

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS

AT

30 JUNE 2023

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)

**ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

COMPANY INFORMATION

DIRECTORS

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

Chairperson

Joash Akuma

Represented by Kennedy Wanderi
Appointed 2018
Appointed 01.05.18
Appointed 01.05.18
Appointed 2018
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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FOR THE YEAR ENDED 30 JUNE 2023

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, 2023

REPORT OF THE DIRECTORS

The Directors submit their Report and the Audited Consolidated and Separate Financial Statements for the year ended 30 June 2023 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 2023 (2022 – Nil).

4. Shareholding by Directors

The following Directors held the number of shares indicated below as at 30 June 2023.

Name	Number of Shares
John Karani Ndiwa & Charles Thinwa	13,000
John Karani Ndiwa	4,184

5. Business Overview

a) General

The Chief Executive Officer’s contract of service with the Company ended. The Consultant Chief Finance Officer was appointed to the vacant position, in an acting capacity.

National Land Commission withdrew Kenya Gazette Notice number 4397 dated 6th May 2021 that was to commence the compulsory acquisition of the Langata land, LR No. 209/12593. That development once again made the sale of the Kasarani Mall Limited’s Investment Property a priority. Procuring a buyer for the property proved difficulty because of its occupation by the Kenya Defence Force.

UCHUMI SUPERMARKETS PLC

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5. Business Overview (Continued)

b) Financial Performance

The Company reported a significant drop in revenue and profitability.

The sales were Kshs. 36.1 million (2022: Kshs. 130.7 million).

The Gross Profit was KShs. 5.5 million (2022: Kshs. 21.1 million). Other income was Kshs. 8.2 million (2022: KShs. 15.7 million). The total income was Kshs. 13.8 million (2022: Kshs. 36.8 million).

Operating expenses were Kshs. 63.8 million (2022: KShs. 190.2 million). Staff and Administrative costs represented 82% of the total expenditure. The Group posted an operating loss of KShs. 50 million (2022: KShs. 153.3 million). The total comprehensive loss for the year was KShs. 311.5 million (2022: Kshs. 202.7 million).

As at 30th June 2023, the Group's total assets amounted to KShs 3.43 billion (2022: KShs 3.62 billion). The total liabilities were Kshs. 10.52 billion (2022: KShs. 10.40 billion). The net working capital was negative Kshs. 8.13 billion (2022: Kshs. 7.86 billion). The Group's Shareholders' Fund was a deficit of Kshs. 7.09 billion (2022: Kshs. 6.78 billion).

c) Going Concern

The Company continued to experience serious operational and financial challenges. Working capital was insufficient and pressure from unpaid suppliers and lenders increased. The economy also underperformed. In those conditions, there existed material doubt over the Company's ability to continue as a going concern.

The Directors are committed towards the stabilization of the Company's operations and financial position. Key activities during and after the reporting period include:

- **Implementation of a Company Voluntary Arrangement (CVA):** The CVA remains a key component of the recovery framework, providing a structured path to manage debt and creditor settlements while allowing continued trading.
- **Operational Restructuring:** Cost rationalization, staff right-sizing, and improvements in procurement processes have been undertaken to preserve liquidity and improve margins.
- **Ongoing Strategic Engagements:** The Company is actively pursuing new revenue streams and partnership opportunities to improve its financial outlook.

UCHUMI SUPERMARKETS PLC

Under Company Voluntary Arrangement

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2023

c) Going Concern (Continued)

The Directors will continue to closely monitor the Company's financial position and take appropriate actions to safeguard its viability.

6. 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 2023 was 32 (2022: 74).

7. Directors' remuneration

Director's remuneration for the year ended 30 June 2023 was KShs. 0.733 million (2022: KShs. 12 million). These sums remain as part of the payables.

8. 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.

9. 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.

10. 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.

11. 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, 2023

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 11 to 55, which comprise the consolidated and company statements of financial position as at 30 June 2023, 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 55, which comprise the consolidated and company statements of financial position as at 30 June 2023, and the consolidated and company statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As stated on page 6, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

Basis for disclaimer of opinion

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

Basis for disclaimer of opinion (Continued)

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 above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and company financial statements. Accordingly, we do not express an opinion on the consolidated and company financial statements.

Report on other legal requirements

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

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

Gabriel W Wainaina & Associates

Date: 16th September, 2025.

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Kshs. "000"	2022 Kshs. "000"
Revenue			
Sales	7	36,135	130,373
Cost of sales	8	(30,565)	(109,226)
Gross profit		<u>5,570</u>	<u>21,147</u>
Other income	9	<u>8,295</u>	<u>15,731</u>
		<u>13,865</u>	<u>36,878</u>
Expenses			
Administration Costs	11	(28,159)	(76,125)
Staff Costs	12	(24,550)	(75,267)
General Expenses	13	(2,466)	(16,789)
Legal & Professional Expenses	14	(8,493)	(21,293)
Sales & Distribution	15	<u>(212)</u>	<u>(798)</u>
		<u>(63,880)</u>	<u>(190,272)</u>
Loss from operating activities		(50,015)	(153,394)
Provisions and write offs	16	(148,244)	(11,177)
		(198,259)	(164,571)
Finance costs (Net)	17	<u>(18,709)</u>	(65,240)
Loss before tax	18	<u>(216,968)</u>	(229,811)
Loss for the year		(216,968)	(229,811)
Other comprehensive income			
Non Trading Gain / (Loss)	10	<u>(94,630)</u>	<u>27,110</u>
Total comprehensive loss for the year		<u>(311,598)</u>	<u>(202,701)</u>
Loss per share (Basic and diluted) – KShs	20	<u>(0.85)</u>	<u>(0.56)</u>

The notes on page 17 to 55 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 2023**

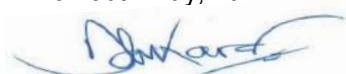
	Note	2023 Kshs. "000"	2022 Kshs. "000"
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Sales	7	36,135	130,373
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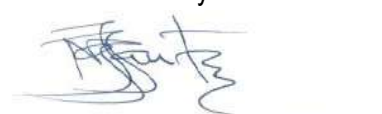
UCHUMI SUPERMARKETS PLC
(Under Company Voluntary Arrangement)
CONSOLIDATE STATEMENT OF FINANCIAL POSITION

	AS AT 30 June	2023	2022
ASSETS	Notes	KShs "000"	KShs "000"
Non - Current Assets			
Property and equipment	21	782,938	801,796
Investment Property	22	2,600,000	2,600,000
Prepaid operating lease	23	18,284	18,542
		<u>3,401,222</u>	<u>3,420,338</u>
Current Assets			
Inventories	26	11,689	13,819
Trade and other receivables	27	21,464	184,992
Bank and cash balances	29	(930)	1,418
		<u>32,223</u>	<u>200,229</u>
TOTAL ASSETS		<u>3,433,445</u>	<u>3,620,567</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	30	1,824,808	1,824,808
Share premium account	31	1,371,057	1,371,057
Revaluation reserve	31	755,569	755,569
Retained Earnings (Deficit)	31	(11,035,719)	(10,724,121)
		<u>(7,084,285)</u>	<u>(6,772,687)</u>
Non Current Liabilities			
Deferred Tax	25	125,750	125,750
Term loans	32	2,071,886	2,053,177
Finance Leases	33	163,591	163,591
		<u>2,361,227</u>	<u>2,342,518</u>
Current Liabilities			
Trade and other payables	34	7,157,249	7,051,672
Deferred revenue	35	87,854	87,854
Related Party Balances	28	35	35
Tax payable	19(a)	9,167	9,167
Bank overdraft	29	902,198	902,008
		<u>8,156,503</u>	<u>8,050,736</u>
TOTAL EQUITY AND LIABILITIES		<u>3,433,445</u>	<u>3,620,567</u>

The financial statements on pages 17 to 55 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	2023	2022
ASSETS	Notes	KShs "000"	KShs "000"
Non - Current Assets			
Property and equipment	20	782,938	801,796
Prepaid operating lease	23	18,284	18,542
Investment in Subsidiaries	24	200	200
		801,422	820,538
Current Assets			
Inventories	26	11,689	13,819
Trade and other receivables	27	21,464	184,992
Related Party Balances	28	146,046	146,046
Bank and cash balances	29	(930)	1,418
		178,269	346,275
TOTAL ASSETS		979,691	1,166,813
EQUITY AND LIABILITIES			
Equity			
Share Capital	30	1,824,808	1,824,808
Share premium account	31	1,371,057	1,371,057
Revaluation reserve	31	755,569	755,569
Retained Earnings (Deficit)	31	(13,218,970)	(12,907,372)
		(9,267,536)	(8,955,938)
Non Current Liabilities			
Term loans	32	2,071,886	2,053,177
Finance Leases	33	163,591	163,591
		2,235,477	2,216,768
Current Liabilities			
Trade and other payables	34	7,012,531	6,906,954
Deferred revenue	35	87,854	87,854
Tax payable	19(a)	9,167	9,167
Bank overdraft	29	902,198	902,008
		8,011,750	7,905,983
TOTAL EQUITY AND LIABILITIES		979,691	1,166,813

The notes on page 17 to 55 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 2023

	Share Capital KShs "000"	Share Premium KShs "000"	Revaluation Reserve KShs "000"	Retained Earnings (Deficit) KShs "000"	Total KShs "000"
2023:					
At 1st July, 2022	1,824,808	1,371,057	755,569	(10,724,121)	(6,772,687)
Profit for the year	-	-	-	(311,598)	(311,598)
Total comprehensive income	-	-	-	(311,598)	(311,598)
At 30th June, 2023	1,824,808	1,371,057	755,569	(11,035,719)	(7,084,285)
2022:					
At 1st July, 2022	1,824,808	1,371,057	755,569	(10,521,420)	(6,569,986)
Profit for the year	-	-	-	(202,701)	(202,701)
Total comprehensive income	-	-	-	(202,701)	(202,701)
At 30th June, 2023	1,824,808	1,371,057	755,569	(10,724,121)	(6,772,687)

The notes on page 17 to 55 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 2023

	Share Capital KShs "000"	Share Premium KShs "000"	Revaluation Reserve KShs "000"	Retained Earnings (Deficit) KShs "000"	Total KShs "000"
2023:					
At 1st July, 2022	1,824,808	1,371,057	755,569	(12,907,372)	(8,955,938)
Profit for the year	-	-	-	(311,598)	(311,598)
Total comprehensive income	-	-	-	(311,598)	(311,598)
At 30th June, 2023	1,824,808	1,371,057	755,569	(13,218,970)	(9,267,536)
2022:					
At 1st July, 2022	1,824,808	1,371,057	755,569	(12,704,671)	(8,753,237)
Profit for the year	-	-	-	(202,701)	(202,701)
Total comprehensive income	-	-	-	(202,701)	(202,701)
At 30th June, 2023	1,824,808	1,371,057	755,569	(12,907,372)	(8,955,938)

The notes on page 17 to 55 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 KShs "000"	2022 KShs "000"
Net cash flows from operating activities			
Loss before income tax		(311,598)	(202,701)
Adjustments for:			
Depreciation of property and equipment	21	18,858	19,719
Amortisation of prepaid operating lease	23	258	258
Finance expense	17	18,709	65,240
Operating loss before working capital changes		(273,773)	(117,484)
Trade and other receivables	27	163,528	(7,295)
Inventories	26	2,130	8,504
Trade and other payables	34	105,577	114,656
Cash outflows from operations		(2,538)	(1,619)
Net cash generated from/(used in) operating activities		(2,538)	(1,619)
Financing activities			
Finance cost	17	(18,709)	(65,240)
Increase in Long Term Borrowings	32	18,709	65,240
Net cash (used in) /generated from financing activities		-	-
Net decrease in cash and cash equivalents		(2,538)	(1,619)
Cash and cash equivalents at the beginning of the year		(900,590)	(898,971)
Cash and cash equivalents at the end of the year	29	(903,128)	(900,590)

The notes on page 17 to 55 are an integral part of these financial statements

UCHUMI SUPERMARKETS PLC

(Under Company Voluntary Arrangement)

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 KShs "000"	2022 KShs "000"
Net cash flows from operating activities			
Loss before income tax		(311,598)	(202,701)
Adjustments for:			
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Cash outflows from operations		(2,538)	(1,619)
Net cash generated from/(used in) operating activities		(2,538)	(1,619)
Financing activities			
Finance cost	17	(18,709)	(65,240)
Increase in Long Term Borrowings	32	18,709	65,240
Net cash (used in) /generated from financing activities		-	-
Net decrease in cash and cash equivalents		(2,538)	(1,619)
Cash and cash equivalents at the beginning of the year		(900,590)	(898,971)
Cash and cash equivalents at the end of the year	29	(903,128)	(900,590)

The notes on page 17 to 55 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 2023

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.

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2 BASIS OF PREPARATION (Continued)

e) Going concern

The Group and Company incurred net losses after tax of KShs 312 million and KShs 312 million during the year ended 30 June 2023 (2022 – KShs 202 million and KShs 202 million) respectively and as of that date, the Group's and Company's current liabilities exceeded their current assets by KShs 8,124 million and KShs 7,833 million (2022 – KShs 7,850 million and KShs 7,559 million) respectively.

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

(i) Franchising

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

(ii) Strategic investor

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

(iii) Debt restructuring

On 1st October, 2020 the Court approved the Company Voluntary Arrangement entered into with Creditors on 2nd March, 2020.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of combinations

(i) Business Combinations

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of combinations (Continued)

(i) Business Combinations (Continued)

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

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

(ii) Subsidiaries

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

b) Transactions in foreign currencies

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

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

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

b) Revenue recognition

Revenue from the sales of goods is recognized in the period in which the Group delivers the product to the customer, the customer has accepted the products and the collectability of the related receivable is reasonably assured. Revenue from the rendering of services is recognized in the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition (Continued)

Revenue represents the fair value of the consideration receivable for sales of goods and services and is stated net of Value-Added Tax (VAT), rebates and discounts. Other operating revenue is recognized at the time the service is provided.

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

c) Customer loyalty programme

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

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

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

d) Inventories

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

Provision for obsolescence is made on the basis of the historical trend which considers the period an item is projected to take to clear from the shelves for the two main categories of inventory being food and non- food items as follows:

Food items

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

e) Inventories

Nonfood items

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

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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.

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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 Group and all its employees 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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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Employee benefits (Continued)

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

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

k) Taxation

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

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

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

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

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

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

l) Cash and cash equivalents

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

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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.

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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.

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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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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Provisions for liabilities (Continued)

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

r) Investments in subsidiaries

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

s) Restructuring provisions

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

t) Dividends

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

u) Investment property

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

v) Comparatives

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

w) New standards, amendments and interpretations

(i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2022:

Annual improvements cycle 2018 -2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

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NOTES TO THE FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations (Continued)

(i) New and amended standards adopted by the Group (Continued)

Annual improvements cycle 2018 -2020 (Continued)

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

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

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

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

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.

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

Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

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NOTES TO THE FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) New standards, amendments and interpretations (Continued)

(i) New and amended standards adopted by the Group (Continued)

Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity (Continued)

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.

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

The amendment clarifies those liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

(iii) Early adoption of standards

The Group did not early adopt new or amended standards in the year ended 30 June 2023.

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:

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FOR THE YEAR ENDED 30 JUNE 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

(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.

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FOR THE YEAR ENDED 30 JUNE 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

a) Critical accounting estimates

iv. Fair value of financial instruments (Continued)

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. 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.

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5. FINANCIAL RISK MANAGEMENT (Continued)

The Group's risk management framework (Continued)

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:

		Group	
		2023	2022
	Notes	Kshs. "000"	Kshs. "000"
Bank Balances	29	-	101
Trade Receivables	27	21,465	172,321
Other Receivables	27	-	12,672
		21,465	185,094

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5. FINANCIAL RISK MANAGEMENT (Continued)

The Group's risk management framework (Continued)

a) Credit risk (Continued)

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 27.

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 2023

	Less than 1 Year Kshs. "000"	Between 1 - 5 Years Kshs. "000"	Kshs. "000"
Trade and Other Payables	22,628	6,985,832	7,008,460
Bank Overdraft	-	902,198	902,198
Term Loans	-	1,446,599	1,446,599
Obligations under Finance Lease	-	163,592	163,592
Interest Payable on Term Loans	-	625,287	625,287
		10,123,508	10,146,136

At 30 June 2022

	Less than 1 Year Kshs. "000"	Between 1 - 5 Years Kshs. "000"	Kshs. "000"
Trade and Other Payables	22,628	6,985,832	7,008,460
Bank Overdraft	-	902,198	902,198
Term Loans	-	1,446,599	1,446,599
Obligations under Finance Lease	-	163,592	163,592
Interest Payable on Term Loans	-	625,287	625,287
		10,123,508	10,146,136

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NOTES TO THE FINANCIAL STATEMENTS
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5. FINANCIAL RISK MANAGEMENT (Continued)

The Group's risk management framework (Continued)

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	
		2023	2022	2023	2022
	Notes	Kshs. "000"	Kshs. "000"	Kshs. "000"	Kshs. "000"
Share Capital	30	1,824,808	1,824,808	1,824,808	1,824,808
Reserves	31	(8,919,093)	(8,607,495)	(11,092,344)	(10,718,855)
		(7,084,174)	(6,772,580)	(9,267,424)	(8,955,831)

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

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

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 Kshs. "000"	Level 2 Kshs. "000"	Level 3 Kshs. "000"
30-Jun-23				
	Property and Equipment	-	-	777,456
	Investment Property	-	-	2,600,000
				3,377,456
30-Jun-22				
	Property and Equipment	-	-	785,148
	Investment Property	-	-	2,600,000
				3,385,148

Company

	2023 Kshs. "000"	2022 Kshs. "000"
Property and equipment (Level 3)	777,456	785,148

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NOTES TO THE FINANCIAL STATEMENTS
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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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NOTES TO THE FINANCIAL STATEMENTS

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	2023 KShs "000"	2022 KShs "000"
7 SALES		
Food	27,103	97,392
Personal care	5,789	21,476
General merchandise	2,579	7,322
Textiles	520	3,463
Others	144	720
	36,135	130,373
8 COST OF SALES		
Food	23,392	83,100
Personal Care	4,709	17,461
General merchandise	1,968	5,630
Textiles	404	2,759
Others	92	276
	30,565	109,226
9 OTHER INCOME		
Rental Income	8,271	14,860
Parking Fee	24	871
	8,295	15,731
10 NON TRADING GAIN / (LOSS)		
Sale of Miscellaneous Assets	10,626	27,110
Court Settlement - Soma Ass	(105,256)	-
	(94,630)	27,110
11 ADMINISTRATION EXPENSES		
Rent expense	-	37,033
Water & Electricity	4,169	11,021
Motor running expenses	406	959
Amortisation of operating Lease	258	258
Depreciation	18,858	19,719
Bank Charges & Commission	184	832
Computer Expenses	1,735	1,691
Insurances	-	110
CIT Cost	1,259	3,665
Repairs & Maintenance	1,290	837
	28,159	76,125

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2023	2022
KShs "000'	KShs "000"

12 STAFF COSTS

Salaries & Wages	23,421	56,415
Provision for Redudancy	-	15,974
Other	1,129	2,878
	24,550	75,267

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

	Number	Number
Management staff	7	3
Other Staff	25	71
	32	74

13 GENERAL EXPENSES

Postage, Printing & Newspapers	296	680
Packaging materials	11	106
Laundry & Sanitary	583	683
Licences	198	435
Generator fuel	424	1,569
Directors Expenses	733	12,075
Branch Closure	-	80
Distribution expenses	29	337
Other expenses	192	824
	2,466	16,789

Group		Company	
2023	2022	2023	2022
KShs "000"	KShs "000"	KShs "000'	KShs "000"

14 LEGAL & PROFESSIONAL EXPENSES

Auditors' remuneration	580	580	580	580
Legal Expenses	879	3,203	879	3,203
CVA Supervision	3,600	-	3,600	-
Other Consultancies	3,434	17,510	3,434	17,510
	8,493	21,293	8,493	21,293

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		Company	
		2023	2022
		KShs "000"	KShs "000"
15	SELLING AND DISTRIBUTION		
	Marketing Expenses	212	798
16	PROVISIONS AND WRITE OFFS		
	Trade Debtors Write Off	146,649	-
	Stocks Write Off	-	6,021
	Other provisions and write offs	1,595	5,156
		148,244	11,177
17	NET FINANCE COSTS		
	Interest on Finance Lease	18,709	65,240
		18,709	65,240
		Group	
		2023	2022
		KShs "000"	KShs "000"
18	LOSS BEFORE TAX		
	The loss before tax is stated after charging:	-	
	Net Interest expense (Note 17)	18,709	65,240
	Depreciation on property and equipment (Note 21)	18,858	19,719
	Amortization of Operating Lease (Note 23)	258	258
	Auditors' remuneration (Note 14)	580	580
	Directors' emoluments:		
	As executives (Note 29(e))	-	11,406
	As directors (Note 29(e))	733	669
19	TAXATION		
	(a) Statement of financial position		
	Income tax payable / (recoverable)		
	Balance at 1st July	9,167	9,167
	Tax charge for the year	-	-
	Tax paid during the year	-	-
	At 30th June	9,167	9,167

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Group		Company	
	2023 KShs "000"	2022 KShs "000"	2023 KShs "000"	2022 KShs "000"
19 TAXATION (Continued)				
(b) Income Statement				
Current tax:				
- Current year	-	-	-	-
	-	-	-	-
Deferred tax (Note 25(b)):				
- Current year movement	(111,811)	(226,671)	(111,811)	(226,671)
Income tax credit	9,167	9,167	9,167	9,167
(c) Tax Reconciliation				
Accounting loss before tax	(216,968)	(229,811)	(216,968)	(229,811)
Tax calculated at the rate of 30%	-	-	-	-
- Business income	(65,089)	(68,943)	(65,089)	(68,943)
- Rental income	8,270	14,860	8,270	14,860
Prior year over-provision	177,797	289,920	177,797	289,920
Unrecognized deferred tax (Note 25(a))	(111,811)	(226,671)	(111,811)	(226,671)
	9,167	9,167	9,167	9,167
20 EARNINGS PER SHARE				
Loss for the year	(216,968)	(202,701)	(216,968)	(202,701)
Number of ordinary shares	364,962	364,962	364,962	364,962
Loss per share - Kshs	(0.59)	(0.56)	(0.59)	(0.56)

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS

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21 PROPERTIES

(a) Property and Equipment

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 2023:					
Cost or Valuation					
At 1st July, 2022	851,000	379,987	673,282	1,069,162	2,973,431
Depreciation					
At 1st July, 2022	67,774	361,417	673,282	1,069,162	2,171,635
Charge for the year	11,111	7,747	-	-	18,858
	78,885	369,164	673,282	1,069,162	2,190,493
At 30th June, 2023	772,115	10,823	-	-	782,938

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21 PROPERTIES

(b) Property and Equipment

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 2022:					
Cost or Valuation					
At 1st July, 2021	<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, 2021	<u>56,663</u>	<u>352,809</u>	<u>673,282</u>	<u>1,069,162</u>	<u>2,151,916</u>
Charge for the year	<u>11,111</u>	<u>8,608</u>	<u>-</u>	<u>-</u>	<u>19,719</u>
	<u>67,774</u>	<u>361,417</u>	<u>673,282</u>	<u>1,069,162</u>	<u>2,171,635</u>
At 30th June, 2023	<u>783,226</u>	<u>18,570</u>	<u>-</u>	<u>-</u>	<u>801,796</u>

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21 PROPERTIES (Continued)

Revaluation

The Group revalued its land and buildings on Property L.R Number 209/12596 on 12th June 2017

22 INVESTMENT PROPERTY

Group	2023 KShs "000"	2022 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.

23 PREPAID OPERATING LEASE

Cost

At 1 July	18,542	18,800
Amortisation for the year	(258)	(258)
At 30th June	<u>18,284</u>	<u>18,542</u>

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 KShs "000"	2022 KShs "000"
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23 PREPAID OPERATING LEASE (Continued)

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 73 years. The leasehold is subject to a first charge as disclosed in note 32.

24 INVESTMENT IN SUBSIDIARIES

Kasarani Mall Ltd

Country of Incorporation - Kenya

Shareholding - 100%

	2023 KShs "000"	2022 KShs "000"
Investment (Cost)	200	200

25 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.

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS

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25 DEFERRED TAX (Continued)

At 30 June 2023

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, 2023				
Tax losses carried forward	187,786		112,744	300,530
Property and equipment	283,182		84,955	368,137
Revaluation reserve	709,355	226,671		936,026
Other temporary differences	190,129			190,129
Net deferred tax asset	1,370,452	226,671	197,699	1,794,822

At 30 June 2017

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, 2017				
Tax losses carried forward	303,850	-	(116,064)	187,786
Property and equipment	217,832	-	65,350	283,182
Revaluation reserve	482,684	226,671	-	709,355
Other temporary differences	190,129	-	-	190,129
Net deferred tax asset	1,194,495	226,671	(50,714)	1,370,452

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25 DEFERRED TAX (Continued)

(b) Recognised deferred tax liability Group

	1st July	Derecognised	Movement through profit or loss	30th June
	KShs "000"	KShs "000"	KShs "000"	KShs "000"
At 30th June, 2023				
Investment Property - fair value	(125,750)			(125,750)
Net deferred tax liability	(125,750)	-	-	(125,750)
At 30th June, 2023				
Tax losses carried forward	300,530	(300,530)		-
Property and equipment	57,952	(57,952)		-
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	(11,545)	(109,205)	(5,000)	(125,750)

(c) Tax losses

The Group and Company has tax losses carried forward of KShs 7,495,175,239 (2022 – KShs 7,203,433,065). The aging of tax losses was as below at 30 June 2023.

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)
2021	152,215,137
2022	164,673,173
2023	291,742,174
	7,495,175,239

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Company	
	2023 KShs "000"	2022 KShs "000"
26 INVENTORIES		
Food	5,794	4,786
Non-food	29,430	30,645
Other	619	615
	<u>35,843</u>	<u>36,046</u>
Stock provision	<u>(24,154)</u>	<u>(22,227)</u>
	<u>11,689</u>	<u>13,819</u>

The stock provision amount was recognized as an expense for inventories carried at the lower of cost and net realisable value. This is recognised in cost of sales. Other inventory relate to packaging materials and empties and crates.

27 TRADE AND OTHER RECEIVABLES

Trade receivables	21,464	172,322
Prepayments and others	-	12,670
At 30 June	<u>21,464</u>	<u>184,992</u>
<i>Ageing of trade receivables</i>		
Not Impaired	21,464	42,050
Impaired - Over 60 days	-	142,943
	<u>21,464</u>	<u>184,993</u>
Allowances for credit losses	-	(72,337)
	<u>21,464</u>	<u>112,656</u>

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

UCHUMI SUPERMARKETS PLC

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28 RELATED PARTY BALANCES

(a) Due to and from Related Parties

	Group		Company	
	2023 KShs "000"	2022 KShs "000"	2023 KShs "000"	2022 KShs "000"
Sitatunga Limited	(35)	(35)	(35)	(35)
	<u>(35)</u>	<u>(35)</u>	<u>(35)</u>	<u>(35)</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 (2017-Nil)

(d) Related party loans

	Company	
	2023 KShs "000"	2022 KShs "000"
ICDC – Loan (Note 32)	172,033	172,033

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%.

	Group		Company	
	2023 KShs "000"	2022 KShs "000"	2023 KShs "000"	2022 KShs "000"
(d) Directors emoluments				
Executive Directors	-	11,406	-	11,406
Non - Executive Directors	733	669	733	669
	<u>733</u>	<u>12,075</u>	<u>733</u>	<u>12,075</u>

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	Group		Company	
	2023 KShs "000"	2022 KShs "000"	2023 KShs "000"	2022 KShs "000"
29 CASH AND BANK BALANCES				
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:				
Cash on Hand	1,766	1,318	1,766	1,318
Bank Balance	(2,698)	101	(2,698)	101
	(932)	1,419	(932)	1,419
Bank Overdraft	(902,198)	(902,008)	(902,198)	(902,008)
At 30 June	(903,130)	(900,589)	(903,130)	(900,589)

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

30 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 2023 and 30 June 2022, 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	
	2023 KShs "000"	2022 KShs "000"	2023 KShs "000"	2022 KShs "000"
31 RESERVES				
Retained earnings-(deficit)	(11,035,719)	(10,724,121)	(13,218,970)	(12,907,372)
Share premium	1,371,057	1,371,057	1,371,057	1,371,057
Revaluation reserve	755,569	755,569	755,569	755,569
	(8,909,093)	(8,597,495)	(11,092,344)	(10,780,746)

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31 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.

32 TERM LOANS

Non-current

	2023 KShs "000"	2022 KShs "000"
Government of Kenya Loan	1,576,849	1,576,849
	1,576,849	1,576,849

Current

United Bank of Africa (UBA)	323,004	304,295
Industrial and Commercial Development Corporation	172,033	172,033
	495,037	476,328

Total borrowings	2,071,886	2,053,177
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The movement in term loans was as follows

At 1 July	2,053,177	1,987,937
Accrued Interest	18,709	65,240
At 30 June	2,071,886	2,053,177

(a) ICDC Loan

The loan is secured by a first charge on leasehold property LR No. 209/12593.

The loan attracts interest at the revisable base rate of 16% per annum.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

32 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 Rento EA Ltd for KShs 1,110,514,526;
- Undertaking dated 12 January 2013 to deposit daily sales in current account 1117699587 and process payments to suppliers;
- Rental facility dated 12 January 2015 between Uchumi Supermarkets and Rentco EA Ltd channelling business proceeds through the Uchumi supermarkets bank A/C with KCB;
- Facility agreement dated 22 June 2015 by borrower, KCB (Uganda) Ltd (as a lender) and KCB Ltd (as a security Agent);
- Director's resolution dated 8 January 2015 authorizing lease arrangement with Rentco EA Limited;
- Board resolution by the borrower for KShs 1,278,177,361 dated 20 January 2016; and
- Board resolution by the borrower authorizing facilities and security arrangements dated 10 November 2016.

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

('c) UBA Loans

The loan is secured by:

- Registered Charge for the sum of KShs 250 million dated 31 March, 2016 registered at the Land Titles Registry as IR 66890/10 and at the Companies Registry on 8th February, 2016;
- Registered Debenture dated 14 June, 2016 over the Borrower's assets for the sum of KShs 303 million; and
- Partially registered Further Legal Charge dated 14 June, 2016 over property LR No. 209 /12593 for the sum of KShs

300 million ranking pari passu with the charge securing facilities over the same property issued in favour of ICDC.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

32 TERM LOANS (Continued)

(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.

33 FINANCE LEASES

	2023 KShs "000"	2022 KShs "000"
At 1st July	163,591	163,591
At 30 June	163,591	163,591

34 TRADE AND OTHER PAYABLES

	Group		Company	
	2023 KShs "000"	2022 KShs "000"	2023 KShs "000"	2022 KShs "000"
Trade payables	5,001,564	5,007,238	4,856,846	4,862,525
Accrued expenses	2,155,685	2,044,434	2,155,685	2,044,429
At 30 June	7,157,249	7,051,672	7,012,531	6,906,954

35 DEFERRED REVENUE

	2023 KShs "000"	2022 KShs "000"
At 1st July	87,854	87,854
At 30 June	87,854	87,854

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2023
KShs "000"

2022
KShs "000"

36 SHAREHOLDERS

The top ten shareholders and number of shares held as at 30 June 2023 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>

37 CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2023 (2022: Nil)

UCHUMI SUPERMARKETS PLC

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

38 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.

39 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.