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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KWA HOLDINGS E.A. LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE 2014

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KWA HOLDINGS E.A LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

AT

30 JUNE 2014

KWA HOLDINGS E.A LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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KWA HOLDINGS E.A LIMITED

DIRECTORS AND STATUTORY INFORMATION

DIRECTORS

Charity Kisotu - Chairperson
Edwin M Kinyua - Managing Director
Florence Habwe
George Murathe
Joseph M Wachiuri
Industrial and Commercial Development Corporation
Centum Investment Company Limited
PS Ministry of Industrialization & Enterprise Development

SECRETARY

Doris Wambui Macharia
PO Box 40550 - 00100
Nairobi

AUDITORS

KPMG Kenya
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 – 00100

On behalf of

Auditor-General
4th Floor, Anniversary Towers
PO Box 30084 - 00100
Nairobi

REGISTERED OFFICE

L.R. 209/10472
Enterprise Road
PO Box 40550 - 00100
Nairobi

LEGAL ADVISORS

Wekesa & Simiyu Advocates
ACK Garden House
1st Ngong Avenue
PO Box 10299 - 00100
Nairobi

Lilan & Koech Associates G.A. House,
3rd Floor Ralph Bunche Road
PO Box 9766 - 00100
Nairobi

Mwaniki Gachoka & Co. Advocates
Design Centre
3rd Floor, Suite 3A Tausi Road
PO Box 13439 - 00800
Nairobi

KWA HOLDINGS E.A LIMITED

DIRECTORS AND STATUTORY INFORMATION (CONTINUED)

BANKERS

Barclays Bank of Kenya Limited
Barclays Plaza, Corporate Banking Centre
PO Box 46661 - 00100
Nairobi

NIC Bank Limited
NIC House
Masaba Road
PO Box 44599 - 00100
Nairobi

Kenya Commercial Bank Limited
Industrial Area Branch
PO Box 18031 - 00500
Nairobi

Ecobank Rwanda
Plot 314, avenue de la prix
P0 Box 3268
Kigali
Rwanda

* Comprehensive list of the entity's lawyers and bankers are available at the registered office.

KWA HOLDINGS E.A 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 KWA Holdings E.A. Limited ("the Group") and the Company, comprising of the Company and its subsidiaries Kenya Wine Agencies Limited, Yatta Vineyards Limited and KWAL Rwanda Limited.

1. Principal activities

KWA Holdings E.A. Limited is a holding Company of subsidiaries whose principal activity is dealing in wines and spirits and farming and sale of grapes and fresh produce.

2. Results

The group results are set out on page 7 and comprise of:

	2014 KShs '000	2013 KShs '000
Profit before taxation	380,000	135,428
Taxation charge	(74,659)	(58,020)
Profit for the year transferred to retained earnings	305,341	77,408

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

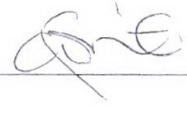
The Auditor-General is responsible for the statutory audit of the Group's books of account in accordance with Sections 14 and 39(i) of the Public Audit Act, 2003 which also empowers him to nominate other auditors to carry out the audit on his behalf.

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

KWA HOLDINGS E.A LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and presentation of the financial statements of KWA Holdings E.A. Limited set out on pages 7 to 51 which comprise the consolidated and separate statement of financial position at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated 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 Group and Company as at the end of the financial period and of the operating results of the Group for that period. 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 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 Group and company and of the Group's 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 and its subsidiaries' ability to continue as a going concern and have no reason to believe that they will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The 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

REPUBLIC OF KENYA

elephone: +254-20-342330
ax: +254-20-311482
-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KWA HOLDINGS E.A. LIMITED AND_ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of KWA Holdings E.A. Limited and its subsidiaries set out on pages 7 to 51, which comprise the consolidated and Company's statement of financial position as at 30 June 2014, and the consolidated statement of profit and loss and other comprehensive income, consolidated and Company's statement of changes in equity and consolidated 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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 Section13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit 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 option.

Opinion

In my opinion, the financial statements present fairly, in the all material respects, the financial position of the Company and its subsidiaries as at 30 June 2014, and of its consolidated financial performance and its consolidated 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 Kenya 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

KWA HOLDINGS E.A LIMITED

CONSOLIDATED 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	3,926,177	3,423,193
Direct costs	10	(2,903,985)	(2,541,411)
Gross profit		**1,022,192**	**881,782**
Investment income	7	220,269	-
Other income	8	774	6,149
Finance income	9(a)	16,878	4,100
Finance costs	9(b)	(12,910)	(7,870)
Fair value gain on biological assets	19	1,667	1,306
Administrative expenses	11	(334,715)	(321,576)
Selling and distribution expenses	12	(534,155)	(428,463)
Profit before taxation	**13**	**380,000**	**135,428**
Taxation charge	15(a)	(74,659)	(58,020)
Profit for the year		**305,341**	**77,408**
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		-	(66,982)
Remeasurement of defined benefit asset and liability		37,077	21,954
Tax relating to items that will not be Reclassified		(11,123)	20,917
		25,954	**(24,111)**
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(8,376)	(541)
Fair value on available for sale investments		(225,016)	45,462
		(233,392)	44,921
Total comprehensive income for the year		**97,903**	**98,218**

The notes set out on pages 14 to 51 form an integral part of these financial statements.

KWA HOLDINGS E.A LIMITED

CONSOLIDATED 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(a)	899,755	770,155
Prepaid operating lease rentals	17	3,930	4,207
Intangible assets	18	1,436	3,246
Biological assets	19	25,807	24,140
Available for sale investment	20(b)	-	226,170
Defined benefit asset	29(b)	81,676	62,847
		1,012,604	**1,090,765**
Current assets			
Inventories	21	822,505	518,172
Trade and other receivables	22	339,190	331,559
Tax recoverable	15(c)	1,659	15,223
Short term deposits	24	210,602	35,288
Cash and bank balances		125,583	229,448
Total assets		**1,499,539**	**1,129,690**
		2,512,143	**2,220,455**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25(a)	480,000	480,000
Revaluation reserves	25(b)	239,848	244,474
Fair value reserve	25(c)	-	225,016
Retained earnings		1,082,137	796,216
Translation reserve	25(d)	(7,948)	428
Total equity		**1,794,037**	**1,746,134**
Non current liabilities			
Deferred taxation liability	26	172,104	141,480
Defined benefit liability	29(a)	14,011	36,719
Finance lease obligations	28	1,406	8,795
		187,521	**186,994**
Current liabilities			
Trade and other payables	27	446,964	280,222
Dividend payable	30	50,439	852
Overdraft	31	20,517	-
Tax payable	15(c)	5,235	-
Finance lease obligations	28	7,430	6,253
		530,585	**287,327**
Total equity and liabilities		**2,512,143**	**2,220,455**

The financial statements on pages 7 to 51 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 14 to 51 form an integral part of these financial statements.

KWA HOLDINGS E.A LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
ASSETS			
Non current assets			
Property	16(b)	6,383	6,548
Investment in subsidiaries	20(a)	849,988	849,988
Available for sale investment	20(b)	-	226,170
		856,371	**1,082,706**
Current assets			
Amount due from subsidiaries	23(a)	360,721	91,256
Tax recoverable		100	100
		360,821	**91,356**
Total assets		**1,217,192**	**1,174,062**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	25(a)	480,000	480,000
Revaluation reserves	25(b)	4,415	4,415
Fair value reserve	25(c)	-	225,016
Retained earnings		679,677	461,354
		1,164,092	**1,170,785**
Non current liabilities			
Deferred taxation liability	26	1,892	1,892
Current liabilities			
Other payables	27	769	533
Dividend payable	30	50,439	852
		51,208	**1,385**
Total equity and liabilities		**1,217,192**	**1,174,062**

The financial statements on pages 7 to 51 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 14 to 51 form an integral part of these financial statements.

KWA HOLDINGS E.A LIMITED

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

2014	Share capital KShs'000	Revaluation reserve KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Translation reserve KShs'000	Total KShs'000
At 1 July 2013	**480,000**	**244,474**	**225,016**	**796,216**	**428**	**1,746,134**
Total comprehensive income						
Profit for the year	-	-	-	305,341	-	305,341
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit asset and liability	-	-	-	37,077	-	37,077
Deferred tax on actuarial losses	-	-	-	(11,123)	-	(11,123)
Transfer of excess depreciation	-	(6,608)	-	6,608	-	-
Deferred tax on excess depreciation transferred	-	1,982	-	(1,982)	-	-
Items that will be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	-	-	-	-	(8,376)	(8,376)
Realized gain on sale of investment	-	-	(225,016)	-	-	(225,016)
Total other comprehensive income	**-**	**(4,626)**	**(225,016)**	**30,580**	**(8,376)**	**(207,438)**
Total comprehensive income	**-**	**(4,626)**	**(225,016)**	**335,921**	**(8,376)**	**97,903**
Transactions with owners of the company						
Dividend paid	-	-	-	(50,000)	-	(50,000)
At 30 June 2014	**480,000**	**239,848**	**-**	**1,082,137**	**(7,948)**	**1,794,037**

The notes set out on pages 14 to 51 form an integral part of these financial statements.

KWA HOLDINGS E.A LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

2013	Share capital KShs'000	Revaluation reserve KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Translation reserve KShs'000	Total KShs'000
At 1 July 2012	**480,000**	**295,244**	**179,555**	**717,147**	**969**	**1,672,915**
Total comprehensive income						
Profit for the year	-	-	-	77,409	-	77,409
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Remeasurement of defined benefit asset and liability	-	-	-	31,357	-	31,357
Deferred tax on actuarial losses	-	-	-	(9,409)	-	(9,409)
Deficit on revaluation of property, plant	-	(46,058)	-	-	-	(46,058)
Transfer of excess depreciation	-	(6,732)	-	6,732	-	-
Deferred tax on excess depreciation transferred	-	2,020	-	(2,020)	-	-
Items that will be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	-	-	-	-	(541)	(541)
Unrealized gain on sale of investment for the year	-	-	45,461	-	-	45,461
Total other comprehensive income	**-**	**(50,770)**	**45,461**	**26,660**	**(541)**	**20,810**
Total comprehensive income	**-**	**(50,770)**	**45,461**	**104,069**	**(541)**	**98,219**
Transactions with owners of the company						
Dividend paid	-	-	-	(25,000)	-	(25,000)
At 30 June 2013	**480,000**	**244,474**	**225,016**	**796,216**	**428**	**1,746,134**

The notes set out on pages 14 to 51 form an integral part of these financial statements.

KWA HOLDINGS E.A LIMITED

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

2014	Share capital KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Equipment revaluation KShs'000	Total KShs'000
At 1 July 2013	480,000	225,016	461,354	4,415	1,170,785
Total comprehensive income					
Profit for the year	-	-	268,323	-	268,323
Other comprehensive income					
Items that will be reclassified Subsequently to profit or loss					
Realized gains on sales of available for sale investment	-	(225,016)	-	-	(225,016)
Total comprehensive income	-	(225,016)	268,323	-	43,307
Transactions with owners of the Company					
Dividends	-	-	(50,000)	-	(50,000)
At 30 June 2014	480,000	-	679,677	4,415	1,164,092
2013					
At 1 July 2012	480,000	179,555	484,522	-	1,144,077
Total comprehensive income					
Profit for the year	-	-	1,832	-	1,832
Items that will be reclassified subsequently to profit or loss					
Unrealized gains on fair valuation of available for sale investment	-	45,461	-	-	45,461
Items that will not be reclassified Subsequently to profit or loss					
Revaluation of property	-	-	-	6,307	6,307
Deferred tax on revaluation of property	-	-	-	(1,892)	(1,892)
Total other comprehensive income	-	45,461	-	4,415	49,876
Total comprehensive income	-	45,461	1,832	4,415	51,708
Transactions with owners of the Company					
Dividends	-	-	(25,000)	-	(25,000)
At 30 June 2013	480,000	255,016	461,354	4,415	1,170,785

The notes set out on pages 14 to 51 form an integral part of these financial statements.

KWA HOLDINGS E.A LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
Cash flows from operating activities			
Net cash generated from operations	32(a)	37,765	286,503
Corporate income taxes paid	15(c)	(36,359)	(68,560)
Net cash generated by operating activities		1,406	217,943
Cash flows from investing activities			
Purchase of property plant and equipment	16	(182,150)	(122,296)
Purchase of intangible assets	18	-	(226)
Additions to biological assets	19	-	(2,844)
Acquisitions of additional available for sale investments		-	(8,344)
Interest income		16,878	4,100
Proceeds on sale of available for sale investment		221,423	-
Net cash from/ (used in) investing activities		56,151	(129,610)
Cash flows from financing activities			
Dividends paid	30	(413)	(24,908)
Lease finance movements		(6,212)	15,049
Net cash used in financing activities		(6,625)	(9,859)
Net increase in cash and cash equivalents		50,932	78,474
Cash and cash equivalents at 1 July		264,736	186,262
Cash and cash equivalents at 30 June	**32(b)**	**315,668**	**264,736**

The notes set out on pages 14 to 51 form an integral part of these financial statements.

1. REPORTING ENTITY

The Company is incorporated as a limited company in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The address of its registered office is as follows:

KWA Holdings E.A. Limited
Enterprise Road
PO Box 40550 - 00100
Nairobi

The consolidated financial statements for the Company as at 30 June 2014 and for the year then ended comprise the Company and the subsidiaries (together referred to as the Group and individually as 'Subsidiaries'). The Group is primarily involved in marketing of wines and spirits and farming and sale of grapes and fresh produce.

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 basis except where otherwise mentioned in the accounting policies below.

(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.
(iii)Biological assets that are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Kenya shillings (KShs), which is also the Group'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.

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New standards and interpretations

(i) New standards and interpretations adopted during the year

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 10-Consolidated Financial Statements	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

Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2014 are as follows:

IFRS 10: Consolidated Financial Statements

IFRS 10 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements. The IFRS replaces the requirements previously in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 Consolidation-Special Purpose Entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards and interpretations (continued)

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

IFRS 10: Consolidated Financial Statements (continued)

The Standard defines the principle of control and establishes control as a basis of consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee, sets out the accounting treatment for the preparation of consolidated financial statements and defines an investment entity and sets out an exception to consolidating particular subsidiaries of an entity.

An investor controls an investee if and only if the investor has all of the following:

- Power over the investee
- Exposure, or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

The Group reassessed its control conclusions as of 1 July 2013. Following the reassessment, there was no impact on the Group Financial Statements.

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

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.

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 Group has applied the new definition of fair value, prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group 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 Group has provided the relevant comparative disclosures under those standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards and interpretations (continued)

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

IAS 19: Employee Benefits (2011)

Amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The amended IAS 19 requires that actuarial gains and losses are recognised immediately in other comprehensive income. The change has removed the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation plan assets in profit or loss, which was allowed previously under IAS 19. It also requires that expected return on plan assets recognised in profit and loss is calculated based on the rate used to discount the defined benefit obligation.

Consequently, in line with the revised accounting standard, the Group has changed its accounting policy with respect to its post-employment benefits.

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.

(ii) 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 2014
• 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

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)

The Group 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 Group's financial statements apart from IFRS 9 Financial Instruments (2010), IFRS 15 Revenue from Contracts with Customers and Amendments to IAS 41- Bearer plants.

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 Group

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.

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 Group's financial statements.

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)

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.

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.

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)

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

(b) Basis of consolidation

The Group accounts for business combinations using the acquisition method when the control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchases is recognised in profit or loss immediately. Transactions costs are expensed as incurred except if related to the issue of debt or equity securities.

(i) 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 on which control ceases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(b) Basis of consolidation (continued)

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment subsidiaries are accounted for at cost in the separate financial statements.

(iii) Consolidation of group entities

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into presentational currency at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentational currency at spot exchange rates at the dates of the transactions.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(d) Foreign currency translations

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(e) Property, plant and equipment

Property, plant and equipment arc 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.

(f) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(g) Biological asset

Biological assets are measured on initial recognition and at each reporting date at fair value less estimated point-of-sale costs. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less estimated point-of-sale costs are recognised in profit or loss in the year in which they arise. The fair value of the grape vines is determined based on the present value of expected net cash flows derived from sale of grapes discounted at the pretax discount rate.

(h) 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.

(i) 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.

(j) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(j) Financial instruments (continued)

(ii) Classification (continued)

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.

(k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(k) Taxation (continued)

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

(l) Retirement benefit obligations

The Group contributes to the National Social Security Fund, a statutory defined contribution scheme. The Group'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 Group's contributions to the scheme are charged to the profit or loss as they fall due.

(m) 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 Group 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 funds
The Group 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 Group, the recogonised 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 staff gratuity 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(n) 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.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Provisions

Provisions are recognised 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.

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.

(q) 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 Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(q) Impairment(continued)

(ii) Impairment of non financial assets

The carrying amounts of the Group's assets, other than defined benefits asset, deferred tax, biological assets 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.

(r) Comparatives

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

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 – Biological assets: Key assumptions underlying recoverable amounts.
(ii) Note 29 - Measurement of defined benefit scheme: Key actuarial assumptions.
(iii) Note 33 – Contingencies: Assessment of the likelihood and the magnitude of the outflow of resources.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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.
(iv) Income taxes- the Group is subject to income taxes in various jurisdictions which require significant judgements in determining the provision for the group's income tax.

5. FINANCIAL RISK MANAGEMENT

The Group'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 Group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on performance by setting acceptable levels of risk.

(a) Foreign currency risk

The Group 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 Group's exposure to foreign currency risks:

At 30 June 2014	USD	Euro	GBP	ZAR	RWF	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and bank	-	-	143	-	-	-
Trade and other receivables	51,240	-	-	-	7,468	58,708
Overdraft	(10,008)	(10,509)	-	-	2,177	(18,197)
Trade and other payables	(156,965)	(3,134)	-	(916)	(5,049)	(166,064)
Net open position	**(115,733)**	**(13,643)**	**143**	**(916)**	**4,596**	**(125,553)**

At 30 June 2013	USD	Euro	GBP	ZAR	RWF	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and bank	554	97	14	-	4,008	4,673
Trade and other receivables	28,318	-	-	-	10,643	38,961
Trade and other payables	(61,608)	(3,735)	-	-	(3,408)	(68,751)
Net open position	**(32,736)**	**(3,638)**	**14**	**-**	**11,243**	**(25,117)**

5. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (continued)

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
Rwandese franc	7.78	7.05	7.78	7.05

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 weakened/strengthened by 10% against the US dollar, Euro Sterling Pound, South African Rand and Rwandese franc with all other variables held constant, the impact on pre tax profit for the year would have been KShs 12.5 million (2013: KShs 2.5 million) equal and opposite.

	Profit of loss KShs'000'		Equity KShs'000'	
Currency	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)	-
Rwandese franc (RWF)	460	1,124	322	787
	(12,555)	**(2,513)**	**(8,788)**	**(1,759)**

(b) Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group'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 Group's management based on the Group policy.

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

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

The Group does not have significant credit risk exposure to any single counterpart)' or any Group of counterparties having similar characteristics. The Group 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 Group minimizes credit risk by requiring large distributors to deposit bank guarantees and personal guarantees for their credit. The Group has cash in transit insurance covers and all cash customers are required to pay through collection accounts.

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

30 June 2014

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	267,243	50,483	123,425	441,151
Provision for doubtful debts	-	-	(123,425)	(123,425)
	267,243	50,483	-	317,726
Short term deposits	210,602	-	-	210,602
Bank balances	125,583	-	-	125,583
	603,428	**50,483**	**-**	**653,911**

30 June 2013

	Fully performing KShs'000	Past due KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	257,948	40,739	117,232	415,919
Provision for doubtful debts	-	-	(117,232)	(117,232)
	257,948	40,739	-	298,687
Short term deposits	35,288	-	-	35,288
Available for sale investments	226,170	-	-	226,170
Bank balances	229,488	-	-	229,488
	748,894	**40,739**	**-**	**789,633**

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group 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 Group's short and medium term funding and liquidity management requirements. The Group manages liquidity risk through continuous monitoring of forecast and actual cash flows. The Group can also borrow from its related companies in the short term further reducing its liquidity risk.

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.

The table below analyses the Group'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	258,864	184,265	-	443,129
Finance lease	278	7,152	1,406	8,836
Dividend payable	50,439	-	-	50,439
Overdraft	20,517	-	-	20,517
	330,098	**191,417**	**1,406**	**522,921**

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	144,119	129,555	4,797	278,471
Dividend payable	852	-	-	852
Finance lease	521	5,732	8,795	15,048
	145,492	**135,287**	**13,592**	**294,371**

5. FINANCIAL RISK MANAGEMENT (Continued)

(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:

	2014 KShs'000	2013 KShs'000
Financial assets: (Loans and receivables)		
Trade receivables	317,726	298,687
Short term deposits	210,602	35,288
Available for sale investment	-	226,170
Cash and bank balance	125,583	229,488
	653,911	**789,633**
Financial liabilities :(Other financial liability category)		
Trade and other payables	443,129	278,471
Lease finance liability	8,836	15,048
Dividend payable	50,439	852
Overdraft	20,517	-
	522,921	**294,371**

(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 OTC derivatives with unobservable parameters

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Fair value (continued)

(ii) Valuation hierarchy (continued)

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.

Below is the classification of non-financial assets held at fair value as at 30 June 2014 and 2013:

	2014 KShs'000	2013 KShs'000
Non-financial assets		
Property plant and equipment	899,755	770,155
Biological assets	25,807	24,140
Total assets	**925,562**	**794,295**

On 30 April 2013, Regent Valuers International (K) Ltd, professionally valued the Group'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.

Following the revaluation, the movement in property plant and equipment has been disclosed in note 16.

The fair value of the biological asset is determined based on the present value of expected net cash flows derived from sale of grapes discounted at the pretax discount rate. The details of the valuation inputs of the biological assets have been disclosed in note 19.

The fair value measurement of revalued items of property plant and equipment and the biological assets have been categorized as a level 3 fair value based on the inputs to the valuation techniques.

6. REVENUE

	2014 KShs'000	2013 KShs'000
Distell Products	1,664,894	1,838,701
KWAL and other products	2,261,283	1,584,492
	3,926,177	**3,423,193**

7. INVESTMENT INCOME

Realized gain on sale of available for sale investments	**220,269**	-

8. OTHER INCOME

Miscellaneous income	657	5,994
Rental income	117	155
	774	**6,149**

9. FINANCE INCOME/(COST)

(a) Finance Income

Interest income on short term deposits	**16,878**	**4,100**

(b) Finance costs

Forex losses	(**12,910**)	(**7,870**)

10. COST OF SALES

Materials	2,673,352	2,388,877
Staff costs	72,229	55,556
Utility costs	36,377	30,817
Repairs and maintenance	39,549	22,762
Depreciation	24,266	19,164
Inventories write off	44,184	18,941
Insurance costs	12,906	4,521
Inventories provision	1,122	773
	2,903,985	**2,541,411**

		2014 KShs'000	2013 KShs'000
11.	**ADMINISTRATIVE EXPENSES**		
	Staff costs	181,174	145,451
	Office expenses	32,724	33,225
	Depreciation	17,356	25,064
	Utility costs	11,522	7,704
	Legal and professional fees	22,202	38,852
	Insurance costs	12,000	18,080
	Other expenses	10,369	13,591
	Bank charges	10,949	7,899
	Repairs and maintenance	9,454	8,998
	Directors		
	- allowances	9,269	6,868
	- other emoluments	11,468	9,470
	Audit fees	4,141	4,938
	Amortization of intangible assets	1,810	1,159
	Amortization of prepaid operating leases	277	277
		334,715	**321,576**
12.	**SELLING AND DISTRIBUTION EXPENSES**		
	Advertising, marketing and promotions	285,047	228,835
	Staff costs	124,878	117,781
	Motor vehicle running expenses	101,465	68,298
	Bad debts expense/(write back)	11,898	(930)
	Depreciation	10,867	14,479
		534,155	**428,463**
13.	**PROFIT BEFORE TAXATION**		
	The profit before taxation is stated after charging/ (crediting):		
	Depreciation	52,489	58,996
	Auditors' remuneration	4,141	4,938
	Amortisation of prepaid operating leases	277	277
	Amortisation of intangible assets	1,810	1,159
	Loss on disposal of property, plant and equipment	-	100
	Bad debt expense/(write back)	11,898	(930)
	Directors:		
	- allowances	9,269	6,868
	- others	11,468	9,470

14. STAFF COSTS	2014 KShs'000	2013 KShs'000
Salaries and wages	277,478	253,526
Medical expenses	38,864	31,886
Pension costs	8,467	8,060
Staff bonuses provision/ (write back)	15,013	(5,120)
Other staff costs	13,965	6,882
Staff meals	13,076	9,424
Training	4,124	12,555
Statutory retirement contributions	-	960
Leave pay provision/ (write back)	3,884	(176)
Gratuity/ (write back)	1,909	(260)
NSSF contribution	1,501	1,051
	378,281	**318,788**

15. TAXATION

(a) Income tax expense

Current tax:		
- Current year	48,503	36,330
- Prior year under provision of current tax	6,655	-
	55,158	36,330
Deferred tax:		
- Current year charge (note 26)	23,416	21,690
- Prior year over provision of deferred tax	(3,915)	-
	19,501	21,690
Income tax expense	**74,659**	**58,020**

(b) Reconciliation of taxation charge to expected tax based on accounting profit

Accounting profit before taxation	380,000	135,428
Tax at the applicable rate of 30%	114,000	40,628
Tax effect of expenses and income not deductible or taxable	(63,482)	17,392
Prior year under provision of current tax	6,655	-
Unrecogonised deferred tax	21,401	-
Prior year over provision for deferred tax	(3,915)	-
Income tax expense	**74,659**	**58,020**

15. TAXATION (Continued)

	2014 KShs'000	2013 KShs'000
(c) Taxation recoverable/(payable)		
Group:		
At beginning of the year	15,223	(19,021)
Taxation charge	(55,158)	(36,330)
Taxation paid	36,359	68,560
Translation adjustment	-	2,104
At end of the year	(3,576)	15,223
Presented in the statement of financial position as		
Tax recoverable	1,659	15,223
Tax payable	(5,235)	-
	(3,576)	15,223
Company:		
At 1 July and 30 June	100	100

16. PROPERTY, PLANT AND EQUIPMENT

(a) Group

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 I July 2013	504,807	32,273	216,011	22,884	19,969	11,690	807,634
Additions	63,284	-	49,111	4,439	3,307	62,009	182,150
Transfers	-	-	11,690	-	-	(11,690)	-
Reclassification adjustments	(20,517)	1,168	47	5,561	(778)	-	(14,519)
At 30 June 2014	547,574	33,441	276,859	32,884	22,498	62,009	975,265
Comprising							
At cost	453,956	32,273	75,148	-	13,707	11,690	586,774
At valuation	50,851	-	140,863	22,884	6,262	-	220,860
	504,807	32,273	216,011	22,884	19,969	11,690	807,634
Depreciation							
At l July 2013	16,348	7,117	6,374	(827)	8,467	-	37,479
Charge for the year	11,822	7,979	24,226	2,453	6,009	-	52,489
Reclassification adjustments	(14,606)	(2,709)	(2,773)	12,641	(7,011)	-	(14,458)
At 30 June 2014	13,564	12,387	27,827	14,267	7,465	-	75,510
Net book value	**534,010**	**21,054**	**249,032**	**18,617**	**15,033**	**62,009**	**899,755**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group 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 I July 2012	558,415	73,497	201,843	65,379	102,974	23,046	1,025,154
Additions	50,851	-	41,107	12,444	6,204	11,690	122,296
Disposals	-	-	-	-	(300)	-	(300)
Transfers	23,046	-	-	-	-	(23,046)	-
Revaluation	(127,505)	(41,177)	(26,891)	(50,152)	(88,909)	-	(334,634)
Translation adjustment	-	(47)	(48)	(4,787)	-	-	(4,882)
At 30 June 2013	504,807	32,273	216,011	22,884	19,969	11,690	807,634
Comprising							
At cost	453,956	32,273	75,148	-	13,707	11,690	586,774
At valuation	50,851	-	140,863	22,884	6,262	-	220,860
	504,807	32,273	216,011	22,884	19,969	11,690	807,634
Depreciation							
At I July 2012	42,427	47,949	41,979	24,649	93,608	-	250,612
Charge for the year	14,612	11,063	18,690	10,140	72	-	54,577
Eliminated on disposal	-	-	-	-	(200)	-	(200)
Translation adjustment	-	(195)	-	(752)	(48)	-	(995)
Eliminated on revaluation	(40,691)	(51,700)	(54,295)	(34,864)	(84,965)	-	(266,515)
At 30 June 2013	16,348	7,117	6,374	(827)	8,467	-	37,479
Net book value							
At 30 June 2013	**488,459**	**25,156**	**209,637**	**23,711**	**11,502**	**11,690**	**770,155**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Company	2014 KShs'000 Buildings	2013 KShs'000 Buildings
Cost		
At I July and 30 June	6,575	5,969
Revaluation	-	606
	6,575	6,575
At beginning of the year	27	5,682
Charge for the year	165	47
Eliminated on revaluation	-	(5,702)
At 30 June	192	27
Net book value		
At 30 June	**6,383**	**6,548**

17. PREPAID OPERATING LEASES - GROUP

Cost		
At I July and 30 June	11,063	11,063
Amortisation		
At beginning of the year	6,856	6,579
Charge for the year	277	277
At 30 June	7,133	6,856
Net book value		
At 30 June	**3,930**	**4,207**

18. INTANGIBLE ASSETS - GROUP

COMPUTER SOFTWARE		
Cost		
At beginning of the year	7,413	7,187
Additions	-	226
At 30 June	**7,413**	**7,413**
Amortisation		
At beginning of the year	4,167	3,008
Charge for the year	1,810	1,159
At 30 June	**5,977**	**4,167**
Net book value		
At 30 June	**1,436**	**3,246**

19. BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

Biological assets relate to grape vine trees the Group has developed.

	2014 KShs'000	2013 KShs'000
Carrying amount as at 30 June 2013	24,140	19,990
Additions	-	2,844
	24,140	**22,834**
Fair value gain	1,667	1,306
Carrying amount as at 30 June 2014	**25,807**	**24,140**

As at 30 June 2014 the grape vine plantation comprised approximately 12.7 hectares of grape vines (2013: 12.7 hectares).

In determining the fair value of biological assets as at 30 June 2014, the directors used discounted cash flows to determine the present value of the biological asset at its present location and condition.

Significant assumptions made in determining the fair values of the biological assets are:

(i) The market conditions will remain constant.
(ii) The prevailing climatic conditions will not change.
(iii) The valuation is based on the market price of the finished product less related costs of production of 1Kg of grapes extract of KShs 52.
(iv) Grape vine trees are considered to be productive for an estimated period of 50 years.
(v) A discount rate of 12.5% per annum is applied to the expected net cash flows arising from the asset.

(b) Measurement of fair values

Fair value hierarchy

The fair value measurements for grape vines of KShs 25.8 million (2012 – KShs 24.1 million) have been categorized as Level 3 fair values based on the inputs to the valuation techniques used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for 50 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated future grape market prices per Kg (KShs 52/Kg. • Estimated future costs(% annual cost inflation of current cost of KShs 41/kg) • Risk-adjusted annual discount rate (12%)	The estimated fair value would increase (decrease) if: The estimated grape prices per kilogramme were higher(lower); The estimated harvest, replanting, weeding and transportation costs were lower (higher); or • The risk-adjusted discount rates were lower (higher).

20. INVESTMENT

(a) Investment in subsidiary -at cost

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

Subsidiary	Beneficial Ownership	Country of incorporation	2014 KShs'000	2013 KShs'000
Kenya Wine Agencies Limited	100%	Kenya	845,988	845,988
Yatta Vineyards Limited	100%	Kenya	4,000	4,000
			849,988	**849,988**

The principal activity of Kenya Wine Agencies Limited (KWAL) and its wholly owned subsidiary, KWAL Rwanda Limited is procurement, production, packaging and marketing of a wide range of selected quality alcoholic and non-alcoholic beverages. Yatta Vineyards Limited's principal activity is farming of grapes and fresh juice.

Nature and extent significant restrictions

The Group does not have any significant restrictions on any of its subsidiaries whether contractual, statutory or regulatory that limits its ability to access and use the assets and settle liabilities of the subsidiary.

Nature of risk associated with subsidiaries

The Group has no contractual arrangement that require the parent or its subsidiaries to provide financial support to a consolidated structure entity.

(b) Available-for-sale investments

The Company owned 11,365,309 shares in Uchumi Supermarket Limited representing 4.3% equity interest which were sold during the year.

	2014 KShs'000	2013 KShs'000
Investment at 1 July	226,170	180,708
Sold in the year	(226,170)	-
Fair value gain	-	45,462
Carrying amount at 30 June	-	**226,170**

21. INVENTORIES – GROUP

Finished goods	536,342	334,302
Raw materials	279,075	176,681
Work in progress	7,088	7,189
	822,505	**518,172**

22. TRADE AND OTHER RECEIVABLES – GROUP

	2014 KShs'000	2013 KShs'000
Trade receivables	317,726	298,687
Other receivables	4,158	13,141
Prepayments	17,306	19,731
	339,190	**331,559**

23. RELATED PARTY BALANCES AND TRANSACTIONS

Kenya Wine Agencies Limited and Yatta Vineyards Limited are wholly owned subsidiaries of KWA Holdings E. A. Limited.

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

		2014 KShs'000	2013 KShs'000
(a)	**Amount due from subsidiary:**		
	Kenya Wine Agencies Limited (KWAL)	360,613	91,148
	Yatta Vineyards Limited	108	108
		360,721	**91,256**

(b)	**The movement in amounts due from subsidiaries is as shown below**	**KWAL**	**Yatta Vineyards**
	At the beginning of the year	91,149	108
	Payments made on behalf of the Group	(1,545)	-
	Dividend paid on behalf of KWA Holdings E.A. ltd by Kenya Wine Agencies Limited	(414)	-
	Shares sold on behalf	221,423	-
	Dividends declared	50,000	-
	Income received on behalf of KWA E.A Ltd	-	-
	At the end of the year	**360,613**	**108**

(c)	**Key management**		
	Salaries and other short-term employment benefits	**47,824**	**44,176**
(d)	**Directors**		
	Allowances for services	9,269	6,868
	Other emoluments	11,468	9,470
		20,737	**16,338**

24. SHORT TERM DEPOSITS – GROUP

Chase Bank Kenya Limited	210,602	35,288
Maturity analysis is as below:		
- within 90 days	**210,602**	**35,288**

25. SHARE CAPITAL

(a) Authorised, issued and fully paid:	2014 KShs'000	2013 KShs'000
76,800,000 'A" shares of Sh 5 each	384,000	384,000
19,200,000 "B" shares at KShs 5 each	96,000	96,000
	480,000	**480,000**

All ordinary shares rank equally (Class A and B) 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 Group.

(b) Revaluation reserve

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

(c) Fair value reserve

The fair value reserve represents the cumulative net change in fair value of available-for-sale investments excluding impairement, until the investments is derecognized.

(d) Translation reserve

The translation reserve represents foreign exchange differences arising from the translation of foreign operations (namely KWAL Rwanda Limited) into the functional currency of the parent company.

26. DEFERRED TAXATION LIABILITY

Group

Deferred taxation is calculated on all temporary differences under the liability method using the enacted tax rate of 30%. The deferred taxation liability/(asset) at 30 June is attributable to the following items

2014	At 1 July KShs'000	Prior year under/over provision KShs'000	Charge to profit or loss KShs'000	Charge to other comprehensive income KShs'000	At 30 June KShs'000
Property, plant and equipment	233,462	929	15,568	-	249,959
On revaluation	(89,343)	-	-	-	(89,343)
Biological assets	4,440	-	500	-	4,940
Defined benefit asset	9,409	(1,571)	1,339	11,123	20,300
General provisions	(2,357)	(3,857)	(3,999)	-	(10,213)
Unrealised exchange (gain)/ losses	(504)	595	(3,630)	-	(3,539)
Tax losses	(13,627)	(11)	13,638	-	-
	141,480	**(3,915)**	**23,416**	**11,123**	**172,104**

26. DEFERRED TAXATION LIABILITY (Continued)

2013	At 1 July KShs'000	Prior year under/over provision KShs'000	Charge to profit or loss KShs'000	Charge to other comprehensive income KShs'000	At 30 June KShs'000
Property, plant and equipment	243,340	-	(9,878)	-	233,462
Revaluation	(70,658)	-	-	(18,685)	(89,343)
Biological assets	(14,196)	-	18,636	-	4,440
Defined benefit asset	(2,610)	-	2,610	9,409	9,409
General provisions	(7,699)	-	5,342	-	(2,357)
Unrealised exchange (gain)/ losses	(414)	-	(90)	-	(504)
Tax losses	(18,697)	-	5,070	-	(13,627)
	129,066	-	21,690	(9,276)	141,480

Unrecognised deferred tax asset.

Deferred tax asset relating to tax losses of KShs 21,401,000 on subsidiaries has not been recognised in these financial statements as the directors are of the opinion that the Subsidiaries may not able to generate sufficient taxable profits in the foreseeable future to utilize the deferred tax asset.

Company

	At 1 July KShs'000	Charge to other comprehensive income KShs'000	At 30 June KShs'000
2014			
Tax losses	1,892	-	1,892
2013			
Tax losses	-	1,892	1,892

27. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 KShs'000	2013 KShs'000	2014 KShs'000	2013 KShs'000
Trade payables	291,122	183,532	-	-
Other payables and accruals	121,623	75,269	769	533
Performance bonus provision	15,013	5,580	-	-
Leave pay provision	15,371	14,090	-	-
Gratuity provision	3,835	1,751	-	-
	446,964	280,222	769	533

28. FINANCE LEASE OBLIGATIONS

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

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

29. RETIREMENT BENEFIT PLANS

(a) Staff Provident Fund

The Group 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

29. RETIREMENT BENEFIT PLANS (Continued)

(a) Staff Provident Fund (continued)

The information below summarises the scheme's assets and liabilities

	2014 KShs'000	2013 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	10,830	3,422
As at 30 June	**(14,011)**	**(36,719)**
Present value of funded obligations	(107,824)	(113,352)
"Fair" value of scheme assets	93,813	76,633
Present value of net obligations	**(14,011)**	**(36,719)**
Included in profit or loss		
Current service cost	(1,794)	(1,402)
Interest cost	(2,933)	(2,106)
	(4,727)	**(3,508)**
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	1,786	13,948
	16,605	**(6,733)**

(b) Staff Retirement Benefits Scheme

The Group operates a contributory defined benefit scheme for qualifying employees, with the Group 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

29. RETIREMENT BENEFIT PLANS (Continued)

(b) Staff Retirement Benefits Scheme (continued)

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	10,651	29,541
As at 30 June	**81,676**	**62,847**
Present value of funded obligations	(207,175)	(194,596)
"Fair" value of scheme assets	288,851	257,443
Present value of net obligations	**81,676**	**62,847**
Included in profit or loss		
Current service cost	(7,759)	(6,743)
Interest cost	6,116	(5,108)
	(1,643)	**11,851**
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	10,651	29,541
	20,472	**26,582**

30. DIVIDEND PAYABLE

The dividend payable is subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act.

	KShs'000	**KShs'000**
At 1 July	852	760
Interim dividend declared	50,000	25,000
Dividends paid	(413)	(24,908)
As at 30 June	**50,439**	**852**

31. OVERDRAFT

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

	2014 KShs'000	2013 KShs'000
Balance at bank	9,630	-
Unpresented cheques	(30,147)	-
Cash book balance – overdrawn	**(20,517)**	**-**

32. NOTES TO THE STATEMENT CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operations	**2014 KShs'000**	**2013 KShs'000**
Profit for the year	380,000	135,429
Adjustments for:		
Depreciation on property, plant and equipment (Note 16)	52,489	59,596
Loss on disposal of property, plant and equipment	-	100
Amortisation of prepaid operating leases	277	277
Amortisation of intangible assets	1,810	1,159
Fair value gain on biological assets	(1,667)	(1,306)
Exchange difference due to foreign subsidiary translation	(8,376)	2,141
Adjustment of property plant and equipment	61	-
Gain on sale of available for sale investment	(220,269)	-
Interest income	(16,878)	(4,100)
Net cash generated from operations before working capital changes	**187,447**	**193,296**
(Increase)/decrease in inventories	(304,333)	344,922
Increase in trade and other receivables	(7,631)	(71,289)
Increase/(decrease) in trade and other payables	166,742	(176,676)
Movement in defined benefit scheme net of changes in other comprehensive income	(4,460	(3,750)
Net cash generated from operations	**37,765**	**286,503**

(b) Analysis of cash and cash equivalents		
Short term deposits maturing within 90 days (Note 24)	210,602	35,288
Cash and bank balances	125,583	229,428
Overdraft (Note 31)	(20,517)	-
	315,668	**264,736**

33. CONTINGENT LIABILITIES – GROUP

	2014 KShs'000	2013 KShs'000
Pending litigation claims	2,120	2,120
Claims by former employees	14,526	14,526
	16,646	**16,646**

The Group 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 2,120,625 by one of the Group's supplier contracted for professional services. The Group contends that it paid in full the contractual obligation and extra service provided was not contracted for.

(b) Two former employees have sued the Group for KShs 4,032,608 being claims arising from wrongful termination of their contracts. The Group 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 Group's claims have not been determined by the High Court.

The directors have consulted the Group's legal advisers who are of the opinion that no liabilities may crystallise from these litigations. Consequently, the contingent liabilities have been disclosed in these financial statements.

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

34. CAPITAL COMMITMENTS

	2014 KShs'000	2013 KShs'000
Authorised but not contracted for	**484,600**	**352,215**

Capital commitments relate mainly to commitments that the Group has made for various construction works in the production department.

35. EVENTS AFTER THE REPORTING DATE

The Board approved the sale of 26 percent stake of the holding by Industrial Commercial Development Limited to Distell Limited, incorporated in South Africa, at a negotiated and market driven price of KShs 860 million in line with approvals given by Government for Phase 1A of the privatization of the Company. The sale is subject to terms and conditions in the Share Purchase Agreement. In Phase 1B of the privatization, 4% of the holding by Industrial Commercial Development Limited will be sold to KWAL employees through an Employee Share Ownership Plan (ESOP). The sale is expected to be completed in 2014/2015 financial year and would effectively result in changes in shareholding of the Company.

KWA HOLDINGS E.A LIMITED

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

	2014 KShs'000	2013 KShs'000
REVENUE	3,926,177	3,423,193
DIRECT COSTS (Page 52)	(2,903,985)	(2,541,411)
GROSS PROFIT	**1,022,192**	**881,782**
INVESTMENT INCOME	220,269	-
OTHER INCOME	774	6,149
FINANCE INCOME	16,878	4,100
FINANCE COSTS	(12,910)	(7,870)
FAIR VALUE GAIN ON BIOLOGICAL ASSETS	1,667	1,306
ADMINISTRATIVE EXPENSES (Page 52)	(334,715)	(321,576)
SELLING AND DISTRIBUTION EXPENSES (Page 52)	(534,155)	(428,463)
PROFIT BEFORE TAXATION	**380,000**	**135,428**

KWA HOLDINGS E.A LIMITED

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

COST OF SALES	2014 KShs'000	2013 KShs'000
Materials	2,673,352	2,388,877
Staff costs	72,229	55,556
Utility costs	36,377	30,817
Repairs and maintenance	39,549	22,762
Depreciation	24,266	19,164
Inventories write off	44,184	18,941
Insurance costs	12,906	4,521
Inventories provision	1,122	773
	2,903,985	**2,541,411**
ADMINISTRATIVE EXPENSES		
Staff costs	181,174	145,451
Office expenses	32,724	33,225
Depreciation	17,356	25,064
Utility costs	11,522	7,704
Legal and professional fees	22,202	38,852
Insurance costs	12,000	18,080
Other expenses	10,369	13,591
Bank charges	10,949	7,899
Repairs and maintenance	9,454	8,998
Directors		
- allowances	9,269	6,868
- other emoluments	11,468	9,470
Audit fees	4,141	4,938
Amortization of intangible assets	1,810	1,159
Amortization of prepaid operating leases	277	277
	334,715	**321,576**
SELLING AND DISTRIBUTION EXPENSES		
Advertising, marketing and promotions	285,047	228,835
Staff costs	124,878	117,781
Motor vehicle running expenses	101,467	68,298
Bad debts expense	11,898	(930)
Depreciation	10,865	14,479
	543,155	**428,463**