

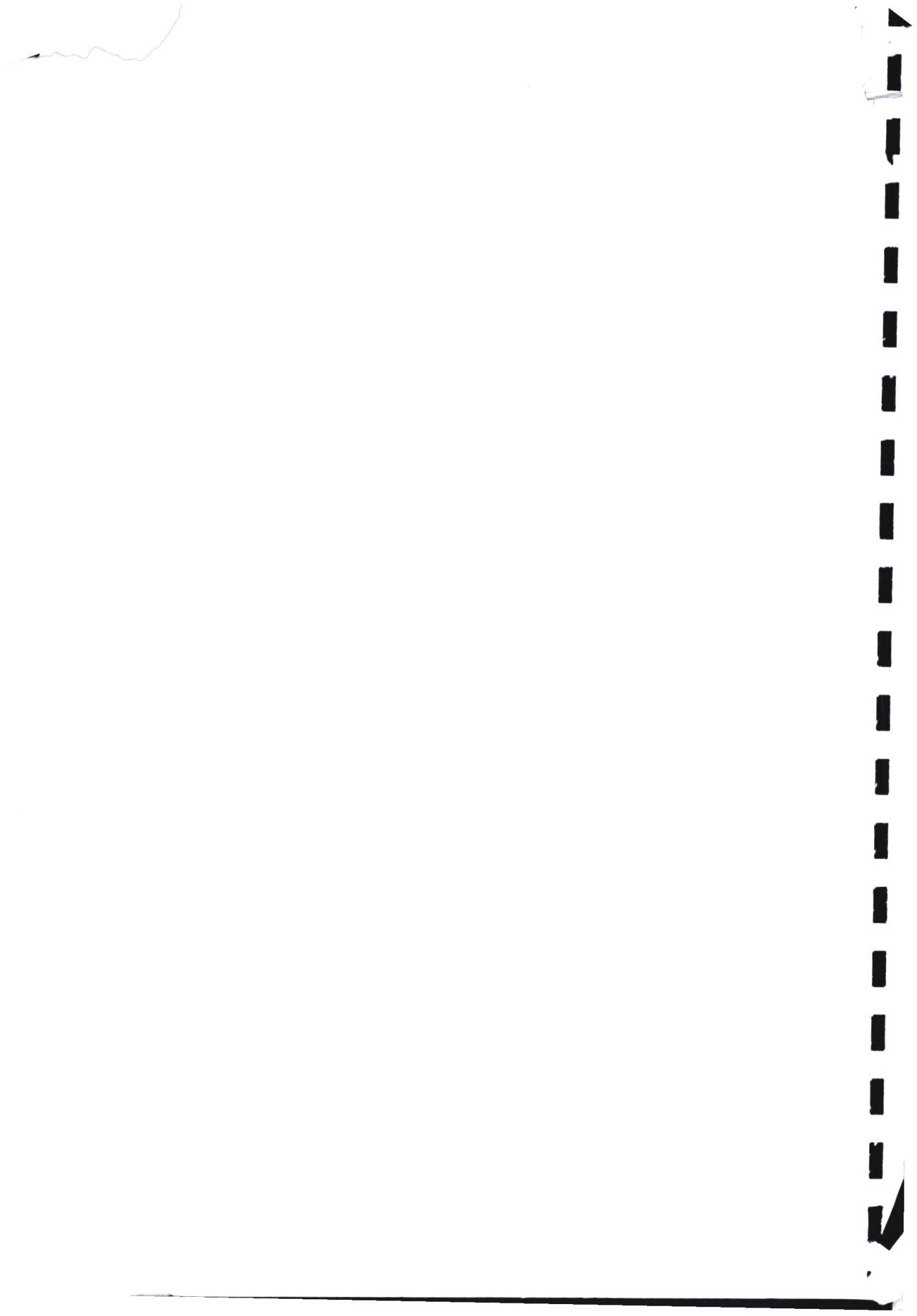
REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
KENYA WINE AGENCIES LIMITED
FOR THE YEAR ENDED
30 JUNE 2014





KENYA WINE AGENCIES LIMITED

REPORT AND FINANCIAL STATEMENTS

AT

30 JUNE 2014

KENYA WINE AGENCIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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KENYA WINE AGENCIES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2014

The Directors submit their report together with the audited financial statements for the year ended 30 June 2014, in accordance with Section 157 of the Kenyan Companies Act, which disclose the state of affairs of the Company.

1. Principal activities

The company's principal activity is procurement, production, packaging and marketing of a wide range of selected quality alcoholic and non-alcoholic beverages.

2. Results

The results for the year are set out on page 7.

3. Dividends

The directors do not recommend the payment of a dividend (2013 – KShs 50,000,000).

4. Directors

The directors who held office during the year are set out on page 1.

5. Auditors

The Auditor-General is responsible for the statutory audit of the Company's books of account in accordance with Sections 14 and 39(i) of the Public Audit Act, 2003 which also empowers him to nominate other auditors to carry out the audit on his behalf.


KPMG Kenya were appointed by the Auditor-General to carry out the audit on his behalf for the year ended 30 June 2014.

6. Approval of financial statements

The financial statements were approved by the Directors on 10 November 2014 and were signed on its behalf by:

BY ORDER OF THE BOARD

Secretary



10 November 2014
Date

KENYA WINE AGENCIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the financial statements of Kenya Wine Agencies Limited set out on pages 7 to 43 which comprise the statement of financial position at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Kenyan Companies Act and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the operating results of the company for that period. It also requires the Directors to ensure the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company.

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

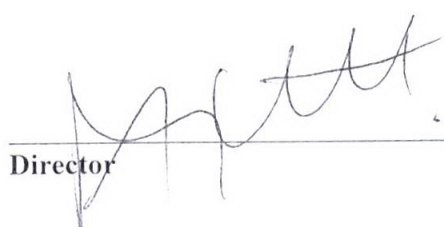
The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the separate financial statements

The separate financial statements, as indicated above, were approved by the Board of Directors on 10 November 2014 and were signed on its behalf by:



Director



Director



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA WINE AGENCIES LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Kenya Wine Agencies Limited set out on pages 7 to 43, which comprise the statement of financial position as at 30 June 2014, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by KPMG Kenya, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those Standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

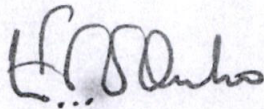
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward R.O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

18 December 2014

KENYA WINE AGENCIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
Revenue	6	3,912,515	3,376,929
Direct costs	7	(2,897,012)	(2,514,028)
Gross profit		1,015,503	862,901
Other income	8	774	3,321
Finance income	9	14,974	4,100
Administrative expenses	10	(298,339)	(286,113)
Selling and distribution expenses	11	(532,878)	(426,202)
Finance costs	12	(12,910)	(7,870)
Profit before taxation	13	187,124	150,137
Taxation charge	15(a)	(53,705)	(62,242)
Profit for the year		<u>133,419</u>	<u>87,895</u>
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of property, plant and equipment		-	(80,457)
Remeasurement of defined benefit asset and liability		37,077	31,363
Tax relating to items that will never be reclassified to profit or loss		(11,123)	14,728
Total other comprehensive income		<u>25,954</u>	<u>(34,366)</u>
Total comprehensive income for the year		<u>159,373</u>	<u>53,529</u>

The notes set out on pages 12 to 43 form an integral part of these financial statements.

KENYA WINE AGENCIES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
ASSETS			
Non current assets			
Property, plant and equipment	16	850,452	719,093
Prepaid operating lease rentals	17	3,930	4,207
Intangible assets	18	1,436	3,246
Investment in subsidiary	19	60,114	60,114
Defined benefit asset	29(b)	<u>81,676</u>	<u>62,847</u>
		<u>997,608</u>	<u>849,507</u>
Current assets			
Inventories	20	809,702	495,195
Trade and other receivables	21	331,497	320,749
Amount due from subsidiary	22(a)	31,798	26,662
Amount due from related Company	22(b)	63,094	51,453
Tax recoverable	15(c)	-	6,459
Short term deposits	23	210,602	35,288
Cash and bank balances		<u>122,611</u>	<u>224,888</u>
Total assets		<u>1,569,304</u>	<u>1,160,694</u>
		<u>2,566,912</u>	<u>2,010,201</u>
EQUITY AND LIABILITIES			
Capital and reserves (page 9 and 10)			
Share capital	24(a)	200,000	200,000
Share premium	24(b)	645,988	645,988
Revaluation reserves	24(c)	204,417	208,028
Retained earnings		<u>514,236</u>	<u>401,252</u>
Total equity		<u>1,564,641</u>	<u>1,455,268</u>
Non current liabilities			
Deferred taxation liability	25	153,153	136,378
Defined benefit liability	29 (a)	14,011	36,719
Finance lease obligations	27	<u>1,406</u>	<u>8,795</u>
		<u>168,570</u>	<u>181,892</u>
Current liabilities			
Amount due to parent Company	22(c)	360,614	91,149
Overdraft	31	20,517	-
Tax payable	15(c)	5,235	-
Trade and other payables	26	439,905	275,639
Finance lease obligations	27	<u>7,430</u>	<u>6,253</u>
		<u>833,701</u>	<u>373,041</u>
Total equity and liabilities		<u>2,566,912</u>	<u>2,010,201</u>

The financial statements on pages 7 to 43 were approved by the Board of Directors on 10 November 2014 and were signed on its behalf by:

Director:  _____

Director:  _____

The notes set out on pages 12 to 43 form an integral part of these financial statements.

KENYA WINE AGENCIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

2014:

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Total KShs'000
At 1 July 2013	200,000	645,988	208,028	401,252	1,455,268
Total comprehensive income for the year					
Profit for the year	-	-	-	133,419	133,419
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurement of defined benefit asset and liability	-	-	-	37,077	37,077
Deferred tax on actuarial losses	-	-	-	(11,123)	(11,123)
Transfer of excess depreciation	-	-	(5,158)	5,158	-
Deferred tax on excess depreciation transferred	-	-	1,547	(1,547)	-
Total other comprehensive income	-	-	(3,611)	29,565	25,954
Total comprehensive income for the year	-	-	(3,611)	162,984	159,373
Transactions with owners of the Company					
Dividends paid	-	-	-	(50,000)	(50,000)
Balance at 30 June 2014	200,000	645,988	204,417	514,236	1,564,641

The notes set out on pages 12 to 43 form an integral part of these financial statements.

KENYA WINE AGENCIES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Total KShs'000
2013:					
At 1 July 2012	200,000	645,988	267,959	287,792	1,401,739
Total comprehensive income for the year					
Profit for the year	-		-	87,895	87,895
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Deficit on revaluation of property, plant and equipment	-		(80,457)		(80,457)
Deferred tax on revaluation	-		24,137		24,137
Remeasurement of defined benefit asset and liability	-			31,363	31,363
Deferred tax on actuarial losses	-			(9,409)	(9,409)
Transfer of excess depreciation	-		(5,158)	5,158	-
Deferred tax on excess depreciation transferred	-	-	1,547	(1,547)	-
Total other comprehensive income	-	-	(59,931)	25,565	(34,366)
Total comprehensive income for the year	-	-	(59,931)	113,460	53,529
Balance at 30 June 2013	200,000	645,988	208,028	401,252	1,455,268

The notes set out on pages 12 to 43 form an integral part of these financial statements.

KENYA WINE AGENCIES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
	Note	KShs'000	Restated KShs'000
Cash flows from operating activities			
Net cash generated from operations	28(a)	311,713	275,387
Income taxes paid	15 (c)	(36,359)	(68,559)
Net cash generated from operating activities		<u>275,354</u>	<u>206,828</u>
Cash flows from investing activities			
Purchase of property and equipment	16	(181,596)	(122,296)
Purchase of intangible assets	18	-	(226)
Interest income		<u>14,974</u>	<u>4,100</u>
Net cash used in investing activities		(166,622)	(118,422)
Cash flows from financing activities			
Dividends paid		(50,000)	-
Net movements in lease finance		(6,212)	(5,357)
Net cash used in investing activities		(56,212)	(5,357)
Net increase in cash and cash equivalents		52,520	83,049
Cash and cash equivalents at the beginning of the year		<u>260,176</u>	<u>177,127</u>
Cash and cash equivalents at the end of the year	28(b)	<u>312,696</u>	<u>260,176</u>

The notes set out on pages 12 to 43 form an integral part of these financial statements.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

1. REPORTING ENTITY

Kenya Wine Agencies Limited is domiciled and incorporated in Kenya under the Kenya Companies Act. The parent company is KWA Holdings E. A. Limited, which is domiciled and incorporated in Kenya. The address of the registered office is

Kenya Wine Agencies Limited
Enterprise Road
PO Box 40550 - 00100
Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies' Act.

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

(b) Basis of measurement

The financial statements are prepared under the historical cost for the following:

- (i) Financial instruments at fair value through profit or loss are measured at fair value.
- (ii) Available for sale financial assets are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

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

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

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New standards and interpretations

(i) *New standards and interpretations adopted during the year*

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 10-Consolidated Financial Statements	1 January 2013
• IFRS 11-Joint Arrangements	1 January 2013
• IFRS 12-Disclosure of Interests in Other Entities	1 January 2013
• Amendments to IFRS 10, IFRS 11 and IFRS 12-Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance	1 January 2013
• IFRS 13-Fair value measurement	1 January 2013
• IAS 1 Presentation of Financial Statements - Presentation of items of Other Comprehensive Income (OCI)	1 January 2013
• IAS 19-Employee Benefits (2011)	1 January 2013
• IAS 27-Separate Financial Statements (2011)	1 January 2013
• IAS 28-Investments in Associates and Joint Ventures (2011)	1 January 2013

The impact of new and amended standards on the financial statements for the year ended 30 June 2014 are as follows:

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

To meet the disclosure requirements, the IFRS requires an entity to present information relating to:

- Significant judgments and assumptions it has made in determining the nature of its interests in another entity or arrangement,
- Information about interests in subsidiaries, joint arrangements and associates and structured entities that are not controlled by the entity (unconsolidated structured entities).

The Company has made adequate disclosures about its interests in subsidiaries in line with IFRS 12.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

(a) **New standards and interpretations (continued)**

(i) *New standards and interpretations adopted during the year (continued)*

IFRS 13: Fair Value Measurements

IFRS 13 defines fair value as 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 (i.e. an exit price). That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The IFRS explains that a fair value measurement requires an entity to determine the following:

- the particular asset or liability being measured;
- for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; and
- the market in which an orderly transaction would take place for the asset or liability; and the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximise the use of relevant observable inputs and minimise unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

Some IFRSs require or permit entities to measure or disclose fair value of assets, liabilities or their own equity instruments. Because those IFRS were developed over many years, the requirement for measuring fair value and for disclosing information about fair value measurements were dispersed and in many cases did not articulate a clear measurement or disclosure objective. There was hence not always consistent guidance across the IFRSs that refer to fair value hence hampering comparability of information reported in financial statements. IFRS 13 remedies the situation.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new definition of fair value, prospectively. The change had no significant impact on the measurements of the Company's assets and liabilities, but the Company has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Company has provided the relevant comparative disclosures under those standards.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards and interpretations (Continued)

(i) *New standards and interpretations adopted during the year*

Amendments to IFRS 7: Disclosures-Offsetting Financial Assets and Financial Liabilities

Amends the disclosure requirements in IFRS 7 Financial Instruments disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements of similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set off associated with an entity's recognised financial assets and financial liabilities on the entity's financial position.

As a result of the amendments to IFRS 7, the Company has expanded disclosures about offsetting financial assets and financial liabilities.

IAS 1: Presentation of Financial Statements

As a result of amendment to IAS 1, the group has modified the presentation of items of Other Comprehensive Income (OCI) in its statement of profit and loss and OCI to present separately items that would be reclassified to profit and loss from those that would never be. Comparative information has been re-presented accordingly.

IAS 27: Separate Financial Statements

The amended IAS 27-Separate Financial Statements now only deals with requirements for separate financial statements which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated Financial Statements are now contained in IFRS 10-Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost or in accordance with IFRS 9, Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations, and includes a number of disclosure requirements.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards and interpretations (Continued)

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014*

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 9 Financial Instruments (2010)	1 January 2018
• Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
• Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
• Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
• IFRIC 21 Levies (2013)	1 January 2018
• IFRS 15 Revenue from Contracts with Customers	1 January 2018
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016

The Company did not early adopt new or amended Standards during the 2014 financial year and is in the process of assessing the impact. The adoption of the amendments above is not expected to have a significant impact on the Company's financial statements apart from IFRS 9 Financial Instruments (2010) and IFRS 15 Revenue from Contracts with Customers.

IFRS 9: Financial Instruments (2010)

It replaces parts of IAS 39 - Financial Instruments, Recognition and Measurement that relates to classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified, at initial recognition as either measured at fair value or at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the characteristics of the contractual cash flows of the instrument. For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in cases where the fair value option is applied for financial liabilities, the part of a fair value change arising from a change in an entity's own credit risk is recorded in other comprehensive income rather than in the profit or loss, unless this creates an accounting mismatch.

The standard is effective for periods beginning on or after 1 January 2018 and will have an impact on the Company.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(a) **New standards and interpretations (Continued)**

- (i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014 (continued)*

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for annual periods beginning on or after 1 January 2014, with retrospective application.

- (ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014*

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities (2012)

The amendments define “investment entities” and provide them an exemption from the consolidation of subsidiaries; instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 / IAS 39 (the exception does not apply to subsidiaries that provide services relating to the investment entity’s investment activities).

An investment entity is required to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements, and additional disclosures are introduced. The amendments are effective for annual periods beginning on or after 1 January 2014.

The directors do not anticipate any effect on the Company’s financial statements.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (2013)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. They are effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting (June 2013)

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as ‘novation of derivatives’), as a consequence of laws or regulations, if specific conditions are met. The amendment is effective for the period beginning 1 January 2014.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards and interpretations (Continued)

- (ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2014 (continued)*

IFRIC 21: Levies (2013)

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold. The interpretation is effective for annual periods beginning on or after 1 January 2014 with earlier application being permitted.

Defined benefit plans – Employee contributions (Amendments to IAS 19)

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The amendments are effective for annual periods beginning on or after 1 July

IFRS 15 Revenue from Contracts with Customers (Effective 31 December 2017)

The IFRS specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and Recognise revenue when (or as) the entity satisfies a performance obligation.

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

Bearer Plants (Amendments to IAS 16 and IAS 41) was issued in June 2014. The amendments change the financial reporting for bearer plants such as grape vines, rubber trees and oil palms. The amendment requires that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, instead of IAS 41 while the produce growing on bearer plants will remain within the scope of IAS 41. The new requirements are effective from 1 January 2016, with earlier application permitted.

The Company did not early adopt new or amended Standards in the year ended 30 June 2014 and is in the process of assessing the impact.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, the customer has accepted the products and recoverability of the related receivables is reasonably assured. 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, returns and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and there is no continuing management involvement with the goods.

(c) Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kenyan Shillings at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kenyan Shillings at foreign exchange rates ruling at the dates the fair value was determined.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is charged to the profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, plant and equipment, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Depreciation

Depreciation is calculated to write off the cost or valuation of property, plant and equipment over their estimated useful lives using the reducing balance method over their estimated useful lives. The annual rates in use are:

Buildings	2.5%
Motor vehicles	25%
Industrial plant and machinery	10%
Office furniture, fittings and equipment	10-12.5%
Computer equipment	33.3%

Excess depreciation representing the additional depreciation attributable to revaluations of property, plant and equipment over depreciation based on historical cost, is transferred annually from the revenue reserve to revaluation reserve.

(f) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are recognized in the profit or loss on a straight line basis over the lease period.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average method and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(h) Taxation

Income tax on the profit or loss for the year comprises current tax and change in deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the enacted tax legislation, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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 which affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the financial reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments

(i) *Measurement and 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 company recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(ii) *Classification*

The company classifies its financial assets into loans and receivables. 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-derivative 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, cash and bank balances and balances due from group companies.

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

(iii) *De-recognition*

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

(iv) *Offsetting of financial assets and liabilities*

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

(v) *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.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Retirement benefit obligations

The Company contributes to the National Social Security Fund, a statutory defined contribution scheme. The Company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of KShs 200 per month per employee. The Company's contributions to the scheme are charged to the profit or loss as they fall due.

(k) Employee entitlements

Provision for staff leave pay

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

Short term employee benefits

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

Defined benefit plans

The Company operates two defined benefit scheme for some of its staff and the net obligations is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods discounting the amount and deducting the fair value of plan assets.

The calculation of the defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results to a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the defined benefit funds which comprises actuarial gains and losses are recognised immediately in other comprehensive income. Net interest expense and other related expenses related to the defined benefit plan are recognised in the profit or loss.

(l) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are authorised. Proposed dividends are disclosed in the financial statements, and are not accrued for until ratified in an annual general meeting.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions

Provisions are recognised when: the Company 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 recognised as interest expense.

(n) Impairment

(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 indicate that one or more events have had a negative effect on the estimated future cash flows of that asset.

In assessing impairment, the company considers impairment at both individual and collective level. All individually significant assets are individually assessed for impairment. Assets that are not individually impaired are assessed collectively. Collective assessment is carried out by grouping together assets with similar credit characteristics. Impairment loss is calculated as the difference between the assets carrying amount and present value of estimated future cash flows discounted at original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Impairment of non-financial assets

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

An impairment loss is recognised 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 inflows that largely are independent from other assets and groups. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to 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.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Comparatives

When necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

(p) Consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account and this is generally evidenced by more than one half of the voting rights.

The Company has one subsidiary, KWAL Rwanda Limited in which it owns 100% of the voting rights (also refer to Note 19).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the entity's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(a) Critical accounting estimates and assumptions

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

- (i) Note 19 - Impairment test: Key assumptions underlying recoverable amounts.
- (ii) Note 29 - Measurement of defined benefit scheme: Key actuarial assumptions.
- (iii) Note 30 – Contingencies: Assessment of the likelihood and the magnitude of the outflow of resources.

(b) Critical judgements in applying accounting policies

In the processing of applying the Company's accounting policies, the Directors have made judgements in determining:

- (i) The clarification of applying the Company's accounting policies; and
- (ii) whether there are any indicators of impairment.
- (iii) Lease classifications.

KENYA WINE AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency exchange rates. The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on performance by setting acceptable levels of risk.

(a) Foreign currency risk management

The Company is exposed to currency risk through transactions in foreign currencies. Foreign currency gains and losses are recognised in profit or loss. Foreign currency risk arises on sales and borrowings denominated in currencies other than Kenya Shillings. The table below summarises the Company's exposure to foreign currency risks:

At 30 June 2014	USD	Euro	GBP	ZAR	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and bank balances	-	-	143	-	143
Trade and other receivables	51,240	-	-	-	51,240
Overdraft	(10,008)	(10,509)	-	-	(20,517)
Trade and other payables	(156,965)	(3,134)	-	(916)	(161,015)
Net open position	(115,733)	(13,643)	143	(916)	(130,149)

At 30 June 2013	USD	Euro	GBP	ZAR	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and bank balances	554	97	14	-	665
Trade and other receivables	28,318	-	-	-	28,318
Trade and other payables	(61,608)	(3,735)	-	-	(65,343)
Net open position	(32,736)	(3,638)	14	-	(36,360)

The following rates were applied during the year:

	Average rates		Closing rates	
	2014	2013	2014	2013
Euro (EUR)	117.56	110.30	119.73	112.33
South African Rand (ZAR)	8.36	9.67	8.30	8.64
Sterling Pound (GBP)	140.89	133.80	149.40	131.27
US Dollar (USD)	86.68	85.27	87.75	86.00

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk management (continued)

Sensitivity analysis

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At 30 June 2014, if the Kenya Shilling had strengthened by 10% against the US dollar, Euro Sterling Pound and South African Rand with all other variables held constant, the impact on pre tax profit for the year would have been as below (weakening of KShs would have been equal and opposite):

Currency	Profit of loss KShs'000		Equity KShs'000	
	2014	2013	2014	2013
US Dollar (USD)	(11,573)	(3,274)	(8,101)	(2,292)
Euro (EUR)	(1,364)	(364)	(955)	(255)
Sterling Pound (GBP)	14	1	10	1
South African Rand	(92)	-	(64)	-
	(13,015)	(3,637)	(9,110)	(2,546)

(b) Credit risk management

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Company. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on the Company policy.

The credit risk on trade receivables is limited because the customers are known entities and individuals with high credit ratings.

The Company does not have significant credit risk exposure to any single counterparty) or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 5% of gross monetary assets at any time during the year.

The credit risk on liquid funds with financial institutions is also low, because the counter parties are regulated banks.

The Company minimizes credit risk by requiring large distributors to deposit bank guarantees and personal guarantees for their credit. The Company has cash in transit insurance covers and all cash customers are required to pay through collection accounts.

The amount that best represents the Company's maximum exposure to credit risk is made up as follows:

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. **FINANCIAL RISK MANAGEMENT (Continued)**

(b) **Credit risk management (continued)**

30 June 2014

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	262,930	50,483	123,425	436,838
Provision for doubtful debts	-	-	(123,425)	(123,425)
	262,930	50,483	-	313,413
Short term deposits	210,602	-	-	210,602
Amount due from subsidiary	31,798	-	-	31,798
Amount due from related Company	63,094	-	-	63,094
Cash and bank balances	122,611	-	-	122,611
	691,035	50,483	-	741,518

30 June 2013

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	255,015	38,739	117,232	410,986
Provision for doubtful debts	-	-	(117,232)	(117,232)
	255,015	38,739	-	293,754
Short term deposits	35,288	-	-	35,288
Amount due from subsidiary	26,662	-	-	26,662
Amount due from related Company	51,453	-	-	51,453
Cash and bank balances	224,888	-	-	224,888
	593,306	38,739	-	632,045

Cash and cash equivalents are fully performing.

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is past due is not impaired and continues to be paid. The finance department is actively pursuing this debt.

The debt that is impaired has been fully provided for. However debt collectors as well as legal advisors are pursuing these debts.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. **FINANCIAL RISK MANAGEMENT (Continued)**

(c) **Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short and medium- term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecast and actual cash flows. The Company can also borrow from its parent Company in the short term further reducing its liquidity risk.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2014	Less than 1 month KShs'000	Between 3-12 months KShs'000	Over 12 months KShs'000	Total KShs'000
Trade and other payables	251,805	184,265	-	436,070
Finance lease	278	7,152	1,406	8,836
Amount due to parent Company	-	-	360,614	360,614
Overdraft	20,517	-	-	20,517
	<u>272,600</u>	<u>191,417</u>	<u>362,020</u>	<u>826,037</u>

2013	Less than 1 month KShs'000	Between 3-12 months KShs'000	Over 12 months KShs'000	Total KShs'000
Trade and other payables	139,436	129,555	4,797	273,788
Finance lease	521	5,732	8,795	15,048
Amount due to parent Company	-	-	91,149	91,149
	<u>139,957</u>	<u>135,287</u>	<u>104,741</u>	<u>379,985</u>

(d) **Fair values**

(i) *Determination of fair value*

The Company's financial assets and financial liabilities are not measured at fair value and are shown below:

As at 30 June	2014 KShs'000	2013 KShs'000
Financial assets: (Loans and receivables)		
Trade receivables	313,413	293,754
Due from subsidiary	31,798	26,662
Due from related parties	63,094	51,453
Cash and cash equivalents	122,611	224,888
Short term deposits	210,602	35,288
	<u>741,518</u>	<u>632,045</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair values (continued)

(i) Determination of fair value (continued)

As at 30 June	2014	2013
Financial liabilities :(Other financial liability category)	KShs'000	KShs'000
Trade and other payables	436,070	273,888
Lease finance liability	8,836	15,048
Due to related parties	360,614	91,149
Overdraft	20,517	-
	826,037	380,085

The Company has not disclosed fair values for financial instruments such as short term receivables and payables because there are carrying amounts are a reasonable approximation of fair values.

(ii) Valuation hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Actively traded government and other agency securities Listed derivative instruments Listed equities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Corporate bonds in illiquid markets Highly structured OTC derivatives with unobservable parameters
Types of financial liabilities:	Listed derivative instruments	Over-the-counter (OTC) derivatives	Highly structured derivatives with unobservable parameters

The table below shows the classification of financial assets, financial liabilities and non-financial assets held at fair value into the valuation hierarchy at 30 June 2014 and 2013:



KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair values (continued)

(ii) Valuation hierarchy (continued)

As at 30 June 2014:

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Non-financial assets				
Property plant and equipment	-	-	850,452	850,452
Total assets	-	-	850,452	850,452

As at 30 June 2013:

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Non-financial assets				
Property plant and equipment	-	-	719,093	719,093
Total assets	-	-	719,093	719,093

On 30 April 2013, Regent Valuers International (K) Ltd, professionally valued the Company's property plant and equipment on open market value basis. The Valuers used the Direct Capital Comparison method of valuation for valuation land. The assumption which is that the value of the appraised property is equal to the value of a known comparable property, with due allowance being given for differences factors between the appraised property and the compared property such as the condition, location, level and amount of services provided, accessibility, plot size, planning and zoning regulations, transacting parties, motive of sale and tenure and the unexpired term. Fully developed properties; for example depots have been valued on the basis of sales of similar developed properties in the particular locations with due regard to their rental income potential. Buildings or any other fixture or improvement on land whose revenue contribution cannot be assessed easily or where the structures are dilapidated, have been valued on depreciated replacement cost basis. Additionally, the movable assets have also been valued on the basis of current gross replacement cost less depreciation. The resulting surplus was credited to revaluation reserve.

KENYA WINE AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

6.	REVENUE	2014 KShs'000	2013 KShs'000
	Distell Products	1,664,894	1,838,701
	KWAL and other products	<u>2,247,621</u>	<u>1,538,228</u>
		<u>3,912,515</u>	<u>3,376,929</u>
7.	DIRECT COSTS		
	Materials	2,666,379	2,366,779
	Staff costs	72,229	55,556
	Utility costs	36,377	30,807
	Repairs and maintenance	39,549	22,762
	Depreciation	24,266	19,164
	Inventories write off	44,184	13,666
	Inventories provision	1,122	773
	Insurance costs	<u>12,906</u>	<u>4,521</u>
		<u>2,897,012</u>	<u>2,514,028</u>
8.	OTHER INCOME		
	Miscellaneous income	657	3,166
	Rental income	<u>117</u>	<u>155</u>
		<u>774</u>	<u>3,321</u>
9.	FINANCE INCOME		
	Interest income on short term deposits	<u>14,974</u>	<u>4,100</u>
10.	ADMINISTRATIVE EXPENSES		
	Staff costs	161,370	129,151
	Office expenses	32,724	31,856
	Depreciation	15,106	23,895
	Legal and professional fees	22,202	39,346
	Insurance costs	12,000	18,080
	Utility costs	9,094	7,704
	Bank charges	10,949	7,352
	Repairs and maintenance	9,454	8,646
	Directors		
	- allowances	9,269	6,868
	- other emoluments	11,468	9,470
	Audit fees	2,616	2,309
	Amortization of intangible assets	1,810	1,159
	Amortization of prepaid operating leases	<u>277</u>	<u>277</u>
		<u>298,339</u>	<u>286,113</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

11. SELLING AND DISTRUBUTION EXPENSE	2014 KShs'000	2013 KShs'000
Staff costs	124,878	117,781
Advertising, marketing and promotions	284,426	227,454
Motor vehicle running expenses	100,811	67,418
Bad debts expense/ (recoveries)	11,898	(930)
Depreciation	<u>10,865</u>	<u>14,479</u>
	<u>532,878</u>	<u>426,202</u>
12. FINANCE COSTS		
Net foreign exchange losses	<u>12,910</u>	<u>7,870</u>
13. PROFIT BEFORE TAXATION		
The profit before taxation is stated after charging/ (crediting):		
Depreciation on property, plant and equipment (note 16)	50,237	57,812
Amortisation of prepaid operating leases (note 17)	277	277
Amortisation of intangible assets (note 18)	1,810	1,159
Auditors' remuneration	2,616	3,647
Directors		
- fees	9,269	6,868
- other emoluments	11,468	9,470
Loss on disposal of property, plant and equipment	-	100
Provision for bad debts (recovery)	<u>11,898</u>	<u>(930)</u>
14. STAFF COSTS		
Salaries and wages	259,764	245,414
Medical expenses	37,087	29,983
Bonuses	15,013	(5,120)
Staff meals	13,076	11,612
Pension costs	8,467	8,060
Other staff costs	13,652	4,531
Training	4,124	7,604
Leave pay provision	3,884	(176)
Gratuity	1,909	(260)
NSSF contribution	<u>1,501</u>	<u>840</u>
	<u>358,477</u>	<u>302,488</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

15. TAXATION	2014 KShs'000	2013 KShs'000
(a) Taxation charge		
Current tax:		
- Current year charge	48,503	36,330
- Prior year over provision	(450)	-
	<u>48,053</u>	<u>36,330</u>
Deferred tax:		
- Current year charge (note 25)	9,649	25,912
- Prior year over provision of deferred tax liability	(3,997)	-
	<u>5,652</u>	<u>25,912</u>
Income tax expense	<u>53,705</u>	<u>62,242</u>
(b) Reconciliation of taxation charge to expected tax based on accounting profit		
	2014 KShs'000	2013 KShs'000
Accounting profit before taxation	187,124	150,137
Tax at the applicable rate of 30%	56,137	45,041
Tax effect of expenses not deductible for tax	2,015	17,245
Prior year over provision of deferred tax liability	(3,997)	-
Prior year over provision of current tax	(450)	-
Tax effect of income not taxable	-	(44)
Income tax expense	<u>53,705</u>	<u>62,242</u>
(c) Tax (payable)/recoverable		
At beginning of the year	6,459	(25,770)
Current year tax charge	(48,053)	(36,330)
Taxes paid	<u>36,359</u>	<u>68,559</u>
Balance at 30 June	<u>(5,235)</u>	<u>6,459</u>

KENYA WINE AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

16. PROPERTY, PLANT AND EQUIPMENT

2014:	Buildings KShs'000	Motor vehicles KShs'000	Industrial plant and machinery KShs'000	Office furniture, fittings and equipment KShs'000	Computer equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost							
At 1 July 2013	437,715	27,959	216,058	14,606	18,650	11,690	726,678
Additions	63,284	-	49,111	3,952	3,240	62,009	181,596
Transfers	-	-	11,690	-	-	(11,690)	-
At 30 June 2014	500,999	27,959	276,859	18,558	21,890	62,009	908,274
Comprising							
At cost	162,745	68,085	196,942	39,844	109,527	62,009	639,152
At valuation/ (devaluation)	338,254	(40,126)	79,917	(21,286)	(87,637)	-	269,122
	500,999	27,959	276,859	18,558	21,890	62,009	908,274
Depreciation							
At 1 July 2013	1,548	1,154	3,601	243	1,039	-	7,585
Charge for the year	10,657	7,329	24,226	2,086	5,939	-	50,237
At 30 June 2014	12,205	8,483	27,827	2,329	6,978	-	57,822
Net book value							
At 30 June 2014	488,794	19,476	249,032	16,229	14,912	62,009	850,452

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

16. **PROPERTY, PLANT AND EQUIPMENT (Continued)**

2013:	Buildings KShs'000	Motor vehicles KShs'000	Industrial plant and machinery KShs'000	Office furniture, fittings and equipment KShs'000	Computer equipment KShs'000	Work in progress KShs'000	Total KShs'000
Cost							
At 1 July 2012	512,446	68,085	199,046	49,833	101,537	23,046	953,993
Additions	50,851	-	41,107	12,444	6,204	11,690	122,296
Disposals	-	-	-	-	(300)	-	(300)
Transfers	23,046	-	-	-	-	(23,046)	-
Revaluation	(148,628)	(40,126)	(24,095)	(47,671)	(88,791)	-	(349,311)
At 30 June 2013	437,715	27,959	216,058	14,606	18,650	11,690	726,678
Comprising							
At cost	99,461	68,085	136,141	35,892	106,287	11,690	457,556
At valuation/ (devaluation)	338,254	(40,126)	79,917	(21,286)	(87,637)	-	269,122
	437,715	27,959	216,058	14,606	18,650	11,690	726,678
Depreciation							
At 1 July 2012	33,746	42,184	39,214	11,780	92,186	-	219,110
Charge for the year	13,565	10,670	18,682	5,331	9,564	-	57,812
Eliminated on disposal	-	-	-	-	(200)	-	(200)
Eliminated on revaluation	(45,763)	(51,700)	(54,295)	(16,868)	(100,511)	-	(269,137)
At 30 June 2013	1,548	1,154	3,601	243	1,039	-	7,585
Net book value							
At 30 June 2013	<u>436,167</u>	<u>26,806</u>	<u>212,457</u>	<u>14,363</u>	<u>17,609</u>	<u>11,690</u>	<u>719,093</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

17.	PREPAID OPERATING LEASES	2014	2013
		KShs'000	KShs'000
	Cost		
	At 1 July and 30 June	<u>11,063</u>	<u>11,063</u>
	Amortisation		
	At beginning of the year	6,856	6,579
	Charge for the year	<u>277</u>	<u>277</u>
	At 30 June	<u>7,133</u>	<u>6,856</u>
	Net book value		
	At 30 June	<u>3,930</u>	<u>4,207</u>
18.	INTANGIBLE ASSETS		
	Cost		
	At beginning of the year	7,413	7,187
	Additions	<u>-</u>	<u>226</u>
	At 30 June	<u>7,413</u>	<u>7,413</u>
	Amortisation		
	At beginning of the year	4,167	3,008
	Charge for the year	<u>1,810</u>	<u>1,159</u>
	At 30 June	<u>5,977</u>	<u>4,167</u>
	Net book value		
	At 30 June	<u>1,436</u>	<u>3,246</u>

19. INVESTMENT IN SUBSIDIARY -AT COST

The Company's interest in its unlisted subsidiary, which has the same year end as the Company, was as follows:

	Country of Incorporation	% holding	2014	2013
			KShs'000	KShs'000
KWAL Rwanda Limited	Rwanda	<u>100</u>	<u>60,114</u>	<u>60,114</u>

The principal activity of KWAL Rwanda Limited is to carry on the business of duty free retail at the airport and market and distribute alcoholic and non-alcoholic beverages in Rwanda.

The Company has applied the provisions of International Financial Reporting Standards 10 (IFRS 10), which exempt it from preparing consolidated financial statements. As such, these financial statements are the separate (non-consolidated) financial statements of the Company.

The Company's immediate parent Company is KWA Holdings E.A. Limited, a Company incorporated in Kenya. KWA Holdings E.A. Limited's consolidated financial statements comply with International Financial Reporting Standards and have been produced for public use. KWA Holdings E.A. Limited's consolidated financial results are available to the public and can be accessed at the Kenya National Audit Office.

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

19. INVESTMENT IN SUBSIDIARY -AT COST (Continued)

Statements required to be made by virtue of the provisions of paragraph 15 of the sixth schedule of the Companies Act:

- (a) The Group financial statements have not been prepared as in the opinion of the directors, their preparation would involve expenses out of proportion of the value to the member of the company.
- (b) Net aggregate amounts of profits/ (losses) of subsidiary not dealt with are as follows:

	Profit or Loss		Net Assets	
	2014	2013	2014	2013
	KShs'000	KShs'000	KShs'000	KShs'000
Net dealt with in the financial Statements of the Company	<u>(21,944)</u>	<u>(7,536)</u>	<u>(11,839)</u>	<u>10,105</u>
20. INVENTORIES			2014	2013
			KShs'000	KShs'000
Finished goods			523,539	311,326
Raw materials			279,075	176,681
Work in progress			<u>7,088</u>	<u>7,188</u>
			<u>809,702</u>	<u>495,195</u>

21. TRADE AND OTHER RECEIVABLES

Trade receivables	313,413	293,754
Other receivables	778	7,263
Prepayments	<u>17,306</u>	<u>19,732</u>
	<u>331,497</u>	<u>320,749</u>

22. RELATED PARTY BALANCES AND TRANSACTIONS

Kenya Wine Agencies Limited and Yatta Vineyards Limited are wholly owned subsidiaries of KWA Holdings E. A. Limited a company incorporated and domiciled in Kenya. KWAL Rwanda Limited which is incorporated and domiciled in Rwanda is a wholly owned subsidiary of Kenya Wine Agencies Limited.

The amounts outstanding at year end arising from sale of goods and payments made on behalf of the Company are as follows:

	2014	2013
	KShs'000	KShs'000
(a) Amount due from subsidiary:		
KWAL Rwanda Limited	<u>31,798</u>	<u>26,662</u>
(b) Amount due from related Company:		
Yatta Vineyards Limited	<u>63,094</u>	<u>51,453</u>
(c) Amount due to parent Company:		
KWA Holdings E. A. Limited	<u>360,614</u>	<u>91,149</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

22. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(d) Transactions

	KWA	Yatta	KWAL		Total
	Holdings	Vineyards	Rwanda	Limited	2014
	KShs'000	KShs'000	KShs'000	KShs'000	Total
					2013
					KShs'000
Balance at 1 July	(91,149)	51,453	26,662	(13,034)	(41,124)
Expenses paid on behalf of	1,543	16,828	3,758	22,129	18,411
Sale of goods to	-	(3,187)	6,916	3,729	13,831
Purchase of goods from	-	-	-	-	(2,456)
Shares sold on behalf	(221,422)	-	-	(221,422)	-
Dividends paid on behalf of	414	-	-	414	24,907
Dividends declared	(50,000)	-	-	(50,000)	(3,239)
Payments received from	-	(2,000)	(5,538)	(7,538)	(23,364)
	<u>(360,614)</u>	<u>63,094</u>	<u>31,798</u>	<u>(265,722)</u>	<u>(13,034)</u>

(e) Key management	2014	2013
	KShs'000	KShs'000
Salaries and other short-term employment benefits	<u>47,098</u>	<u>44,176</u>

(f) Directors	2014	2013
	KShs'000	KShs'000
Allowances for services	9,269	6,868
Other emoluments	<u>11,468</u>	<u>9,470</u>
	<u>20,737</u>	<u>16,338</u>

23. SHORT TERM DEPOSITS

Chase Bank Kenya Limited	<u>210,602</u>	<u>35,288</u>
Maturity analysis is as below:		
- within 90 days	<u>210,602</u>	<u>35,288</u>

24. SHARE CAPITAL

(a) Authorised, issued and fully paid:

Balance at beginning and at the end of the year ordinary shares at KShs 5 each)	<u>200,000</u>	<u>200,000</u>
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All ordinary shares rank equally with regards to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at annual and general meetings of the company.

KENYA WINE AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

24. SHARE CAPITAL (Continued)

(b) Share premium

Share premium arose from issuance of 40,000,000 ordinary shares of a par value of KShs 5 at a premium of KShs 16.15 per share.

(c) Revaluation reserve.

The revaluation reserve represents the surplus arising from revaluation of property, plant and equipment net of related deferred taxation.

25. DEFERRED TAXATION LIABILITY

Deferred income tax liability is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax account is as follows:

	Prior year		To profit or loss	To other comprehensive income	30 June 2014
	At 1 July	under/ over provision			
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Property, plant and equipment	233,497	819	16,008	-	250,324
Revaluation Loss	(103,832)	-	-	-	(103,832)
Defined benefit Provision	9,409	(1,571)	1,339	11,123	20,300
Unrealized exchange gains	(2,192)	(3,840)	(4,068)	-	(10,100)
	(504)	595	(3,630)	-	(3,539)
	<u>136,378</u>	<u>(3,997)</u>	<u>9,649</u>	<u>11,123</u>	<u>153,153</u>

	Prior year		To profit or loss	To other comprehensive income	30 June 2014
	At 1 July	under/ over provision			
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Property, plant and equipment	213,002	-	20,495	-	233,497
Revaluation loss	(79,695)	-	-	(24,137)	(103,832)
Defined benefit	-	-	-	9,409	9,409
Provisions	(7,699)	-	5,507	-	(2,192)
Unrealized exchange Gains	(414)	-	(90)	-	(504)
	<u>125,194</u>	<u>-</u>	<u>25,912</u>	<u>(14,728)</u>	<u>136,378</u>

26. TRADE AND OTHER PAYABLES

	2014	2013
	KShs'000	KShs'000
Trade payables	286,804	181,770
Other payables and accruals	119,434	73,762
Performance bonus provision	15,013	5,580
Leave pay provision	14,819	12,776
Gratuity provision	<u>3,835</u>	<u>1,751</u>
	<u>439,905</u>	<u>275,639</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

27. FINANCE LEASE OBLIGATIONS

At the end of the reporting period the Company had outstanding commitments under finance leases which fall due as follows:

	2014	2013
	KShs'000	KShs'000
Within one year	9,166	8,060
Later than one year and not later than five years	<u>1,734</u>	<u>9,622</u>
	10,900	17,682
Less future finance charges	<u>(2,064)</u>	<u>(2,634)</u>
Present value of lease obligations	<u>8,836</u>	<u>15,048</u>
Payable as follows:		
Within one year	7,430	6,253
Within two to five years	<u>1,406</u>	<u>8,795</u>
	<u>8,836</u>	<u>15,048</u>

28. NOTES TO THE STATEMENT CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operations	2014	2013
	KShs'000	KShs'000
Profit for the year	187,124	150,137
Adjustments for:		
Depreciation on property, plant and equipment	50,237	57,812
Loss on disposal of property, plant and equipment	-	100
Amortisation of prepaid operating leases	277	277
Amortisation of intangible assets	1,810	1,159
Interest income	<u>(14,974)</u>	<u>(4,100)</u>
Net cash generated from operations before working capital changes	224,474	205,385
(Increase)/ decrease in inventories	(314,507)	318,406
Increase in trade and other receivables	(10,748)	(67,257)
(Increase)/ decrease in due from subsidiary Company	(5,136)	4,431
Increase in due from related Company	(11,641)	(9,548)
Increase/ (decrease) in due to parent Company	269,465	(22,973)
Increase/ (decrease) in trade and other payables	164,266	(149,307)
Movement in defined benefit scheme net of changes in other comprehensive income	<u>(4,460)</u>	<u>(3,750)</u>
Net cash generated from operations	<u>311,713</u>	<u>275,387</u>
(b) Analysis of cash and cash equivalents		
Short term deposits maturing within 90 days (Note 23)	210,602	35,288
Cash and bank balances	122,611	224,888
Bank overdraft	<u>(20,517)</u>	-
	<u>312,696</u>	<u>260,176</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

29. RETIREMENT BENEFIT PLANS

(a) Staff Provident Fund

The Company operates a non-contributory defined benefit provident fund a plan for qualifying employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Actuarial Services (EA) Limited).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	2013
	%	%
Rate of interest (per annum)	12.88	9.00
Rate of salary escalation (per annum)	10.88	7.00
Rate of pension increases (per annum)	8.88	5.00

The information below summarizes the scheme's assets and liabilities

	2014	2013
	KShs'000	KShs'000
At 1 July	(36,719)	(29,900)
Current service cost	(1,794)	(1,402)
Interest cost	(2,933)	(2,106)
Adjustment of previous years assets	(389)	1,780
Actuarial loss in experience	16,618	(22,461)
Actuarial loss/(gain) in assumptions	(1,410)	-
Actual return on assets less implied costs	1,786	13,948
Employers contributions	<u>10,830</u>	<u>3,422</u>
As at 30 June	<u>(14,011)</u>	<u>(36,719)</u>
Present value of funded obligations	(107,824)	(113,352)
"Fair" value of scheme assets	<u>93,813</u>	<u>76,633</u>
Present value of net obligations	<u>(14,011)</u>	<u>(36,719)</u>
Included in profit or loss		
Current service cost	(1,794)	(1,402)
Interest cost	<u>(2,933)</u>	<u>(2,106)</u>
	<u>4,727</u>	<u>3,508</u>
Included in Other comprehensive income		
Actuarial (gain)/loss in experience	16,618	(22,461)
Adjustment for previous years asset values	(389)	1,780
Actuarial loss in assumptions	(1,410)	-
Actual return on assets less implied costs	<u>1,786</u>	<u>13,948</u>
	<u>16,605</u>	<u>(6,733)</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

29. **RETIREMENT BENEFIT PLANS (Continued)**

(b) **Staff Retirement Benefits Scheme**

The Company operates a contributory defined benefit scheme for qualifying employees, with the Company meeting the balance of the cost of providing the benefits under the scheme. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Actuarial Services (EA) Limited.

The principal assumptions used for the purposes of the actuarial valuations were as follows;

	2014	2013
	%	%
Rate of interest (per annum)	12.88	9.00
Rate of salary escalation (per annum)	10.88	7.00
Rate of pension increases (per annum)	8.88	5.00

The amount of excess scheme assets over accrued liabilities in respect of the defined benefit scheme is as follows;

Reconciliation of benefit obligation	2014	2013
	KShs'000	KShs'000
At 1 July 2014	62,847	37,900
Current service cost	(7,759)	(6,743)
Interest cost	6,116	5,108
Adjustment for previous years asset values	9,002	22,223
Actuarial (gain) /loss in experience	9,390	(25,182)
Actuarial loss in assumptions	(8,571)	-
Actual return on assets less implied	<u>10,651</u>	<u>29,541</u>
As at 30 June	<u>81,676</u>	<u>62,847</u>
Present value of funded obligations	(207,175)	(194,596)
"Fair" value of scheme assets	<u>288,851</u>	<u>257,443</u>
Present value of net obligations	<u>81,676</u>	<u>62,847</u>
Included in profit or loss		
Current service cost	(7,759)	(6,743)
Interest cost	<u>6,116</u>	<u>(5,108)</u>
	<u>(1,643)</u>	<u>(11,851)</u>
Included in Other comprehensive income		
Actuarial (gain)/loss in experience	9,390	(25,182)
Adjustment for previous years asset values	9,002	22,223
Actuarial loss in assumptions	(8,571)	-
Actual return on assets less implied costs	<u>10,651</u>	<u>29,541</u>
	<u>20,472</u>	<u>26,582</u>

KENYA WINE AGENCIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

30. CONTINGENT LIABILITIES	2014 KShs'000	2013 KShs'000
Pending litigation claims	2,120	2,120
Claims by former employees	<u>14,526</u>	<u>14,526</u>
	<u>16,646</u>	<u>16,646</u>

The Company was a defendant in the following litigations at 30 June 2014 for which no provisions have been made in the financial statements:

- (a) A claim for KShs. 2,120,625 by one of the Company's supplier contracted for professional services. The Company contends that it paid in full the contractual obligation and extra service provided was not contracted for.
- (b) Two former employees have sued the Company for KShs 4,032,608 being claims arising from wrongful termination of their contracts. The Company has lodged counter-claims of KShs 6,222,636 being monies which the plaintiffs advanced themselves improperly and general damages for breach of fiduciary duties. Both the plaintiffs' and the Company's claims have not been determined by the High Court.

The Directors in consultation with the Company's legal advisers are of the opinion that no liabilities may crystallize from these litigations. Consequently, the contingent liabilities have not been provided for in these financial statements.

In addition to the above, in the ordinary course of business, the Company is a defendant in various litigations and claims. Based on the advice by the Company's legal advisers, the Directors are of the opinion that no liabilities will crystallize.

31. OVERDRAFT

The Company does not have an overdraft facility with any bank. The overdraft reflected in the financial statements is as a result of unrepresented cheques at year-end as shown below:

	2014 KShs'000	2013 KShs'000
Balance at bank	9,630	-
Unrepresented cheques	(30,147)	-
Cash book balance – overdrawn	<u>(20,517)</u>	<u>-</u>

32. CAPITAL COMMITMENTS

Authorised but not contracted for	<u>484,600</u>	<u>352,215</u>
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33. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of issued share capital, share premium and retained earnings. The Company has no borrowings as it obtains funding from the parent Company.

34. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date which require to be disclosed (2013 - None).

KENYA WINE AGENCIES LIMITED
DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 KShs'000	2013 KShs'000
REVENUE	3,912,515	3,376,929
COST OF SALES (page 45)	<u>(2,897,012)</u>	<u>(2,514,028)</u>
GROSS PROFIT	1,015,503	862,901
OTHER INCOME	774	3,321
FINANCE INCOME	14,974	4,100
FINANCE COSTS	(12,910)	(7,870)
ADMINISTRATIVE EXPENSES (Page 45)	(298,339)	(286,113)
SELLING AND DISTRIBUTION EXPENSES (Page 45)	<u>(532,878)</u>	<u>(426,202)</u>
PROFIT BEFORE TAXATION	<u>187,124</u>	<u>150,137</u>

KENYA WINE AGENCIES LIMITED

DETAILED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

	2014	2013
	KShs'000	KShs'000
COST OF SALES		
Materials	2,666,379	2,366,779
Staff costs	72,229	55,556
Utility costs	36,377	30,807
Repairs and maintenance	39,549	22,762
Depreciation	24,266	19,164
Inventories write off	44,184	13,666
Inventories provision	1,122	773
Insurance costs	<u>12,906</u>	<u>4,521</u>
	<u>2,897,012</u>	<u>2,514,028</u>
 OTHER INCOME		
Miscellaneous income	657	3,166
Rental income	<u>117</u>	<u>155</u>
	<u>774</u>	<u>3,321</u>
 ADMNISTRATIVE EXPENSES		
Staff costs	161,370	129,151
Office expenses	32,724	31,856
Depreciation	15,106	23,895
Legal and professional fees	22,202	39,346
Insurance costs	12,000	18,080
Utility costs	9,094	7,704
Bank charges	10,949	7,352
Repairs and maintenance	9,454	8,646
Directors		
- allowances	9,269	6,868
- other emoluments	11,468	9,470
Audit fees	2,616	2,309
Amortization of intangible assets	1,810	1,159
Amortization of prepaid operating leases	<u>277</u>	<u>277</u>
	<u>298,339</u>	<u>286,113</u>
 SELLING AND DISTRIBUTION EXPENSES		
Staff costs	124,878	117,781
Advertising, marketing and promotions	284,426	227,454
Motor vehicle running expenses	100,811	67,418
Bad debts expense/ (recoveries)	11,898	(930)
Depreciation	<u>10,865</u>	<u>14,479</u>
	<u>532,878</u>	<u>426,202</u>