

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS

AT

30 JUNE 2020

UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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
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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, 2020

REPORT OF THE DIRECTORS

The Directors submit their Report and the Audited Consolidated and Separate Financial Statements for the year ended 30 June 2020 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 10 respectively.

3. Dividend

The Directors do not recommend payment of a dividend in respect to the year ended 30 June 2020 (2019 – Nil).

4. Shareholding by Directors

The following Directors held the number of shares indicated below as at 30 June 2020.

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 Company’s turnaround plan was seriously disrupted after the Kenya Defense Forces took over and laid claim to the Kasarani Mall Limited’s Investment Property. It became difficult to procure a buyer for the property when the Company was no longer in possession.

In March, 2020, the Creditors passed the Company’s proposed Voluntary Arrangement. The Court subsequently approved the Arrangement on 1st October, 2020 as indicated in Note 39@.

In an effort to cut costs, the City Squire branch was closed.

UCHUMI SUPERMARKETS PLC

Under Company Voluntary Arrangement

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2020

5. Business Overview (Continued)

a) Financial Performance

The Covid 19 epidemic seriously slowed down economic growth. Decreased purchasing power coupled with frequent stock outs at the branches further decreased Company's revenue. The Sales were Kshs. 96 million (2019: Kshs. 126.5 million). The drop was 24%.

The Gross Profit was KShs. 14 million. A sharp decrease from Kshs. 33.9 million in the previous year. Other income increased slightly to KShs. 38.1 million (2019: KShs. 31.7 million). The total income was Kshs. 52.2 million (2019: Kshs. 65.7 million).

Operating expenses were Kshs. 430 million (2019: KShs. 630 million). Staff and Administrative costs represented 91% of the total expenditure. The Group posted an operating loss of KShs. 377.9 million (2019: KShs. 564.7 million). A non-trading income in the sum of Kshs. 709 million was realized. The total comprehensive income for the year was KShs. 147.8 million (2019: - loss – Kshs. 1.14 billion).

As at 30th June 2020, the Group's total assets amounted to KShs 3.66 billion (2019: KShs 3.84 billion). The total liabilities were Kshs. 9.80 billion (2019: KShs. 10.13 billion). The net working capital was negative Kshs. 7.77 billion (2019: Kshs. 7.84 billion). The Group's Shareholders' Fund was a deficit of Kshs. 6.14 billion (2019: (Kshs. 6.29 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, 2020

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 2020 was 199 (2019: 285).

6. Directors' remuneration

Director's remuneration for the year ended 30 June 2020 was KShs. 23.5 million (2019: KShs. 28.7 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, 2020

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 57, which comprise the consolidated and company statements of financial position as at 30 June 2020, 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.

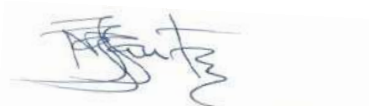
The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 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 57, which comprise the consolidated and company statements of financial position as at 30 June 2020, 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 7, 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 2020. 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**


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 2020

	Note	2020 Kshs. "000"	2019 KShs "000"
Revenue			
Sales	7	96,002	126,508
Cost of sales	8	(81,911)	(92,514)
Gross profit		<u>14,091</u>	<u>33,994</u>
Other income	9	38,160	31,779
		<u>52,251</u>	<u>65,773</u>
Expenses			
Administration Costs	11	(240,804)	(379,092)
Staff Costs	12	(131,847)	(182,374)
General Expenses	13	(29,821)	(42,304)
Legal & Professional Expenses	14	(26,851)	(23,990)
Selling & Distribution	15	(857)	(2,763)
		<u>(430,180)</u>	<u>(630,523)</u>
Loss from operating activities		(377,929)	(564,750)
Provisions and write offs	16	(12,649)	(48,435)
		(390,578)	(613,185)
Finance costs (Net)	17	(171,463)	(437,654)
Loss before tax	18	<u>(562,041)</u>	<u>(1,050,839)</u>
Loss for the year		(562,041)	(1,050,839)
Other comprehensive income			
Non Trading Gain / (Loss)	10	709,850	(93,177)
Total comprehensive income /(loss) for the year		<u>147,809</u>	<u>(1,144,016)</u>
Loss per share (Basic and diluted) – KShs	20	<u>0.40</u>	<u>(3.13)</u>

The notes on page 17 to 57 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 2020

	Note	2020 Kshs. "000"	2019 KShs "000"
Revenue			
Sales	7	96,002	126,508
Cost of sales	8	(81,911)	(92,514)
Gross profit		<u>14,091</u>	<u>33,994</u>
Other income	9	<u>38,160</u>	<u>31,779</u>
		<u>52,251</u>	<u>65,773</u>
Expenses			
Administration Costs	11	(237,613)	(379,092)
Staff Costs	12	(131,847)	(182,374)
General Expenses	13	(29,821)	(42,304)
Legal & Professional Expenses	14	(17,465)	(23,990)
Selling & Distribution	15	(857)	(2,763)
		<u>(417,603)</u>	<u>(630,523)</u>
Loss from operating activities		(365,352)	(564,750)
Provisions and write offs	16	(12,649)	(48,435)
		(378,001)	(613,185)
Finance costs (Net)	17	<u>(171,463)</u>	<u>(437,654)</u>
Loss before tax	18	<u>(549,464)</u>	<u>(1,050,839)</u>
Loss for the year		(549,464)	(1,050,839)
Other comprehensive income			
Non Trading Gain / (Loss)	10	<u>709,850</u>	<u>27,123</u>
Total comprehensive income /(loss) for the year		<u>160,386</u>	<u>(1,023,716)</u>
Loss per share (Basic and diluted) – KShs	20	<u>0.44</u>	<u>(2.80)</u>

The notes on page 17 to 57 are an integral part of these financial statements

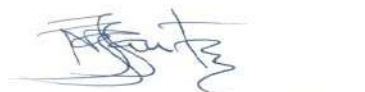
UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30 June		2020	2019
	Notes		KShs "000"	KShs "000"
ASSETS				
Non - Current Assets				
Property and equipment	21		842,301	901,779
Investment Property	22		2,600,000	2,600,000
Prepaid operating lease	24		17,362	17,497
			<u>3,459,663</u>	<u>3,519,276</u>
Current Assets				
Inventories	27		30,776	35,788
Trade and other receivables	28		177,786	286,150
Related parties balances	29(a)		-	501
Bank and cash balances	30		659	2,414
			<u>209,221</u>	<u>324,853</u>
TOTAL ASSETS			<u>3,668,884</u>	<u>3,844,129</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
Retained Earnings (Deficit)	32		(10,089,545)	(10,237,354)
			<u>(6,138,111)</u>	<u>(6,285,920)</u>
Non Current Liabilities				
Deferred Tax	26		125,750	125,750
Term loans	33		1,929,658	942,857
Finance Leases	34		163,591	903,966
			<u>2,218,999</u>	<u>1,972,573</u>
Current Liabilities				
Term loans	33		-	831,911
Trade and other payables	35		6,588,905	6,322,332
Deferred revenue	36		87,854	87,852
Related parties balances	29		35	-
Tax payable	19(a)		9,167	9,167
Bank overdraft	30		902,035	906,214
			<u>7,587,996</u>	<u>8,157,476</u>
TOTAL EQUITY AND LIABILITIES			<u>3,668,884</u>	<u>3,844,129</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	2020	2019
	Notes	KShs "000"	KShs "000"
ASSETS			
Non - Current Assets			
Property and equipment	21	842,301	901,779
Prepaid operating lease	24	17,362	17,497
Investment in Subsidiaries	25	200	200
		859,863	919,476
Current Assets			
Inventories	27	30,776	35,788
Trade and other receivables	28	177,786	286,150
Related parties balances	29(a)	146,046	134,003
Bank and cash balances	30	659	2,414
		355,267	458,355
TOTAL ASSETS		1,215,130	1,377,831
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
Retained Earnings (Deficit)	32	(12,272,796)	(12,433,182)
		(8,321,362)	(8,481,748)
Non Current Liabilities			
Term loans	33	1,929,658	942,857
Finance Leases	34	163,591	903,966
		2,093,249	1,846,823
Current Liabilities			
Term loans	33	-	831,911
Trade and other payables	35	6,444,187	6,177,612
Deferred revenue	36	87,854	87,852
Tax payable	19(a)	9,167	9,167
Bank overdraft	30	902,035	906,214
		7,443,243	8,012,756
TOTAL EQUITY AND LIABILITIES		1,215,130	1,377,831

The notes on page 17 to 57 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC
 (Under Company Voluntary Arrangement)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital KShs "000"	Share Premium KShs "000"	Revaluation Reserve KShs "000"	Retained Earnings (Deficit) KShs "000"	Total KShs "000"
2020:					
At 1st July, 2019	1,824,808	1,371,057	755,569	(10,237,354)	(6,285,920)
Profit for the year	-	-	-	147,809	147,809
Total comprehensive income				147,809	147,809
At 30th June, 2020	1,824,808	1,371,057	755,569	(10,089,545)	(6,138,111)
2019:	1,824,808.000	1,371,057.000	# 755,569.000	(9,093,338.000)	(5,141,904.000)
At 1st July, 2018	1,824,808	1,371,057	755,569	(9,093,338)	(5,141,904)
Loss for the year	-	-	-	(1,144,016)	(1,144,016)
Total Comprehensive Income				(1,144,016)	(1,144,016)
At 30 June 2020	1,824,808	1,371,057	755,569	(10,237,354)	(6,285,920)

The notes on page 17 to 57 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC
 (Under Company Voluntary Arrangement)
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital KShs "000"	Share Premium KShs "000"	Revaluation Reserve KShs "000"	Retained Earnings (Deficit) KShs "000"	Total KShs "000"
2020:					
At 1st July, 2019	1,824,808	1,371,057	755,569	(12,433,182)	(8,481,748)
Profit for the year	-	-	-	160,386	160,386
Total comprehensive income				160,386	160,386
At 30th June, 2020	1,824,808	1,371,057	755,569	(12,272,796)	(8,321,362)
2019:					
At 1st July, 2018	1,824,808	1,371,057	755,569	(11,409,466)	(7,458,032)
Loss for the year	-	-	-	(1,023,716)	(1,023,716)
Total Comprehensive Income	-	-	-	(1,023,716)	(1,023,716)
At 30 June 2020	1,824,808	1,371,057	755,569	(12,433,182)	(8,481,748)

The notes on page 17 to 57 are an integral part of these financial statements

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 KShs "000"	2019 KShs "000"
Net cash flows from operating activities			
Income /(Loss) before income tax		147,809	(1,144,016)
Adjustments for:			
Depreciation of property and equipment	21	59,477	103,807
Amortisation of intangible assets	23	-	1,409
Amortisation of prepaid operating lease	24	135	269
Finance expense	17	171,463	437,654
Operating loss before working capital changes		378,884	(600,877)
Inventories	27	5,012	14,335
Trade and other receivables	28	108,364	(56,225)
Related Parties balances	29(a)	536	-
Trade and other payables	35	266,574	553,933
Deferred revenue	36	2	135
Cash outflows from operations		759,372	(88,699)
Tax paid	19	-	(60)
Net cash generated from/(used in) operating activities		759,372	(88,759)
Financing activities			
Finance cost	17	(171,463)	(437,654)
Increase in Long Term Borrowings	33	154,890	168,448
Increase in Finance Lease Obligation	34	(740,375)	181,016
Net cash (used in) /generated from financing activities		(756,948)	(88,190)
Net increase / (decrease) in cash and cash equivalents		2,424	(176,949)
Cash and cash equivalents at the beginning of the year		(903,800)	(726,851)
Cash and cash equivalents at the end of the year	30	(901,376)	(903,800)

The notes on page 17 to 57 are an integral part of these financial statements

UCHUMI SUPERMARKETS LIMITED AND SUBSIDIARIES
UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
COMPANY STATEMENT OF CASH FLOWS

	Notes	2020 KShs "000"	2019 KShs "000"
Net cash flows from operating activities			
Income /(Loss) before income tax		160,386	(1,023,716)
Adjustments for:			
Depreciation of property and equipment	21	59,477	103,807
Amortisation of intangible assets	23	-	1,409
Amortisation of prepaid operating lease	24	135	269
Finance expense	17	171,463	437,654
Operating loss before working capital changes		391,461	(480,577)
Inventories	27	5,012	14,335
Trade and other receivables	28	108,364	(56,225)
Related Parties balances	29(a)	(12,043)	-
Trade and other payables	35	266,575	433,633
Deferred revenue	36	2	135
Cash outflows from operations		759,371	(88,699)
Tax paid	19	-	(60)
Net cash generated from/(used in) operating activities		759,371	(88,759)
Financing activities			
Finance cost	17	(171,463)	(437,654)
Increase in Long Term Borrowings	33	154,890	168,448
Increase in Finance Lease Obligation	34	(740,375)	181,016
Net cash (used in) /generated from financing activities		(756,948)	(88,190)
Net increase / (decrease) in cash and cash equivalents		2,423	(176,949)
Cash and cash equivalents at the beginning of the year		(903,800)	(726,851)
Cash and cash equivalents at the end of the year	30	(901,377)	(903,800)

The notes on page 17 to 57 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 2020

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 not 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 2020

2 BASIS OF PREPARATION (Continued)

e) Going concern

The Group and Company made a net profit after tax of KShs 147 million and KShs 160 million during the year ended 30 June 2020 (2019 – net loss after tax - KShs 1,144 million and KShs 1,023 million) respectively and as of that date, the Group's and Company's current liabilities exceeded their current assets by KShs 7,378 million and KShs 7,087 million (2019 – KShs 7,000 million and KShs 6,722 million) respectively.

The Directors have prepared the Consolidated and Separate financial statements on a going concern basis since they are confident that the initiatives described below provide a reasonable expectation that the Group and Company will be able to meet their liabilities as and when they fall due and will have adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. The Directors believe the initiatives below will improve the Group and Company's profitability, cash flows and liquidity position.

(i) Franchising

The Company intends to venture into Franchising as the vehicle to increase sales volume while transferring risks associated with the purchase and management of new sales outlets. However, the immediate focus of the business is to get the required capital injection to ensure optimal stocking in all branches. The growth strategy pertaining to the franchise model will 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 already 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 by way of private transfer of shares in Uchumi to the investor or a combination of both options.

(iii) Debt restructuring

Uchumi Supermarket Limited 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 generally measured at fair value as are 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 2020

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

UCHUMI SUPERMARKETS PLC
Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition

services to be provided.

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

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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 employees of the Group participate in a defined contribution retirement benefit scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. 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:

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Under Company Voluntary Arrangement
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Employee benefits

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
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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
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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 2020

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
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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. Investment property

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 2019:

IFRS 16 : Leases

The Group adopted IFRS 16 Leases with effect from 1 July 2019. The new lease standard replaced the existing guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of

UCHUMI SUPERMARKETS PLC
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019: (Continued)**

IFRS 16 : Leases (Continued)

low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The application of the amendments had no material impact on the consolidated 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 application of the amendments had no material impact on the consolidated financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The application of the amendments had no material 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:

- 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.
- IAS 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.

UCHUMI SUPERMARKETS PLC
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2019: (Continued)**

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

The application of the amendments had no material impact on the consolidated financial statements.

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

Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform and the effects on financial reporting

The amendments are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as IBORs. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

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

Amendments to IFRS 3: Definition of a Business

The amendments, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that period, clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

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

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations

Early adoption of standards

The Group did not early adopt new or amended standards in the year ended 30 June 2020.

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.

(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.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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:

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.

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5. FINANCIAL RISK MANAGEMENT (Continued)

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.

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:

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5. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

		Group	
		2020	2019
	Notes	Kshs. "000"	Kshs. "000"
Bank Balances	30	685	284
Trade Receivables	28	93,187	123,386
Amounts due from related parties	29	-	501
Other Receivables	28	84,599	162,764
		178,471	286,935

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.

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 2020

	Less than 1 Year	Between 1 - 5 Years	
	Kshs. "000"	Kshs. "000"	Kshs. "000"
Trade and Other Payables	-	6,444,192	6,444,192
Bank Overdraft	-	902,035	902,035
Term Loans	-	1,446,599	1,446,599
Obligations under Finance Lease	-	163,592	163,592
Interest Payable on Term Loans	-	483,059	483,059
Interest Payable on Leases	-	153,969	153,969
	-	9,593,446	9,593,446

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5. FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity risk (Continued)

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

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.

		Group		Company	
		2020	2019	2020	2019
	Notes	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	(7,962,924)	(8,110,724)	(10,146,175)	(10,306,553)
		(6,138,116)	(6,285,916)	(8,321,367)	(8,481,745)

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)

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6. FAIR VALUE HIERACHY (Continued)

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

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.

Group

	Level 1	Level 2	Level 3
	Kshs. "000"	Kshs. "000"	Kshs. "000"
30-Jun-20			
Property and Equipment	-	-	805,448
Investment Property	-	-	2,600,000
			3,405,448
30-Jun-19			
Property and Equipment	-	-	820,632
Investment Property	-	-	2,600,000
			3,420,632

Company

	2020	2019
	Kshs. "000"	Kshs. "000"
Property and equipment (Level 3)	805,448	820,632

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6. FAIR VALUE HIERACHY (Continued)

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

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.

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FOR THE YEAR ENDED 30 JUNE 2020

	2020 KShs "000"	2019 KShs "000"
7 SALES		
Food	67,332	93,111
Personal care	6,441	10,027
General merchandise	21,535	21,760
Textiles	424	1,141
Others	270	469
	96,002	126,508
8 COST OF SALES		
Food	50,086	66,774
Personal Care	5,791	6,928
General merchandise	25,199	17,158
Textiles	734	1,215
Others	101	439
	81,911	92,514
9 OTHER INCOME		
Specialty & Agency Commission	207	196
Rental Income	4,497	24,251
Gondola Income	28,167	(1,702)
Parking Fee	2,247	2,752
Miscellaneous Income	3,042	282
Franchise Goodwill		6,000
	38,160	31,779
10 NON TRADING GAIN /(LOSS)		
Sale of Miscellaneous Assets	881	27,123
KCB CVA Discount	624,185	-
Co-Op Bank CVA Discount	109,070	-
Branch Under-bankings	(24,286)	-
Company	709,850	27,123
Sidhi Court Settlement	-	(120,300)
Group	709,850	(93,177)
11 ADMINISTRATION EXPENSES		
Rent expense	141,876	191,199
Water & Electricity	30,989	47,421
Motor running expenses	1,117	1,415
Amortisation of intangible assets	-	1,409

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		2020 KShs "000"	2019 KShs "000"
11	ADMINISTRATION EXPENSES (Continued)		
	Amortisation of operating Lease	134	269
	Depreciation	59,477	103,807
	Bank Charges & Commission	541	1,817
	Computer Expenses	1,485	2,709
	Insurances	185	5,272
	CIT Cost	1,288	23,490
	Repairs & Maintenance	521	284
	Company	237,613	379,092
	Land Rent	3,191	-
	Group	240,804	379,092

12 STAFF COSTS

Salaries & Wages	126,855	178,990
Medical	953	780
Other	4,039	2,604
	131,847	182,374

The average number of employees engaged by the Group during the year was:

	Number	Number
Management staff	5	6
Other Staff	194	279
	199	285

13 GENERAL EXPENSES

Internet, Postage & Telephone	699	262
Printing, Subscriptions and newspapers	588	824
Packaging materials	618	1,151
Laundry & Sanitary	149	189

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		Company	
		2020	2019
		KShs "000"	KShs "000"
13 GENERAL EXPENSES (Continued)			
Licences		818	2,887
Directors Expenses		23,550	28,700
General Office Expenses		1,822	-
Generator fuel		405	4,482
Distribution expenses		334	911
Other expenses		838	2,898
		29,821	42,304
		Group	
		2020	2019
		KShs "000"	KShs "000"
14 LEGAL & PROFESSIONAL EXPENSES			
Auditors' remuneration	580	580	580
Legal Expenses	11,055	12,236	1,669
Other Consultancies	15,216	11,174	15,216
	26,851	23,990	17,465
15 SELLING AND DISTRIBUTION			
Marketing Expenses		857	2,763
16 PROVISIONS AND WRITE OFFS			
Penalties and Non Deductable Tax		-	28,108
Stocks Write Off		-	4,134
Other provisions and write offs		12,649	16,193
		12,649	48,435

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	2020 KShs "000"	2019 KShs "000"
17 NET FINANCE COSTS		
Interest on Finance Lease	-	61,911
Interest on GOK Loan	105,033	139,917
Interest on Other Loans	66,446	116,981
Interest Income on fixed deposit	(16)	(250)
Penalty on late loan repayment		119,095
	171,463	437,654

	Group		Company	
	2020 KShs "000"	2019 KShs "000"	2020 KShs "000"	2019 KShs "000"
18 LOSS BEFORE TAX				
The loss before tax is stated after charging:		-		
Net Interest expense (Note 17)	171,463	437,653	171,463	437,653
Depreciation on property and equipment (Note 21)	59,477	103,807	59,477	103,807
Amortisation of intangible assets (Note 23)	-	1,409	-	1,409
Amortisation of operating lease rentals (Note 24)	-	269	-	269
Auditors' remuneration (Note 14)	580	580	580	580
Directors' emoluments:	-	-		
As executives (Note 29(e))	18,000	18,000	18,000	18,000
As directors (Note 29(e))	5,550	10,700	5,550	10,700

19 TAXATION

(a) Statement of financial position

Income tax payable / (recoverable)

Balance at 1st July	28,437	19,669	28,437	19,669
Tax charge for the year	9,167	9,167	9,167	9,167
Tax paid during the year	406	(399)	(406)	(399)
At 30th June	38,010	28,437	37,198	28,437

(b) Income Statement

Current tax:

- Current year	9,167	9,167	9,167	9,167
	9,167	9,167	9,167	9,167

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	Group		Company	
	2020	2019	2020	2019
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
19 TAXATION (Continued)				
Deferred tax (Note 23(b)):				
- Current year movement	192,588	98,166	98,166	192,588
- Current year derecognized	-	-	-	-
Income tax credit	9,167	9,167	9,167	9,167
(c) Tax Reconciliation				
Accounting Profit /(loss) before tax	(562,041)	(1,050,839)	(549,464)	(1,050,839)
Tax calculated at the rate of 30%				
- Business income	(93,496)	(207,672)	(93,496)	(207,672)
- Rental income	4,497	24,251	4,497	24,251
Prior year over-provision	-	-	-	-
Unrecognized deferred tax (Note 26(a))	98,166	192,588	98,166	192,588
	9,167	9,167	9,167	9,167
20 EARNINGS PER SHARE				
Profit /(Loss) for the year	147,809	(1,144,016)	160,386	(1,023,716)
Number of ordinary shares	364,962	364,962	364,962	364,962
Gain /(Loss) per share - Kshs	0.40	(3.13)	0.44	(2.80)

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21(a) 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 2020:					
Cost or Valuation					
At 1st July, 2019	<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, 2019	30,368	332,618	673,282	1,035,386	2,071,654
Charge for the year	<u>15,184</u>	<u>10,627</u>	<u>-</u>	<u>33,666</u>	<u>59,477</u>
	<u>45,552</u>	<u>343,245</u>	<u>673,282</u>	<u>1,069,052</u>	<u>2,131,131</u>
At 30th June, 2020	<u><u>805,448</u></u>	<u><u>36,742</u></u>	<u><u>-</u></u>	<u><u>110</u></u>	<u><u>842,301</u></u>

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21(b) 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	<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, 2018	15,184	320,810	648,627	983,226	1,967,847
Charge for the year	<u>15,184</u>	<u>11,808</u>	<u>24,655</u>	<u>52,160</u>	<u>103,807</u>
	<u>30,368</u>	<u>332,618</u>	<u>673,282</u>	<u>1,035,386</u>	<u>2,071,654</u>
At 30th June, 2019	<u><u>820,632</u></u>	<u><u>47,369</u></u>	<u><u>-</u></u>	<u><u>33,776</u></u>	<u><u>901,778</u></u>

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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	2020 KShs "000"	2019 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. 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) expired in November 2018. The valuation at 30 June 2017 had assumed the lease will be renewed on expiry. The unobservable input used in the valuation methodology have been disclosed at Note 6(a). The lease was eventually renewed in 2023. 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 good case.

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	2020 KShs "000"	2019 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	377,933	376,524
Additions	-	1,409
At 30th June	<u>377,933</u>	<u>377,933</u>
Net carrying amount		
At 30th June	<u>-</u>	<u>-</u>
24 PREPAID OPERATING LEASE		
Cost		
At 1 July	17,496	17,765
Amortisation for the year	(134)	(269)
At 30th June	<u>17,362</u>	<u>17,496</u>

Prepaid operating leases relate to one piece of land held by the company under a long-term lease arrangement, with the Government of Kenya where the company is a lessee. The remaining lease period is 75 years. The leasehold is subject to a first charge as disclosed in note 33.

25 INVESTMENT IN SUBSIDIARIES

Kasarani Mall Ltd

Country of Incorporation - Kenya

Shareholding - 100%

	2018 KShs "000"	2017 KShs "000"
Investment (Cost)	200	200

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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 2020

Group and Company	1st July	Movement through OCI	Movement through Profit Or Loss	30th June
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
At 30th June, 2020				
Tax losses carried forward	533,087		(238,241)	294,846
Property and equipment	61,364		(18,409)	42,955
Revaluation reserve	29,342	226,671		256,012
Other temporary differences	190,129			190,129
Net deferred tax asset	813,922	226,671	(256,650)	783,942

At 30 June 2019

Group and Company	1st July	Movement through OCI	Movement through Profit Or Loss	30th June
	KShs "000"	KShs "000"	KShs "000"	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)	226,671	-	29,342
Other temporary differences	190,129	-	-	190,129
Net deferred tax asset	1,373,418	226,671	(786,167)	813,922

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26 DEFERRED TAX (Continued)

(b) Recognised deferred tax liability Group

	1st July KShs "000"	Derecognised KShs "000"	Movement through profit or loss KShs "000"	30th June KShs "000"
At 30th June, 2020				
Investment Property - fair value	(125,750)			(125,750)
Net deferred tax liability	(125,750)	-	-	(125,750)
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 6,886,544,755 (2019 – KShs 7,296,330,665). The aging of tax losses was as below at 30 June 2020.

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
2020	(409,785,910)
	6,886,544,755

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	2020 KShs "000"	2019 KShs "000"
27 INVENTORIES		
Food	15,896	13,549
Non-food	4,631	9,339
Other	26,455	29,106
	<u>46,982</u>	<u>51,994</u>
Stock provision	(16,206)	(16,206)
	<u>30,776</u>	<u>35,788</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	93,188	123,386
Prepayments	84,598	56,453
Other Debtors	-	71,465
VAT Control	-	34,846
At 30 June	<u>177,786</u>	<u>286,150</u>

Ageing of trade receivables

Not Impaired	45,609	30,070
Impaired - Over 60 days	47,578	165,653
	<u>93,187</u>	<u>195,723</u>
Allowances for credit losses	(72,337)	(72,337)
	<u>20,850</u>	<u>123,386</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. There were no trade receivables written off during the year.

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29 RELATED PARTY BALANCES

(a) Due from Related Parties

	Group		Company	
	2020	2019	2020	2019
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
Kasarani Mall Ltd	-	-	146,081	133,503
Sitatunga Limited	(35)	501	(35)	501
	<u>(35)</u>	<u>501</u>	<u>146,046</u>	<u>134,004</u>

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 (20

(d) Related party loans

ICDC – Loan (Note 33)	136,119	120,091
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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%.

(d) Directors emoluments

Executive Directors	18,000	18,000
Non - Executive Directors	5,550	10,700
	<u>23,550</u>	<u>28,700</u>

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	Group		Company	
	2020	2019	2020	2019
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
30 CASH AND BANK BALANCES				
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:				
Cash on Hand	685	284	685	284
Bank Balance	(26)	2,130	(26)	2,130
	659	2,414	659	2,414
Bank Overdraft	(902,035)	(906,214)	(902,035)	(906,214)
At 30 June	(901,376)	(903,800)	(901,376)	(903,800)

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 of KShs 5 each	2,500,000	2,500,000
25,000,000 redeemable preference shares of KShs 20 each	500,000	500,000
	3,000,000	3,000,000

Issued and fully paid

364,961,594 ordinary shares of KShs 5 each	1,824,808	1,824,808
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At 30 June 2017 and 30 June 2016, 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.

	Group		Company	
	2020	2019	2020	2019
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
32 RESERVES				
Retained earnings-(deficit)	(10,089,545)	(10,237,354)	(12,272,796)	(12,433,182)
Share premium	1,371,057	1,371,057	1,371,057	1,371,057
Revaluation reserve	755,569	755,569	755,569	755,569
	(7,962,919)	(8,110,728)	(10,146,170)	(10,306,557)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

32 RESERVES (Continued)

Share premium

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

Years of Issue	Number of Shares	Premium Per Share (Kshs)	Share Premium KShs "000"
2014	99,534,980	4	398,140
2011	85,426,614	5	427,133
2005	120,000,000	4.5	545,784
			1,371,057

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.

33 TERM LOANS

Non-current

Government of Kenya Loan	1,576,849	942,857
United Bank of Africa (UBA)	-	-
	1,576,849	942,857

Current

Government of Kenya Loan	-	528,959
United Bank of Africa (UBA)	216,690	182,861
Industrial and Commercial Development Corporation (ICDC)	136,119	120,091
	352,809	831,911

Total borrowings

1,929,658	1,774,768
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The movement in term loans during the year was as follows

At 1 July	1,774,768	1,606,320
Additions	-	-
Accrued Interest & Penalties	154,890	168,448
Repayments	-	-
At 30 June	1,929,658	1,774,768

(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.

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

33 TERM LOANS (Continued)

(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 Rentco 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.

(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

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement) NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

33 TERM LOANS (Continued) (c) UBA Loans (Continued)

□ 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.

34 FINANCE LEASES

	2020 KShs "000"	2019 KShs "000"
At 1st July	903,966	722,950
Additions in the year (Penalties)	(740,375)	181,016
At 30 June	163,591	903,966

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

35 TRADE AND OTHER PAYABLES

	2020 KShs "000"	2019 KShs "000"	Company 2020 KShs "000"	2019 KShs "000"
Trade payables	4,939,499	4,879,389	4,794,781	4,734,669
Accrued expenses	1,649,406	1,442,943	1,649,406	1,442,943
At 30 June	6,588,905	6,322,332	6,444,187	6,177,612

36 DEFERRED REVENUE

At 1st July	87,852	87,718
Deferred during the year	2	134
At 30 June	87,854	87,852

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

37 SHAREHOLDERS

The top ten shareholders and number of shares held as at 30 June 2020 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 2020 (2019: Nil)

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

41 OPERATING LEASE COMMITMENTS

The operating lease rentals are payable as follows:

	2020 KShs "000"	2019 KShs "000"
Less than one year	7,242	11,958
Between 1 and 5 years	190,698	242,309
	<u>197,940</u>	<u>254,267</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.