discloses the state of affairs of Uchumi Supermarkets Plc (formerly Uchumi Supermarkets Limited) the “Company” and its subsidiaries, together the “Group”.

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 22 to the Financial Statements.

2. Results

The Group’s and the Company’s results are set out on pages 9 and 11 respectively.

3. Dividend

The Directors do not recommend payment of a dividend in respect to the year ended 30 June 2019 (2018 – Nil).

4. Shareholding by Directors

The following Directors held the number of shares indicated below as at 30 June 2019.

Name	Number of Shares
Timothy Mwaniki	2,556,100
John Karani Ndiwa & Charles Thinwa	13,000
John Karani Ndiwa	4,184

5. Business Overview

a) General

The withdrawal, in December 2017, of the Strategic Investor that had been expected to inject up to Kshs. 3.5 billion into the business was a big set back to the Company’s turnaround plan. As a result, the disposal of Kasarani Mall Limited’s Investment Property became a priority. The sale was expected to yield Kshs. 2.8 billion from which a comprehensive debt restructuring plan was to be anchored to facilitate the settlement of some creditors and the financing of working capital.

UCHUMI SUPERMARKETS PLC

Under Company Voluntary Arrangement

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

5. Business Overview (Continued)

a) General (Continued)

Three additional branches (Nairobi West, Ngong Hyper and Buru Buru) were closed. A “franchise agreement” was entered into with Aljazeera Limited to operate the supermarket business at Nairobi West.

b) Financial Performance

Following the reduction of marketing outlets, lower inventories and weakened purchasing power, the Group’s revenue decreased significantly, alongside the operating expenses. The Sales were Kshs. 126.5 million (2018: Kshs. 847.6 million). The drop was 85%.

As a result of reduced sales, the Gross Profit was KShs 33.9 million. A sharp decrease from Kshs. 145.3 million in the previous year. Other income also decreased to KShs. 31.7 million (2018: KShs 107.8 million). The total income was Kshs. 65.7 million (2018: Kshs. 253.1 million).

Operating expenses were Kshs. 630 million (2018: KShs 1.63 billion). Staff and Administrative costs represented 92% of the total expenditure. The Group posted an operating loss of KShs. 564 million (2018: KShs 1.38 billion). The total comprehensive loss for the year was KShs. 1.14 billion (2018: Kshs, 1.73 billion).

As at 30th June 2019, the Group’s total assets amounted to KShs 3.84 billion (2018: KShs 3.91 billion). The total liabilities were Kshs. 10.13 billion (2018: KShs. 9.06 billion). The net working capital was negative Kshs. 7.84 billion (2018: Kshs. 7.44 billion). The Group’s Shareholders’ Fund was a deficit of Kshs. 6.25 billion (2018: (Kshs. 5.15 billion).

b) Going Concern

The Company continues to operate under severe financial constraints. The shareholders’ funds are in the negative and the short-term obligations far exceed the current assets. The Directors are well aware of the material uncertainty surrounding the Group’s ability to continue as a going concern. Various strategic initiatives were undertaken towards the restoration of the business’s viability, including:

- Active engagement with creditors towards debt restructuring;
- Closure of non-performing branches;
- Cost rationalization across the board.

UCHUMI SUPERMARKETS PLC

Under Company Voluntary Arrangement

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

5. Employees

The Directors are pleased to record their appreciation for the untiring efforts of all employees of the Group. The average number of employees in 2019 was 285 (2018 – 728).

6. Directors remuneration

Director's remuneration for the year ended 30 June 2019 was KShs. 28.7 million (2017: KShs.17.5 million). These sums remain as part of the payables.

7. Relevant audit information

The Directors in office at the date of this report confirm that:

- (i) There is no relevant audit information of which the Group and Company's auditor is unaware; and
- (ii) Each of the Directors have taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

8. 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 and Company misleading.

9. Auditors

The Company's auditors, Mugo Waweru & Associates, have expressed their willingness to continue in office in accordance with the requirements of the Kenyan Companies Act, 2015.

10. Approval of financial statements

The financial statements were approved at the meeting of the Board of Directors held on 30th May, 2025.

BY ORDER OF THE BOARD



COMPANY SECRETARY

UCHUMI SUPERMARKETS PLC

Under Company Voluntary Arrangement

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of Uchumi Supermarkets PLC set out on pages 9 to 59, which comprise the consolidated and company statements of financial position as at 30 June 2019, and the consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

The directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Companies Act, 2015 the directors are required 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 for that year. It also requires the directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

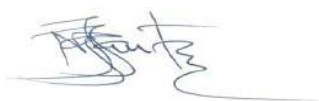
The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2015. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the Group and the Company's ability to continue as a going concern and have prepared the Company and Group financial statements on the bases of accounting applicable to a going concern. The directors, however, are aware of the existence of a material uncertainty that may cast significant doubt about the Group and Company's ability to continue as a going concern. Directors have put in place initiatives disclosed at note 2(e) to the financial statements to enable the Group and Company to continue meeting its obligations as and when they fall due.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 30th May, 2025 and were signed on its behalf by:



Date:



Mugo Waweru & Associates

Certified Public Accountants of Kenya
Brunie House, 2nd Floor, Witu Road Next to G4S Security
P.O. Box 27705-00506, Nyayo Stadium,
Tel: 020 244 6879 / 80, 0723 818588 / 0738 828 105
NAIROBI.
Email: info@mugowaweru.com

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

Report on the consolidated and company financial statements

We have audited the consolidated and company financial statements of Uchumi Supermarkets PLC set out on pages 9 to 59, which comprise the consolidated and company statements of financial position as at 30 June 2019, and the consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As stated on page 6, 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 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 misstatements, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Basis for disclaimer of opinion

- A. We were appointed as auditors of the consolidated and company financial statements on 7th November, 2024 for the audit of the year ended 30 June 2019. In the course of our audit, the following limitations on the scope of audit were experienced: -

Basis for disclaimer of opinion (Continued)

- a) A number of accounting and other records, stocks and assets were reported lost during the process of eviction and forced branch closures;
- b) The fixed assets register had not been reconciled to the General Ledger;
- c) Due to the time that had elapsed before the audit, debtors and creditor balances could not be satisfactorily re-confirmed.

In the circumstances, we were unable to determine whether any adjustments might have been necessary in respect of the consolidated and company financial statements.

- B. As disclosed in Note 39(b), Insolvency Petition Number 25 of 2018 against the Company was marked as settled consequent to the Court's approval of the Company's Voluntary Arrangement ("CVA") with creditors dated 2nd March, 2020. The Arrangement is dependent on the disposal of the investment property disclosed in Note 22.

In 2019, Kenya Defence Forces forcefully entered the property and claimed ownership. The Company instituted Case Number ELC E010 of 2022 against the Forces.

On 19th May, 2025, the Court entered judgement against the Company and revoked the certificate of title. As a result, successful realization of the proposed arrangement with creditors remained doubtful. We were in the circumstances unable to determine the suitability of the preparation of the financial statements on a going concern basis.

Because of the significance of the matters described in A and B above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and company financial statements. Accordingly, we do not express an opinion on the consolidated and company financial statements.

Report on other legal requirements

Because of the significance of the matters described in the Basis of Disclaimer, we are unable to report on other legal requirements.

The Engagement Partner responsible for the audit resulting in this independent auditors' report is **CPA Gabriel W Wainaina P.764**

Gabriel W Wainaina & Associates

Date: 16th September 2025.

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		2019 KShs "000"	2018 KShs "000"
Revenue			
Sales	7	126,508	847,636
Cost of sales	8	(92,514)	(702,310)
Gross profit		<u>33,994</u>	<u>145,326</u>
Other income	9	<u>31,779</u>	<u>107,850</u>
		<u>65,773</u>	<u>253,176</u>
Expenses			
Administration Costs	11	(379,092)	(814,630)
Staff Costs	12	(200,374)	(654,387)
General Expenses	13	(24,304)	(109,970)
Legal & Professional Expenses	14	(23,990)	(46,442)
Marketing Expenses	15	(2,763)	(11,503)
		<u>(630,523)</u>	<u>(1,636,932)</u>
Loss from operating activities		(564,750)	(1,383,756)
Provisions and write offs	16	(48,435)	(38,791)
		(613,185)	(1,422,547)
Finance costs (Net)	17	(437,654)	(381,014)
Loss before tax	18	<u>(1,050,839)</u>	<u>(1,803,561)</u>
Income tax (expense)/credit	19(a)	<u>-</u>	<u>-</u>
Loss for the year		(1,050,839)	(1,803,561)
Other comprehensive income			
Non Trading Income / (Expenditure)	10	<u>(93,177)</u>	<u>72,370</u>
Total comprehensive income for the year		<u>(1,144,016)</u>	<u>(1,731,191)</u>
Earnings per share (Basic and diluted) – KShs	20	<u>(3.13)</u>	<u>(4.74)</u>

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)
COMPANY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

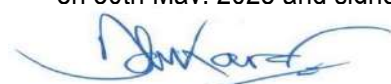
		2019 KShs "000"	2018 KShs "000"
Revenue			
Sales	7	126,508	847,636
Cost of sales	8	(92,514)	(702,310)
Gross profit		<u>33,994</u>	<u>145,326</u>
Other income	9	<u>31,779</u>	<u>107,850</u>
		<u>65,773</u>	<u>253,176</u>
Expenses			
Administration Costs	11	(379,092)	(814,630)
Staff Costs	12	(200,374)	(654,387)
General Expenses	13	(24,304)	(109,970)
Legal & Professional Expenses	14	(23,990)	(21,629)
Marketing Expenses	15	<u>(2,763)</u>	<u>(11,503)</u>
		<u>(630,523)</u>	<u>(1,612,119)</u>
Loss from operating activities		(564,750)	(1,358,943)
Provisions and write offs	16	(48,435)	(38,791)
		(613,185)	(1,397,735)
Finance costs (Net)	17	<u>(437,654)</u>	<u>(381,014)</u>
Loss before tax	18	<u>(1,050,839)</u>	<u>(1,778,749)</u>
Income tax (expense)/credit	19(a)	<u>-</u>	<u>-</u>
Loss for the year		(1,050,839)	(1,778,749)
Other comprehensive income			
Non Trading Gain / (Loss)	10	<u>27,123</u>	<u>72,370</u>
Total comprehensive income for the year		<u>(1,023,716)</u>	<u>(1,706,379)</u>
Earnings per share (Basic and diluted) – KShs	20	<u>(2.80)</u>	<u>(4.68)</u>

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30 June	2019	2018
	Notes	KShs "000"	KShs "000"
ASSETS			
Non - Current Assets			
Property and equipment	21	901,779	1,005,586
Investment Property	22	2,600,000	2,600,000
Intangible assets	23	-	1,409
Prepaid operating lease	24	17,497	17,765
Investment in Subsidiaries	25	<u>3,519,276</u>	<u>3,624,760</u>
Current Assets			
Inventories	27	35,788	50,123
Trade and other receivables	28	286,150	229,925
Due from related parties	29(a)	501	501
Bank and cash balances	30	<u>2,414</u>	<u>12,153</u>
		<u>324,853</u>	<u>292,702</u>
TOTAL ASSETS		<u>3,844,129</u>	<u>3,917,462</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	31	1,824,808	1,824,808
Share premium account	32	1,371,057	1,371,057
Revaluation reserve	32	755,569	755,569
Reserves (Deficit)	32	<u>(10,237,354)</u>	<u>(9,093,338)</u>
		<u>(6,285,920)</u>	<u>(5,141,904)</u>
Non Current Liabilities			
Deferred Tax	26	125,750	125,750
Term loans	33	942,857	1,165,938
Finance Leases	34	<u>903,966</u>	<u>39,477</u>
		<u>1,972,573</u>	<u>1,331,165</u>
Current Liabilities			
Trade and other payables	35	6,322,332	5,768,397
Term loans	33	831,911	440,382
Finance Leases	34	-	683,473
Deferred revenue	36	87,852	87,718
Tax payable	19(a)	9,167	9,227
Bank overdraft	30	<u>906,214</u>	<u>739,004</u>
		<u>8,157,476</u>	<u>7,728,201</u>
TOTAL EQUITY AND LIABILITIES		<u>3,844,129</u>	<u>3,917,462</u>

The financial statements on pages 17 to 59 were approved and authorized for issue by the Board of Directors on 30th May, 2025 and signed on its behalf by:



John Karani
Chairperson



Lawrence Ngao
Chief Executive Officer

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

COMPANY STATEMENT OF FINANCIAL POSITION

	AS AT 30 June		2019	2018
ASSETS	Notes		KShs "000"	KShs "000"
Non - Current Assets				
Property and equipment	21		901,779	1,005,586
Intangible assets	23		-	1,409
Prepaid operating lease	24		17,497	17,765
Investment in Subsidiaries	25		200	200
			919,476	1,024,960
Current Assets				
Inventories	27		35,788	50,123
Trade and other receivables	28		286,150	229,925
Due from related parties	29(a)		134,003	134,004
Bank and cash balances	30		2,414	12,153
			458,355	426,205
TOTAL ASSETS			1,377,831	1,451,165
EQUITY AND LIABILITIES				
Equity				
Share Capital	31		1,824,808	1,824,808
Share premium account	32		1,371,057	1,371,057
Revaluation reserve	32		755,569	755,569
Reserves (Deficit)	32		(12,433,182)	(11,409,466)
			(8,481,748)	(7,458,032)
Non Current Liabilities				
Term loans	33		942,857	1,165,938
Finance Leases	34		903,966	39,478.0
			1,846,823	1,205,416
Current Liabilities				
Trade and other payables	35		6,177,612	5,743,978
Term loans	33		831,911	440,382
Finance Leases	34		-	683,472.0
Deferred revenue	36		87,852	87,718
Tax payable	19(a)		9,167	9,227
Bank overdraft	30		906,214	739,004.0
			8,012,756	7,703,781
TOTAL EQUITY AND LIABILITIES			1,377,831	1,451,165

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	KShs "000"	KShs "000"	KShs "000"	KShs "000"	KShs "000"
2019:					
At 1st July, 2018	1,824,808	1,371,057	755,569	(9,093,337)	(5,141,904)
Loss for the year	-	-	-	(1,144,016)	(1,144,016)
Total comprehensive income				(1,144,016)	(1,144,016)
At 30th June, 2019	1,824,808	1,371,057	755,569	(10,237,353)	(6,285,920)
2018:					
At 1st July, 2017	1,824,808	1,371,057	755,569	(7,362,145)	(3,410,712)
Loss for the year	-	-	-	(1,731,191)	(1,731,191)
Total Comprehensive Income	-	-	-	(1,731,191)	(1,731,191)
At 30 June 2018	1,824,808	1,371,057	755,569	(9,093,337)	(5,141,904)

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

COMPANY STATEMENT OF CHANGES IN EQUITY

	KShs "000"	KShs "000"	KShs "000"	KShs "000"	KShs "000"
2019:					
At 1st July, 2018	1,824,808	1,371,057	755,569	(11,409,465)	(7,458,032)
Loss for the year	-	-	-	(1,023,716)	(1,023,716)
Total comprehensive income				(1,023,716)	(1,023,716)
At 30th June, 2019	1,824,808	1,371,057	755,569	(12,433,181)	(8,481,748)
2018:					
At 1st July, 2017	1,824,808	1,371,057	755,569	(9,703,086)	(5,751,653)
Loss for the year	-	-	-	(1,706,379)	(1,706,379)
Total Comprehensive Income	-	-	-	(1,706,379)	(1,706,379)
At 30 June 2018	1,824,808	1,371,057	755,569	(11,409,465)	(7,458,032)

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 KShs "000"	2018 KShs "000"
Loss before income tax		(1,023,716)	(1,731,191)
Adjustments for:			
Depreciation of property and equipment	21	103,807	142,490
Amortisation of intangible assets	23	1,409	3,828
Amortisation of prepaid operating lease	24	269	269
Finance expense	17	437,654	381,014
Operating loss before working capital changes		(480,577)	(1,203,591)
Trade and other receivables	28	(56,225)	166,195
Inventories	27	14,335	104,336
Trade and other payables	35	433,635	459,316
Deferred revenue	36	135	2,875
Net Movement in Related Parties	29(a)	1	
Cash outflows from operations		(88,696)	(470,869)
Tax paid	19	(60)	1,720
Net cash generated from/(used in) operating activities		(88,756)	(469,149)
Investing activities			
Purchase of property and equipment	21	-	(112)
Net cash used in investing activities		-	(112)
Financing activities			
Finance cost	17	(437,654)	(381,014)
Increase in Long Term Borrowings	33	168,448	700,000
Repayments of Long Term Borrowings	33	-	(157,247)
Increase in Finance Lease Obligation	34	181,016	111,617
Repayment of Finance Lease Obligation	34	-	(12,655)
Net cash (used in) /generated from financing activities		(88,190)	260,702
Net decrease in cash and cash equivalents		(176,946)	(208,560)
Cash and cash equivalents at the beginning of the year		(726,852)	(518,292)
Cash and cash equivalents at the end of the year	30	(903,798)	(726,852)

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

COMPANY STATEMENT OF CASH FLOWS

	Notes	2019 KShs "000"	2018 KShs "000"
Loss before income tax		(1,023,716)	(1,706,379)
Adjustments for:			
Depreciation of property and equipment	21	103,807	142,490
Amortisation of intangible assets	23	1,409	3,828
Amortisation of prepaid operating lease	24	269	269
Finance expense	17	437,654	381,014
Operating loss before working capital changes		(480,577)	(1,178,778)
Trade and other receivables	28	(56,225)	166,195
Inventories	27	14,335	104,336
Trade and other payables	35	433,634	434,901
Deferred revenue	36	135	2,875
Net Movement in Related Parties	29(a)	1	(399)
Cash outflows from operations		(88,697)	(470,871)
Tax paid	19	(60)	1,720
Net cash generated from/(used in) operating activities		(88,757)	(469,151)
Investing activities			
Purchase of property and equipment	21	-	(112)
Net cash used in investing activities		-	(112)
Financing activities			
Finance cost	17	(437,654)	(381,014)
Increase in Long Term Borrowings	33	168,448	700,000
Repayments of Long Term Borrowings	33	-	(157,247)
Increase in Finance Lease Obligation	34	181,016	111,617
Repayment of Finance Lease Obligation	34	-	(12,655)
Net cash (used in) /generated from financing activities		(88,190)	260,702
Net decrease in cash and cash equivalents		(176,947)	(208,561)
Cash and cash equivalents at the beginning of the year		(726,853)	(518,292)
Cash and cash equivalents at the end of the year	30	(903,801)	(726,853)

The notes on page 17 to 59 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. REPORTING ENTITY

Uchumi Supermarket Plc (formerly Uchumi Supermarkets Limited) (the “Company”) is a limited liability Company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The Company operates retail supermarkets in Kenya. The address of its registered office is as shown on page 1.

The Company’s shares are listed on the Nairobi Securities Exchange.

2. BASIS OF PREPARATION

a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2015.

For Companies Act, 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis of accounting except for land and buildings and investment properties, which have been measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Kenya shillings (KShs), which is the Company’s functional currency. Except as otherwise indicated, financial information presented in Kenya shillings has been rounded to the nearest thousand (KShs’000).

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the Directors’ best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 BASIS OF PREPARATION (Continued)

e) Going concern

The Group and Company incurred net losses after tax of KShs 1,144 million and KShs 1,023 million during the year ended 30 June 2019 (2018 – KShs 1,731 million and KShs 1,706) respectively and as of that date, the Group's and Company's current liabilities exceeded their current assets by KShs 7,832 million and KShs 7,554 million (2018 – KShs 7,554 million and KShs 7,277 million) respectively.

The Directors prepared the Consolidated and Company financial statements on a going concern basis since as at the end of the accounting period, they were confident that the initiatives described here below provided a reasonable expectation that the Group and Company would be able to meet their liabilities as and when they fell due and have adequate resources to continue in operational existence for at least twelve months, from the date of approval of the financial statement:-

(i) Franchising

The Company intended to venture into Franchising as the vehicle to increase sales volume while transferring risks associated with the purchase and management of new sales outlets. The immediate focus of the business was to get the required capital injection to ensure optimal stocking in all branches. The growth strategy pertaining to the franchise model was to depend on the success of the existing branches and the timing and receipt of funds from the investors.

(ii) Strategic investor

The shareholders of the Company had approved the identification of suitable investors to raise funds to a maximum of Kenya Shillings five billion by way of debt capital through the issue of convertible debt instruments or by way of equity capital through private transfer of shares in Uchumi Supermarkets PLC to the investor or a combination of both options.

(iii) Debt restructuring

Uchumi Supermarkets PLC and its creditors were actively engaged in discussions over debt restructuring. On 1st October, 2020 the Court approved the Company Voluntary Arrangement entered into with Creditors on 2nd March, 2020.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these financial statements.

a) Basis of combinations

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisitions is generally measured at fair value as is the net identifiable assets acquired. Any goodwill that arises is tested annually for

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of combinations (Continued)

(i) Business Combinations (Continued)

impairment. Any gain on bargain purchase is recognized in the profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(iii) Loss of control

When the Group has lost control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

b) Transactions in foreign currencies

Transactions in foreign currencies during the year are converted into the respective functional currencies of Group entities at rates prevailing at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rates ruling at the reporting date. The resulting differences from conversion are recognized in profit or loss in the year in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated at the exchange rate ruling at the transaction date.

b) Revenue recognition

Revenue from the sales of goods is recognized 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 recognized 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

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition (Continued)

.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. Other operating revenue is recognized at the time the service is provided.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the Group's rights to receive payment as a shareholder have been established.

c) 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 recognized 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.

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of the business including direct material costs and other overheads incurred to bring the asset to the existing location and condition. Cost is determined by the weighted average cost method. Net realizable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Provision for obsolescence is made on the basis of the historical trend which considers 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%

e) Inventories

Nonfood items

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

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Property and equipment

(i) Recognition, measurement and subsequent expenditure

Land and buildings are initially measured at cost and then are subsequently measured at the fair value on the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Other categories of property and equipment are included in the financial statements at their historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of the property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in profit or loss.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognized in profit or loss in the year in which they arise.

(ii) Depreciation

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amount to their residual values over the estimated useful lives. The depreciation rates for the current and comparative year are as follows:

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

The depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Revaluation

Land and buildings are revalued every two years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax is recognized in other comprehensive income and presented in the revaluation reserve within equity.

Revaluation decreases that offset previous increases of the same asset are charged or recognized in other comprehensive income with all other decreases being charged to profit or loss.

Revaluation surpluses are not distributable. When a revalued asset is disposed of, any revaluation surplus is transferred directly to retained earnings.

(iv) Non-depreciable items

These are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management. In the event of partially completed construction work that has necessitated advance or progress payments, or work-in-progress, depreciation will only commence when the work is complete. Fixed assets are classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably.

Amounts held within work in progress that are substantially complete, in common with other fixed assets, are assessed for impairment.

g) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal Group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on re-measurement are recognized in profit or loss.

Once classified as held for sale, intangible assets and property and equipment is no longer depreciated and any equity accounted investee is no longer equity accounted.

h) Intangible assets - Capitalized software

The costs incurred to acquire and bring to use specific computer software licences are capitalized. Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses.

Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete the development. Internally developed software is stated at cost less accumulated amortization and accumulated impairment losses.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Intangible assets - Capitalized software (Continued)

Subsequent expenditure on software is capitalized only if the definition of an intangible asset and the recognition criteria are met. All other expenditure is expensed as incurred.

The costs are amortized on a straight-line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Amortization methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

i) Leased Assets

(i) Finance Lease

Leases of property and equipment, where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to the profit or loss over the lease period and is included under finance costs. Such property and equipment is depreciated over its useful life.

(ii) Operating lease

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

j) Employee benefits

(i) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) Leave accrual

The monetary value of the unutilized leave by staff as at year end is carried in the accruals as a payable and a movement in the year is recognized in profit or loss.

(iv) Defined contribution plan

The Group and all its employees also contribute to the National Social Security Fund in, which is a defined contribution scheme in Kenya. Contribution to the defined retirement benefit scheme is as follows:

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Employee benefits (Continued)

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

The Group's contributions to defined contribution schemes are charged to the profit or loss in the year to which they relate. The Group has no further obligation once the contributions have been paid.

k) Taxation

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, or other comprehensive income, in which case it is recognized in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit. Deferred tax is not recognized on the initial recognition of goodwill as well as differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied on the temporary differences when they reverse, based on tax laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional tax and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

l) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash in hand, bank balances and short term deposits net of bank overdrafts.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognized as a deduction to equity. Any premium received over and above the par value of the shares is classified as “share premium” in equity.

n) Financial instruments

(i) Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The Group recognizes loans and receivables on the date when they are originated. These assets are initially recognized at fair value plus any directly attributable transaction cost. All other financial assets and liabilities are recognized on the trade date which is the date on which the Company becomes party to the contractual provisions of the financial instrument.

(ii) Classification

The Group classifies its financial assets into three categories as described below. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Loans and Receivables

Loans and receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables comprise trade and other receivables, amounts due from related parties and cash and bank balances.

These are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities

Other financial liabilities are measured at amortized cost. These include trade and other payables, finance lease obligations, loans and borrowings and provisions for liabilities and charges.

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial instruments (Continued)

(iv) De-recognition

A financial asset is derecognized when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished, cancelled or expires.

(v) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(vi) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

o) Impairment of Financial assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Impairment of Financial assets (Continued)

(ii) Non-financial assets (Continued)

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash flows that largely are independent from other assets and Groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units reduce the carrying amount of the other assets in the unit (Group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(ii) Earnings per share (EPS)

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, those that take substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Other borrowing costs are recognized as an expense.

q) Provisions for liabilities

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost.

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions for restructuring are recognized when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Provisions for liabilities (Continued)

Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

r) Investments in subsidiaries

Investments in subsidiaries are carried in the Company's separate statement of financial position at cost less provisions for impairment losses. Impairment loss is recognized as an expense in the period in which the impairment is identified.

s) Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

t) Dividends

Dividends are recognized as a liability in the period in which they are declared.

u) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

v) Comparatives

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

w) New standards, amendments and interpretations

(i) The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2018:

IFRS 9 Financial Instruments

The Group adopted IFRS 9 Financial Instruments (IFRS 9). As a result of the application of IFRS 9, there was a change in the accounting policies and these new policies were applicable from 1 July 2018. As permitted by the transition provisions of IFRS 9, the Group elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with the previous accounting policies, as indicated below. New or amended disclosures have been provided for the current period where applicable, and comparative period disclosures are consistent with those made in the prior year.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations (Continued)

(i) The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2018: (Continued)

IFRS 9 Financial Instruments (Continued)

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurement of financial assets

Upon adoption of IFRS 9, all recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group primarily holds trade receivables and bank balances as its financial assets. The Directors of the Group reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that with the initial application of IFRS 9 the trade receivables and bank balances that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Classification of financial assets in accordance with IFRS 9 has therefore not had any impact on the Group's financial statements in the current or prior years.

Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of financial liabilities designated as at fair value through profit or loss (FVTPL) attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

There were no financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. Therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations (Continued)

(i) The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2018: (Continued)

IFRS 9 Financial Instruments (Continued)

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The amendment to IFRS 9 in relation to the impairment of financial assets did not have a material impact on the Group's financial statements.

General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years as the Group has no hedging relationships that go through hedge accounting as per IFRS 9.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The Group adopted the amendments beginning 1 July 2018. The application of the amendments has had no impact on the financial statements as the Group does not have any cash-settled share-based payment arrangements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations (Continued)

(i) The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2018: (Continued)

IFRIC 22: Foreign Currency Transactions and Advance Consideration (Continued)

monetary liability (e.g. a non-refundable deposit or deferred revenue). The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group adopted the interpretation beginning 1 July 2018. The adoption of the interpretation has had no impact on the financial statements as the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the requirements of the interpretation.

(ii) Relevant new standards and interpretations not yet adopted by the Group

IFRS 16 Leases

The new standard specifies how an entity will recognize, measure, present and disclose leases. The standard introduces a new lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee will be required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. Application of IFRS 16 during the financial year 2020 will require right-of-use assets and lease liabilities to be recognized in respect of most operating leases where the Group is the lessee. Based on the Directors' preliminary assessment, the new standard will not have a material impact on the Group's financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations (Continued)

(ii) Relevant new standards and interpretations not yet adopted by the Group

Annual Improvements to IFRS Standards 2015-2017 Cycle (Continued)

IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

I AS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

(iii) Early adoption of standards

The Group did not early adopt new or amended standards in the year ended 30 June 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the notes below:

a) Critical accounting estimates

(i) Property and equipment and intangible assets

Useful life of assets

Critical estimates are made by Directors in determining the useful lives of property and equipment based on the intended use and economic lives of those assets.

Intangible assets - Capitalized software

Critical estimates are made by management to determine the period over which to amortise both purchased and internally developed software.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(ii) Revaluation of land and buildings and investment property

Certain items of property and equipment are measured at revalued amounts. The fair value is determined based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. The fair value of investment property is based on assumptions disclosed at Note 19.

(iii) Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Trade receivables

The Group assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

(iv) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All financial instruments are initially recognized at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognized when the valuation technique used is based solely on observable market inputs.

Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value, with changes in fair value either reported within profit or loss or within other comprehensive income until the instrument is sold or becomes impaired.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in the Fair Value hierarchy based on inputs used in the valuation techniques as follows:

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the Directors have made judgments in determining:

- the classification of finance and operating leases.
- whether financial and non-financial assets are impaired.
- the assessment of going concern assumptions.
- The assessment of contingent liabilities.
- Renewal of lease relating to investment property.

5. FINANCIAL RISK MANAGEMENT

The Group carries out its activities in an extremely dynamic, and often highly volatile, commercial environment. Therefore, both opportunities and risks are encountered as part of everyday business for the Group. The Group's ability to recognize, successfully control and manage risks early in their development and to identify and exploit opportunities is key to its ability to successfully realize the corporate vision.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Changing market conditions expose the Group to various financial risks and management have highlighted the importance of financial risk management as an element of control for the Group. The policy of the Group is to minimize the negative effect of such risks on cash flow, financial performance and equity.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's

management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's risk management framework

The Company's Board of Directors has overall responsibility for the establishment of an oversight of the Group's risk management framework. The Board of Directors has established the Risk and Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. FINANCIAL RISK MANAGEMENT (Continued)

The Group's risk management framework (Continued)

The Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Group. The Risk and Compliance Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk and Compliance Committee.

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

a) Market risk

Market risk is the risk that changes in market prices, such as changes in interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing returns.

b) 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 Group's maximum exposure to credit risk as at 30 June is made up as follows:

		Group	
		2019	2018
	Notes	Kshs. "000"	Kshs. "000"
Bank Balances	30	2,130	11,713
Trade Receivables	28	123,386	110,071
Amounts due from related parties	29	501	501
Other Receivables	28	162,764	119,854
		288,781	242,139

The Directors believe that the unimpaired amounts that are past due are still collectible in full based on historic payment behaviour and extensive analysis of customer credit risk. The movement in allowance for credit losses has been disclosed at Note 28.

c) 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.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. FINANCIAL RISK MANAGEMENT (Continued)

The Group's risk management framework (Continued)

c) Liquidity risk (Continued)

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 overdraft facilities to ensure that the Group's financial obligations are met.

The Group's non derivative financial liabilities analyzed into relevant maturities based on remaining period to end of the contractual maturity date is as below. The amounts are gross and undiscounted and include interest payments.

At 30 June 2019

	Less than 1 Year Kshs. "000"	Between 1 -5 Years Kshs. "000"	Kshs. "000"
Trade and Other Payables	6,177,609	-	6,177,609
Bank Overdraft	906,214	-	906,214
Term Loans	0	1,446,599	1,446,599
Obligations under Finance Lease	4,292	621,482	625,774
Interest Payable on Term Loans	168,808	159,361	328,169
Interest Payable on Leases	153,969	124,223	278,192
	7,410,892	2,351,665	9,762,557

At 30 June 2018

	Less than 1 Year Kshs. "000"	Between 1 -5 Years Kshs. "000"	Kshs. "000"
Trade and Other Payables	5,742,195	-	5,742,195
Bank Overdraft	739,004	-	739,004
Term Loans	707,168	739,431	1,446,599
Obligations under Finance Lease	58,032	541,092	599,124
Interest Payable on Term Loans	127,059	32,662	159,721
Interest Payable on Leases	74,601	49,225	123,826
	7,448,059	1,362,410	8,810,469

c) Equity Price Risk

The Group is not exposed to equity securities price risk since it does not have investments in quoted equity.

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

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5. FINANCIAL RISK MANAGEMENT (Continued)

The Group's risk management framework (Continued)

c) Equity Price Risk (Continued)

	Notes	Group		Company	
		2019	2018	2019	2018
		Kshs. "000"	Kshs. "000"	Kshs. "000"	Kshs. "000"
Share Capital	31	1,824,808	1,824,808	1,824,808	1,824,808
Reserves	32	(8,110,728)	(6,966,712)	(10,306,556)	(9,282,840)
		(6,285,920)	(5,141,904)	(8,481,746)	(7,458,032)

6. FAIR VALUE HIERARCHY

a) Analysis of all assets and liabilities measured at fair value

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

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

The table below shows the valuation technique used in level 3 fair value as well as significant unobservable inputs used.

Type	Valuation Technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Property and equipment (buildings and land)	Market approach: The valuation model uses prices and other relevant information generated by market transactions involving identical or similar assets. The fair value is determined as the price that would be paid to sell the land and buildings in an orderly transaction to market participants	Property prices in the locality	The estimated fair values would increase / (decrease):-
Investment property (Land)		Infrastructure developments	1. If property prices near the location of the property were higher / (lower); 2. With improvements / (deterioration) in infrastructure development.

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6. FAIR VALUE HIERACHY

a) Analysis of all assets and liabilities measured at fair value (Continued)

Group		Level 1	Level 2	Level 3
		Kshs. "000"	Kshs. "000"	Kshs. "000"
30-Jun-19				
	Property and Equipment	-	-	820,632
	Investment Property	-	-	2,600,000
				3,420,632
30-Jun-18				
	Property and Equipment	-	-	835,816
	Investment Property	-	-	2,600,000
				3,435,816

Company

	2019	2018
	Kshs. "000"	Kshs. "000"
Property and equipment (Level 3)	820,632	835,816

Investment property and freehold land and buildings

The Group/Company's freehold land and buildings were valued on 12 June 2017, while the investment property was valued as at 30 June 2017. The valuations were based on market value.

The carrying amounts of the freehold land and buildings are adjusted to the revalued amounts and the resultant surplus net of deferred income tax is credited to the revaluation surplus in equity. The investment property is on LR No. 5875/2 (17.2 acres lease expiring in 2098) and LR No. 23393 (2.9 acres lease expiring in November 2018) while the freehold land and buildings on LR No 206/12593 measures 3.7 acres.

b) Fair value of the Group and Company financial instruments

The Group has not disclosed the fair value of short-term financial assets and financial liabilities as management assessed that the fair value of short-term financial liabilities and financial assets such as bank balances, trade receivables, amount due from related parties, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"	2018 KShs "000"
7 SALES		
Food	93,111	670,353
Personal care	10,027	56,064
General merchandise	21,760	109,459
Textiles	1,141	7,959
Others	469	3,802
	126,508	847,636
8 COST OF SALES		
Food	66,774	558,043
Personal Care	6,928	46,302
General merchandise	17,158	88,700
Textiles	1,215	5,916
Others	439	3,349
	92,514	702,310
9 OTHER INCOME		
Specialty & Agency Commission	196	14,929
Rental Income	24,251	65,265
Gondola (Loss) / Income	(1,702)	7,006
Parking Fee	2,752	3,266
Miscellaneous Income	282	17,384
Franchise Goodwill	6,000	-
	31,779	107,850
10 NON TRADING INCOME / (EXPENDITURE)		
Landlord's Discount under CVA	-	60,217
Disposal of Fixed Asset	27,123	12,153
Company	27,123	72,370
Sidhi Court Settlement	(120,300)	-
Group	(93,177)	72,370
11 ADMINISTRATION EXPENSES		
Rent expense	191,199	465,485
Rates & Service Charge	-	31,283
Water & Electricity	47,421	85,014
Motor running expenses	1,415	8,372
Amortisation of intangible assets	1,409	3,828

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"	2018 KShs "000"
11 ADMINISTRATION EXPENSES (Continued)		
Amortisation of operating Lease	269	269
Depreciation	103,807	142,490
Bank Charges & Commission	1,817	6,196
Computer Expenses	2,709	8,728
Insurances	5,272	3,082
CIT Cost	23,490	51,209
Repairs & Maintenance	284	8,673
	379,092	814,630
12 STAFF COSTS		
Salaries & Wages	196,990	585,878
Medical	780	3,139
Pension	-	19,557
Provision for Redudancy	-	43,868
Other	2,604	1,946
	200,374	654,387
The average number of employees engaged by the Group during the year was:		
	Number	Number
Management staff	6	9
Other Staff	279	719
	285	728
13 GENERAL EXPENSES		
Internet, Postage & Telephone	262	2,213
Printing, Subscriptions and newspapers	824	2,604
Packaging materials	1,151	9,863
Laundry & Sanitary	189	2,762

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"		2018 KShs "000"	
13 GENERAL EXPENSES (Continued)				
Licences		2,887		8,616
Directors Allowances		10,700		8,597
Generator fuel		4,482		14,138
Misc Shop Expenses		-		14,145
Distribution expenses		911		4,459
Non Deductable Tax input tax		-		39,807
AGM Expenses		-		1,069
Other expenses		2,898		1,699
		24,304		109,970
	Group		Company	
	2019	2018	2019	2018
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
14 LEGAL & PROFESSIONAL EXPENSES				
Auditors' remuneration	580	580	580	580
Legal Expenses	12,236	37,785	12,236	13,372
Other Consultancies	11,174	8,078	11,174	7,678
	23,990	46,442	23,990	21,629
15 SELLING AND DISTRIBUTION				
Marketing Expenses			2,763	11,503
16 PROVISIONS AND WRITE OFFS				
Provision for Bad Debts				67
Provision for fines and penalties			28,108	31,349
Stocks Write Off			4,134	12,956
Other provisions and write offs			16,193	(5,581)
			48,435	38,791

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

		Company	
		2019 KShs "000"	2018 KShs "000"
17	NET FINANCE COSTS		
	Interest on Finance Lease	61,911	63,250
	Interest on GOK Loan	139,917	105,704
	Interest on Other Loans	116,981	166,514
	Interest Income on fixed deposit	(250)	(4,445)
	Penalty on late loan repayment	119,095	49,992
		437,654	381,014

		Group		Company	
		2019 KShs "000"	2018 KShs "000"	2019 KShs "000"	2018 KShs "000"
18	LOSS BEFORE TAX				
	The loss before tax is stated after charging:	-			
	Impairment of receivables (Note 28)	-	1,614	-	1,614
	Net Interest expense (Note 17)	437,654	381,014	437,654	381,014
	Depreciation on property and equipment (Note 21)	103,807	142,490	103,807	142,490
	Amortisation of intangible assets (Note 23)	1,409	3,828	1,409	3,828
	Amortisation of operating lease rentals (Note 24)	269	269	269	269
	Auditors' remuneration (Note 14)	580	580	580	580
	Directors' emoluments:				
	As executives (Note 29(e))	-	-	-	-
	As directors (Note 29(e))	10,700	8,597	10,700	8,597

19 TAXATION

(a) Statement of financial position

Income tax payable / (recoverable)

Balance at 1st July	9,227	9,290	9,227	9,290
Tax charge for the year	-	-	-	-
Tax paid during the year	(60)	(63)	(60)	(63)
At 30th June	9,167	9,227	9,167	9,227

(b) Income Statement

Current tax:

- Current year	-	-	-	-
- Prior year under / (over) provision	-	-	-	-
	-	-	-	-

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019	2018	2019	2018
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
19 TAXATION (Continued)				
Deferred tax (Note 23(b)):				
- Current year movement	192,588	226,671	192,588	226,671
- Current year derecognized	-	-	-	-
Income tax credit	9,167	9,227	9,167	9,227
(c) Tax Reconciliation				
Accounting loss before tax	(1,050,839)	(1,803,563)	(1,050,839)	(1,778,749)
Tax calculated at the rate of 30%				
- Business income	(207,672)	(533,625)	(207,672)	(533,625)
- Rental income	24,251	65,265	24,251	65,265
Effect of income taxed at 5%	-	-	-	-
(30% - 5%)	-	-	-	-
Tax effect of items not deducted for	-	-	-	-
Prior year over-provision				
- Current tax	-	-	-	-
- Deferred Tax	10,000	260,916	-	250,916
Unrecognized deferred tax (Note 26)	192,588	226,671	192,588	226,671
Other Payables	19,167	19,227	9,167	9,227
20 EARNINGS PER SHARE				
Loss for the year	(1,144,016)	(1,731,191)	(1,023,716)	(1,706,379)
Number of ordinary shares	364,962	364,962	364,962	364,962
Loss per share - Kshs	(3.13)	(4.74)	(2.80)	(4.68)

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

21 PROPERTIES

Group and Company	Buidings and Leasehold land KShs "000"	Improvements to Premises KShs "000"	Machinery KShs "000"	Vehicles and equipment KShs "000"	Total KShs "000"
At 30 June 2019:					
Cost or Valuation					
At 1st July, 2018	851,000	379,987	673,282	1,069,162	2,973,431
Depreciation					
At 1st July, 2018	15,184	320,810	648,627	983,224	1,967,845
Charge for the year	15,184	11,808	24,655	52,160	103,807
	30,368	332,618	673,282	1,035,384	2,071,652
At 30th June, 2019	820,632	47,369	-	33,778	901,779

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

21 PROPERTIES

Group and Company	Buidings and Leasehold land KShs "000"	Improvements to Premises KShs "000"	Machinery KShs "000"	Vehicles and equipment KShs "000"	Total KShs "000"
At 30 June 2018:					
Cost or Valuation					
At 1st July, 2017	851,000	379,987	685,435	1,069,050	2,985,472
Additions	-	-	-	112	112
Disposals	-	-	(12,153)	-	(12,153)
	<u>851,000</u>	<u>379,987</u>	<u>673,282</u>	<u>1,069,162</u>	<u>2,973,431</u>
Depreciation					
At 1st July, 2017	-	307,690	604,550	925,268	1,837,508
Disposals	-	-	(12,153)	-	(12,153)
Charge for the year	15,184	13,120	56,230	57,956	142,490
	<u>15,184</u>	<u>320,810</u>	<u>648,627</u>	<u>983,224</u>	<u>1,967,845</u>
At 30th June, 2018	<u>835,816</u>	<u>59,177</u>	<u>24,655</u>	<u>85,938</u>	<u>1,005,586</u>

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

21 PROPERTIES (Continued)

Revaluation

The Group revalued its land and buildings on Property L.R Number 209/12596 on 12th June 2017 and recognised a revaluation surplus of KShs 393,627,000. The valuation techniques and the significant observable inputs used in measuring fair value are described in [Note 6](#).

22 INVESTMENT PROPERTY

	Group	
	2019 KShs "000"	2018 KShs "000"
As at 1st July	2,600,000	2,600,000
As at 30th June	<u>2,600,000</u>	<u>2,600,000</u>

Investment properties relate to two pieces of land LR 5875/2 and LR 23393 held by the Company's subsidiary, Kasarani Mall Limited, under long-term lease arrangements with the Government of Kenya as disclosed under Note 6(a)(i). The land was valued at KShs 2.6 billion (2016- KShs 2.4 billion) by Kiragu and Mwangi Limited, accredited independent valuers, as at 30 June 2017. The present value of the ground rent obligations is immaterial and has been ignored.

Valuation Assumptions

The lease relating to land LR 23393 (2.9 acres) expires in November 2018. The valuation at 30 June 2017 has assumed the lease will be renewed on expiry. The unobservable input used in the valuation methodology have been disclosed at Note 6(a)(i). The property is a subject of various court cases over its ownership. The status of the cases has been disclosed at Note 39. The Directors have not made an impairment provision for the asset as they strongly believe they have a strong case.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"	2018 KShs "000"
23 INTANGIBLE ASSETS		
Cost		
At 1 July	377,933	377,933
Additions	-	-
At 30 June	<u>377,933</u>	<u>377,933</u>
Amortisation		
At 1 July	376,524	372,696
Additions	1,409	3,828
At 30th June	<u>377,933</u>	<u>376,524</u>
Net carrying amount		
At 30th June	<u>-</u>	<u>1,409</u>
24 PREPAID OPERATING LEASE		
Cost		
At 1 July	17,765	18,034
Amortisation for the year	(269)	(269)
At 30th June	<u>17,497</u>	<u>17,765</u>

Prepaid operating leases relate to Land Parcel Number 209/12596 held by the company under a long-term lease arrangement, with the Government of Kenya. The remaining lease period is 77 years. The leasehold is subject to a first charge as disclosed in note 34.

25 INVESTMENT IN SUBSIDIARIES

Kasarani Mall Ltd

Country of Incorporation - Kenya

Shareholding - 100%

Investment (Cost)

2019 KShs "000"	2018 KShs "000"
<u>200</u>	<u>200</u>

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

26 DEFERRED TAX

(a) Unrecognised deferred tax asset

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The accumulated tax losses will be utilised to offset future taxable profits.

The Group did not recognise deferred tax asset in the financial statements since the directors are of the view that future taxable income may not be sufficient to enable the Group and Company to utilise the deferred tax asset and/or tax losses may expire before they are utilised.

At 30 June 2019

Group and Company	1st July KShs "000"	Movement through OCI KShs "000"	Movement through Profit Or Loss KShs "000"	30th June KShs "000"
At 30th June, 2019				
Tax losses carried forward	1,292,955		(759,868)	533,087
Property and equipment	87,663		(26,299)	61,364
Revaluation reserve	(197,329)	192,588		(4,741)
Other temporary differences	190,129			190,129
Net deferred tax asset	1,373,418	192,588	(786,167)	779,839

At 30 June 2018

Group and Company	1-Jul-17 KShs "000"	Movement through OCI KShs "000"	Movement through Profit Or Loss KShs "000"	30th June KShs "000"
At 30th June, 2018				
Tax losses carried forward	1,447,118		(154,163)	1,292,955
Property and equipment	112,434		(24,771)	87,663
Revaluation reserve	(424,000)	226,671		(197,329)
Other temporary differences	190,129			190,129
Net deferred tax asset	1,325,681	226,671	(178,934)	1,373,418

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

26 DEFERRED TAX (Continued)

(b) Recognised deferred tax liability

Group	1st July	Derecognised	Movement through profit or loss	30th June
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
At 30th June, 2019				
Investment Property - fair value	(125,750)		-	(125,750)
Net deferred tax liability	(125,750)	-	-	(125,750)
At 30th June, 2018				
Tax losses carried forward	533,078	(533,078)		-
Property and equipment	78,926	(78,926)		-
Revaluation reserve	(305,912)	305,912		-
Investment Property - fair value	(120,750)		(5,000)	(125,750)
Other temporary differences	56,635	(56,635)		-
Net deferred tax liability	241,977	(362,727)	(5,000)	(125,750)

(c) Tax losses

The Group and Company has tax losses carried forward of KShs KShs 7,296,330,665 (2018 – KShs 7,015,578,208). The aging of tax losses was as below at 30 June 2019.

Year of Origin	Amount Kshs
2010	465,525,069
2015	1,057,421,083
2016	2,160,224,862
2017	1,598,852,106
2018	1,733,555,088
2019	280,752,457
	7,296,330,665

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"	2018 KShs "000"
27 INVENTORY		
Food	13,549	14,740
Non-food	9,339	12,584
Other	29,106	39,005
	<u>51,994</u>	<u>66,329</u>
Stock provision	<u>(16,206)</u>	<u>(16,206)</u>
	<u>35,788</u>	<u>50,123</u>

The stock provision amount was recognized as an expense for inventories carried at the lower of cost and net realisable value.

28 TRADE AND OTHER RECEIVABLES

Trade receivables	123,386	110,071
Prepayments	56,453	80,926
Other Debtors	71,465	-
VAT Control	34,846	38,928
At 30 June	<u>286,150</u>	<u>229,925</u>

Ageing of trade receivables

Not Impaired	30,070	11,566
Impaired - Over 60 days	165,653	170,842
	<u>195,723</u>	<u>182,408</u>
Allowances for credit losses	<u>(72,337)</u>	<u>(72,337)</u>
	<u>123,386</u>	<u>110,071</u>

Movement in credit losses

At 1 July	72,337	70,723
Increase during the year	-	1,614
	<u>72,337</u>	<u>72,337</u>

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.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Group		Company	
	2019	2018	2019	2018
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
29 RELATED PARTY TRANSACTIONS				
(a) Due from Related Parties				
Kasarani Mall Ltd	-	-	133,503	133,103
Sitatunga Limited	501	501	501	501
	501	501	134,003	133,604

The balance due from Kasarani Mall Ltd relates to purchase and maintenance costs of the investment property.

(b) Related party purchases

There are no related party purchases by Uchumi Supermarkets PLC.

(c) Related party sales

There were no related party sales by Uchumi supermarkets PLC (2018-Nil)

(d) Related party loans

ICDC – Loan (Note 33) 120,091 105,177

Industrial and Commercial Development Corporation (ICDC) owns 2% of the shares in Uchumi Supermarkets PLC.

The Company has an existing loan from Industrial and Commercial Development Corporation (ICDC) advanced in 2013 at a fixed rate of 16%.

(e) Directors emoluments

Executive Directors	-	-
Non - Executive Directors	10,700	8,597
	10,700	8,597

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

29 RELATED PARTY TRANSACTIONS (Continued)

(e) Rental Income

The Company has leased out a godown space to Equatorial Industrial Solutions Ltd .The total rental income earned from this account for the year ended 30 June 2019 is KShs. 363,424 (30 June 2018 - Kshs. 2,064,904). Equatorial Industrial Solutions Limited is related to Uchumi Supermarkets Plc through John Karani who is also a director and shareholder of Uchumi Supermarkets Plc.

30 CASH AND CASH EQUIVALENT

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

Cash and Bank	2,414	12,153
Bank Overdraft	(906,214)	(739,004)
At 30 June	(903,801)	(726,851)

The overdraft was issued by Kenya Commercial Bank and is secured by a first charge on freehold property Land Reference Number 209/399/3.

31 SHARE CAPITAL

Authorised

500,000,000 ordinary shares @ KShs 5	2,500,000	2,500,000
25,000,000 redeemable preference @ KShs 20	500,000	500,000
	3,000,000	3,000,000

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2019
KShs "000"

2018
KShs "000"

31 SHARE CAPITAL (Continued)

Company

Issued and fully paid

364,961,594 ordinary shares of KShs 5 each

1,824,808

1,824,808

At 30 June 2018 and 30 June 2017 there were 25,000,000 authorized but not issued redeemable preference shares. Each share has a par value of KShs 20.

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

	Group		Company	
	2019 KShs "000"	2018 KShs "000"	2019 KShs "000"	2018 KShs "000"
32 RESERVES				
Retained earnings-(deficit)	(10,237,354)	(9,093,338)	(12,433,182)	(11,409,466)
Share premium	1,371,057	1,371,057	1,371,057	1,371,057
Revaluation reserve	755,569	755,569	755,569	755,569
	<u>(8,110,728)</u>	<u>(6,966,712)</u>	<u>(10,306,556)</u>	<u>(9,282,840)</u>

Share premium

The share premium arose from issuance of shares at a premium as shown below

Years of Issue	Premium Per Share (Kshs)	Share Premium KShs "000"
2014	4	398,140
2011	5	427,133
2005	4.5	545,784
		<u>1,371,057</u>

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

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"	2018 KShs "000"
33 TERM LOANS		
Non-current		
Government of Kenya Loan	942,857	1,114,286
United Bank of Africa (UBA)	-	51,652
	942,857	1,165,938
Current		
Government of Kenya Loan	528,959	217,613
United Bank of Africa (UBA)	182,861	117,592
Industrial and Commercial Development Corporation (ICDC)	120,091	105,177
	831,911	440,382
Total borrowings	1,774,768	1,606,320

The movement in term loans during the year was as follows:-

At 1 July	1,606,320	1,037,532
Additions	-	700,000
Accrued Interest & Penalties	168,448	111,355
Repayments	-	(242,567)
At 30 June	1,774,768	1,606,320

(a) ICDC Loan

The loan is secured by a first charge on leasehold property Land Reference number 209/12593 (Langata Hyper, Langata road).

The loan attracts interest at the revisable base rate of 16% per annum and fell due on 30 June 2017.

(b) KCB Bank facilities

The overdraft facility is secured by:

- Deed of negative pledge dated 3 February 2014 not to obtain credit facilities from another bank and pledge company's assets to secure a facility;
- Deed of negative pledge dated 28 July 2015 by the company in favour of the bank over all its assets present and future;
- Undertaking to channel business proceeds through KCB Account dated 12 January 2015.
- Master operating lease agreement dated 14 January 2015 between Uchumi Supermarkets and Rentco EA Ltd;
- Operating lease agreement dated 8 January 2015 between Uchumi Supermarkets and Rento EA Ltd for KShs 1,110,514,526;
- Undertaking dated 12 January 2013 to deposit daily sales in current account 1117699587 and process payments to suppliers;

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS

33 TERM LOANS (Continued)

(b) KCB Bank facilities (Continued)

- Rental facility dated 12 January 2015 between Uchumi Supermarkets and Rentco EA Ltd channelling business proceeds through the Uchumi supermarkets bank A/C with KCB;
- Facility agreement dated 22 June 2015 by borrower, KCB (Uganda) Ltd (as a lender) and KCB Ltd (as a security Agent);
- Director's resolution dated 8 January 2015 authorizing lease arrangement with Rentco EA Limited;
- Board resolution by the borrower for KShs 1,278,177,361 dated 20 January 2016; and

- Board resolution by the borrower authorizing facilities and security arrangements dated 10 November 2016.

The overdraft facility was made available to Uchumi until 30 November 2016, this has not been reviewed by the bank, the bank can demand payment at any time after the 30 November 2016 due date. In 2016 the rate of the overdraft facility was KBRR plus a variable margin of 8.37% subject to a floor of 18.24%. The rate is currently 14%.

('c) UBA Loans

The loan is secured by:

- Registered Charge for the sum of KShs 250 million dated 31 March, 2016 registered at the Land Titles Registry as IR 66890/10 and at the Companies Registry on 8th February, 2016;
- Registered Debenture dated 14 June, 2016 over the Borrower's assets for the sum of KShs 303 million; and
- Partially registered Further Legal Charge dated 14 June, 2016 over property LR No. 209 /12593 for the sum of KShs 300 million ranking pari passu with the charge securing facilities over the same property issued in favour of ICDC.

The loan was advanced March 2016 for a period of 24 months. The current rate for the loan is 14% (2016 – 8.63% plus the prevailing KBRR).

(d) Government of Kenya Loan

The loan was disbursed on 19 January 2017 and is for a period of 7 years and an interest rate of 11.5% per annum on a reducing balance basis. The loan is charged to the land LR No. 5875/2 and 23393 on Thika Road measuring 20 acres by way of first floating charge. The loan has a grace period of 24 months after which repayments commence.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 KShs "000"	2018 KShs "000"
34 FINANCE LEASES		
At 1st July	722,950	623,988
Additions in the year (Penalties)	181,016	111,617
Repaid in the year	-	(12,655)
At 30 June	903,966	722,950

The commercial leases are on property plant and machinery. The leases have an average life of over four years. There are no restrictions placed on the group by entering into these leases.

	Group		Company	
	2019 KShs "000"	2018 KShs "000"	2019 KShs "000"	2018 KShs "000"
35 TRADE AND OTHER PAYABLES				
Trade payables	4,879,389	4,665,700	4,734,669	4,641,281
Accrued expenses	1,442,943	1,100,913	1,442,943	1,100,914
		1,783		1,783
At 30 June	6,322,332	5,768,397	6,177,612	5,743,978

	Company	
36 DEFERRED REVENUE		
At 1st July	87,718	84,843
Deferred during the year	134	2,875
At 30 June	87,852	87,718

Deferred revenue is the fair value of the consideration received from customer's loyalty points. The redemption of loyalty points was suspended in the year that ended on 30th June, 2017.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2019
KShs "000"

2018
KShs "000"

37 SHAREHOLDERS

The top ten shareholders and number of shares held as at 30 June 2019 is as below

<u>Name of Shareholder</u>	<u>Percentage</u>	<u>Number of Shares</u>
Jamii Bora Bank Limited	14.9%	54,409,539
Government Of Kenya	14.7%	53,537,573
Equity Nominees Limited A/C0142	5.8%	21,219,898
Paul Wanderi Ndungu	4.6%	16,869,272
Standard Chartered Nominees Non-residents. A/C Ke8723	3.9%	14,058,020
Standard Chartered Nominees Limited Non-residents A/Cke11663	3.7%	13,371,407
Brunei Investment Limited	3.5%	12,830,103
Standard Chartered Nominees Non-residents. A/C 9289	3.2%	11,800,000
Co-Op Custody A/C 4018	2.3%	8,402,800
Standard Chartered Nominees Non-residents. A/C 9913	2.2%	8,166,000
Others	41.2%	150,296,982
		<u>364,961,594</u>

38 CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2019 (2018: Nil)

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

39 EVENTS AFTER THE REPORTING PERIOD

(a) Sidhi Investment Limited

Sidhi Investment Limited in 2005 filed a suit against Uchumi Supermarkets Plc and Kasarani Mall Limited for specific performance, arising from a contract for the sale of the Investment Property disclosed at Note 22. In 2018, the Plaintiff, Defendants and Kenya Commercial Bank entered into a tripartite agreement towards the settlement of the Plaintiff's claim. It was agreed that the claimant was to receive a third of the proceeds to be realized upon the sale of the subject property.

(b) Company Voluntary Arrangement (CVA)

On 26th September, 2019, Insolvency Petition Number 25 of 2018 against the company was marked as settled consequent to the Court's approval of the Company's Voluntary Arrangement ("CVA") entered into with creditors, dated 2nd March, 2020. The fulfilment of the Arrangement depends on successful disposal by the Company of the Investment Property disclosed in Note 22 and on the settlement of part of the outstanding debts, in accordance with the CVA.

(c) Kenya Defence Force

In 2019, Kenya Defence Forces forcefully entered the Investment Property disclosed in Note 22 and claimed ownership. In 2022, the Company instituted Case Number ELC E010 of 2022 against the trespasser and other parties. On 19th May, 2025 judgment was entered against the Company. Among other things, the Company's certificate of title was cancelled. The Company has appealed against the judgement. The Directors are confident of a positive outcome of the appeal and believe the investment property is not impaired as a result of the said judgement.

40 CONTINGENT LIABILITIES

In the ordinary course of business, the Group and Company are subject to various litigations claims by employees, landlords and other parties. The Directors have made adequate provisions for claims that are likely to crystallise.

The Directors are not aware of other significant contingent liabilities that would require disclosure in the financial statements.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

41 OPERATING LEASE COMMITMENTS

The operating lease rentals are payable as follows:

	2019 KShs "000"	2018 KShs "000"
Less than one year	11,958	197,924
Between 1 and 5 years	242,309	373,837
	<u>254,266</u>	<u>571,761</u>

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. The amounts expensed during the year have been disclosed under Note 11 as rent expense.