

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
YATTA VINEYARDS LIMITED**

**FOR THE YEAR
ENDED 30 JUNE 2014**





YATTA VINEYARDS LIMITED
REPORT AND FINANCIAL STATEMENTS
AT
30 JUNE 2014

YATTA VINEYARDS LIMITED

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

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YATTA VINEYARDS LIMITED

DIRECTOR AND STATUTORY INFORMATION

DIRECTORS

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

SECRETARY

Doris Wambui Macharia
PO Box 40550 - 00100
Nairobi

REGISTERED OFFICE

Plot No. LR 209/10472
Enterprise Road
Industrial Area
PO Box 40550 - 00100
Nairobi

AUDITORS

KPMG Kenya
8th Floor ABC Towers
Waiyaki Way
PO Box 40612 - 00100
Nairobi

On behalf of:

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

BANKERS

Kenya Commercial Bank Limited
Matuu Branch
PO Box 147 - 90119
Matuu

LEGAL ADVISERS

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

YATTA VINEYARDS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2014

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

1. Principal activity

The company's principal activity is that of farming and selling of grapes and fresh farm produce.

2. Results

The results for the year are set out on page 6.

3. Dividends

The directors do not recommend the payment of a dividend in respect of the current year. (2013: Sh. Nil).

4. Directors

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

5. Auditors

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

KPMG Kenya, who were appointed by the Auditor General, carried out the audit of the financial statements for the year ended 30 June 2014.

BY ORDER OF THE BOARD



Secretary

Date: 10 November 2014

YATTA VINEYARDS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and presentation of the financial statements of Yatta Vineyards Limited set out on pages 6 to 29 which comprise the statement of financial position at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

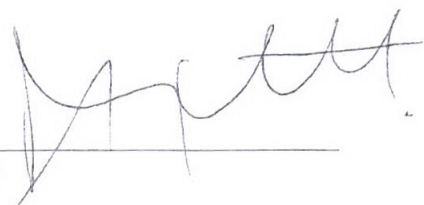
The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the separate financial statements

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

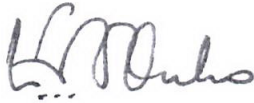


Director



Director

- 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

REPUBLIC OF KENYA



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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON YATTA VINEYARDS LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Yatta Vineyards Limited set out on pages 6 to 29, which comprise the statement of financial position as at 30 June 2014, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by KPMG Kenya, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 Section 13 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 report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

I draw attention to note 19 to the financial statements which provides disclosures on the going concern basis of the financial statements of the Company. During the year under review, the company made a loss of Kshs.24,457,000 (2013 loss of Kshs.1,520,000) which brought its accumulated losses to Kshs.44,205,000 (2013 Kshs.20,763,000) as at 30 June 2014. Further, the statement of financial position as at 30 June 2014 reflects an increased negative working capital of Kshs.61,864,000 (2013 Kshs.50,666,000). As reported in the previous year, the future of the Company apparently depends on financial support from the parent Company and any restructuring which may be carried out by management. My opinion is however not modified with respect to this matter.

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 ,

YATTA VINEYARDS LIMITED

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

	Note	2014 KShs'000	2013 KShs'000
Revenue	6	14,596	11,470
Direct costs	7	(10,247)	(3,033)
Gross profit		4,349	8,437
Fair value gain on biological assets	12	1,667	1,306
Administrative expenses	8	(16,624)	(16,327)
Loss before taxation	9	(10,608)	(6,584)
Tax expense/ (credit)	10(a)	(13,849)	1,982
Loss for the year		(24,457)	(4,602)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of property and equipment		-	4,403
Deferred taxation on revaluation surplus		-	(1,321)
Total other comprehensive income		-	3,082
Total comprehensive income for the year		(24,457)	(1,520)

The notes set out on pages 10 to 29 form an integral part of these financial statements.

YATTA VINEYARDS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

ASSETS	Note	2014	2013
		KShs'000	KShs'000
Non-current assets			
Property and equipment	11	41,249	42,326
Biological assets	12	25,807	24,140
		<u>67,056</u>	<u>66,466</u>
Current assets			
Trade and other receivables	13	225	256
Tax recoverable	10(b)	1,559	1,559
Cash and bank balances	14	795	585
		<u>2,579</u>	<u>2,400</u>
Total assets		<u>69,635</u>	<u>68,866</u>
EQUITY AND LIABILITIES (Page 8)			
Capital and reserves			
Share capital	15(a)	4,000	4,000
Revaluation reserves	15(b)	28,338	29,353
Accumulated losses		(44,205)	(20,763)
Total equity		<u>(11,867)</u>	<u>12,590</u>
Non-current liabilities			
Deferred taxation liability	16	17,059	3,210
Current liabilities			
Amount due to parent company	17(a)	108	108
Amount due to related company	17(b)	63,094	51,453
Trade and other payables	18	1,241	1,505
		<u>64,443</u>	<u>53,066</u>
Total equity and liabilities		<u>69,635</u>	<u>68,866</u>

The financial statements on pages 6 to 29 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 10 to 29 form an integral part of these financial statements.

YATTA VINEYARDS LIMITED

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

	Share capital KShs'000	Revaluation reserve KShs'000	Accumulated losses KShs'000	Total KShs'000
2014:				
At 1 July 2013	4,000	29,353	(20,763)	12,590
Total comprehensive income				
Loss for the year	-	-	(24,457)	(24,457)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Transfer of excess depreciation	-	(1,450)	1,450	-
Deferred taxation on excess depreciation	-	435	(435)	-
Total other comprehensive income	-	(1,015)	1,015	-
Total comprehensive income	-	(1,015)	(23,442)	(24,457)
At 30 June 2014	<u>4,000</u>	<u>28,338</u>	<u>(44,205)</u>	<u>(11,867)</u>
2013:				
At 1 July 2012	4,000	27,286	(17,176)	14,110
Total comprehensive income	-	-	-	-
Loss for the year	-	-	(4,602)	(4,602)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Transfer of excess depreciation	-	(1,450)	1,450	-
Deferred taxation on excess depreciation	-	435	(435)	-
Revaluation surplus (net of tax)	-	3,082	-	3,082
Total other comprehensive income	-	2,067	1,015	(3,082)
Total comprehensive income	-	2,067	(3,587)	(1,520)
At 30 June 2013	<u>4,000</u>	<u>29,353</u>	<u>(20,763)</u>	<u>12,590</u>

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

The notes set out on pages 10 to 29 form an integral part of these financial statements.

YATTA VINEYARDS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 KShs'000	2013 KShs'000
Cash flows from operating activities			
Loss before taxation		(10,608)	(6,584)
Adjustments for:			
Fair value gain on biological assets	12	(1,667)	(1,306)
Depreciation of property plant and equipment	11	<u>1,564</u>	<u>1,508</u>
Loss before working capital changes		(10,711)	(6,382)
Decrease in trade and other receivables		31	65
Decrease in trade and other payables		(264)	(358)
Net movement in related parties balances		<u>11,641</u>	<u>9,548</u>
Cash generated from operations		<u>697</u>	<u>2,873</u>
Cash flows from investing activities			
Purchase of property and equipment	11	(487)	(58)
Additions to biological assets	12	<u>-</u>	<u>(2,844)</u>
Net cash used in investing activities		<u>(487)</u>	<u>(2,902)</u>
Net increase/(decrease) in cash and cash equivalents		210	(29)
Cash and cash equivalents at 1 July		<u>585</u>	<u>614</u>
Cash and cash equivalents at 30 June	14	<u>795</u>	<u>585</u>

The notes set out on pages 10 to 29 form an integral part of these financial statements.

YATTA VINEYARDS LIMITED

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

1. REPORTING ENTITY

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

Yatta Vineyards Limited
Enterprise Road
PO Box 40550 - 00100
Nairobi

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of measurement

The financial statements are prepared under the historical cost basis except for the 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 company's functional currency. Except as indicated, financial information presented in Kenya shillings has been rounded to the nearest thousand.

(d) Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. In particular information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New standards and interpretations

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

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 13-Fair value measurement	1 January 2013
• IAS 1 - Presentation of Financial Statements - Presentation of items of Other Comprehensive Income (OCI)	1 January 2013
• Amendments to IFRS 7 - Disclosures-Offsetting Financial Assets and Financial Liabilities	1 January 2013

IFRS 13: Fair Value Measurements

In accordance with the transitional provisions of IFRS 13, the Company has applied the new definition of fair value, as set out in Note 3 (g) (v), prospectively. The change had no significant impact on the measurements of the Company's assets and liabilities, but the Company has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Company has provided the relevant comparative disclosures under those standards.

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

As a result of the amendments to IFRS 7, the Company has expanded disclosures about offsetting financial assets and financial liabilities (see Note (3(g) (v))).

IAS 1: Presentation of Financial Statements

As a result of amendment to IAS 1, the Company 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

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(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*

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 2014

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.

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.

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

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

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

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

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

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

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

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

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

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.

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) New standards and interpretations (continued)

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

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 2014, with earlier application being permitted.

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

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

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

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

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

(b) Revenue recognition

Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, the customer has accepted the products and recoverability of the related receivables is reasonably assured. Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates, returns and discounts.

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

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(c) Foreign currencies

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

(d) Property and equipment

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

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of property 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 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 and equipment, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings, No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

The gain or loss arising on the disposal or retirement of an item of property 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.

(e) Depreciation

Depreciation is calculated to write off the cost or valuation of property 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 vehicle	25%
Furniture and equipment	12.5%
Computer equipment	33%

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

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (COUNTINUED)

(f) Taxation

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

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

(g) Financial instruments

(i) *Measurement and recognition*

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The company recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(ii) *Classification*

The company classifies its financial assets into loans and receivables. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Loans and receivables

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

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

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(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.

(h) Retirement benefit obligations

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

(i) Employee entitlements

Provision for staff leave pay

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

Short term employee benefits

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

(j) 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.

YATTA VINEYARDS LIMITED

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

(i) *Financial assets*

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

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

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

(ii) *Impairment of non financial assets*

The carrying amounts of the company's assets, other than Biological assets and deferred tax, 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.

(l) Comparatives

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

(m) Biological Assets

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.

YATTA VINEYARDS LIMITED

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

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.

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 under Note 12 – Biological assets: Key assumptions underlying the fair value of biological assets.

5. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency exchange rates. The company's overall risk management program 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) Credit risk management

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

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

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

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

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

YATTA VINEYARDS LIMITED

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk management (continued)

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

	2014 KShs'000	2013 KShs'000
Trade receivables	124	138
Cash and bank	<u>795</u>	<u>585</u>
	<u>919</u>	<u>723</u>

The company did not have impairment loss on receivables as there are no bad debts as at 30 June 2014 and 30 June 2013.

(b) Liquidity risk management

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

The company's liquidity risk is represented by the current liabilities of KShs 64,443,000 (2013: KShs 53,066,000) which are due on demand.

(c) Market risk

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

(i) Currency risk

The Company is not exposed to currency risk on sales and purchases as these are denominated in the local currency which is primarily Kenya shillings (KShs).

(ii) Interest rate risk

The Company does not have any borrowing neither does it invest in short term deposits that earn interest. Movements in interest rates do not therefore have an impact on the profit or equity of the Company.

YATTA VINEYARDS LIMITED

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders. There were no changes in the Company's approach to capital management during the year.

(e) Fair values

The fair values of significant financial assets and liabilities is the same as the carrying amounts as shown in the statement of financial position due to the short term nature of these items

The company does not have financial assets classified under the following categories in the fair value hierarchy:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has not disclosed fair values for financial instruments such as short term receivables and payables because their 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 categorised under level 3:

	2014 KShs'000	2013 KShs'000
Non-financial assets		
Land and building	38,833	39,833
Biological assets	<u>25,807</u>	<u>24,140</u>
Total assets	<u>64,640</u>	<u>63,973</u>

YATTA VINEYARDS LIMITED

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair values (continued)

On 30 April 2013, Coral Regent Values International (K) Ltd, professionally valued the company's property and equipment on open market value basis. The resulting surplus was credited to revaluation reserve.

The Valuers used the Direct Capital Comparison method of valuation for valuation of land. The assumption 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. Following the revaluation, the movement in property plant and equipment has been disclosed in note 11.

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 12.

The fair value measurement of revalued items of property 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
	Grapes	3,274	2,456
	Sales other crops	<u>11,322</u>	<u>9,014</u>
		<u>14,596</u>	<u>11,470</u>
7.	DIRECT COSTS		
	Cost of farm inputs	3,782	4,192
	Cost of labour grapes	1,567	-
	Cost of labour other crops	4,820	(1,195)
	Cost of sales others	<u>78</u>	<u>36</u>
		<u>10,247</u>	<u>3,033</u>

YATTA VINEYARDS LIMITED

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

	2014	2013
	KShs'000	KShs'000
8. ADMINISTRATIVE EXPENSES		
Salaries and wages	7,543	6,741
Other staff costs	313	2,351
Medical expenses	1,777	1,811
Electricity	2,428	1,561
Depreciation	1,564	1,508
Motor vehicle running expenses	1,065	818
Other expenses	<u>1,934</u>	<u>1,537</u>
	<u>16,624</u>	<u>16,327</u>
9. LOSS BEFORE TAXATION		
The loss before taxation is arrived at after charging:		
Depreciation	1,564	1,508
Audit fees	<u>539</u>	<u>424</u>
10. TAXATION		
(a) Income tax expense/ (credit)		
Current tax charge	-	-
Deferred tax expense/(credit) (see note 16)	(13,767)	(1,982)
Prior year under provision of deferred tax liability	<u>82</u>	<u>-</u>
Income tax credit	<u>13,849</u>	<u>(1,982)</u>
Reconciliation of tax credit		
Accounting loss before taxation	<u>(10,608)</u>	<u>(6,584)</u>
Tax applicable rate of 30% (2013: 30%)	(3,182)	(1,982)
Unrecognised deferred tax asset	16,949	-
Prior year under provision of deferred tax	<u>82</u>	<u>-</u>
Income tax (expense)/credit	<u>13,849</u>	<u>(1,982)</u>
(b) Tax recoverable		
Balance at 1 July and 30 June	<u>1,559</u>	<u>1,559</u>

Current tax has not been provided for in these financial statements as the company has cumulative tax losses amounting to KShs 56,500,033 (2013 – KShs 45,459,924).

Tax losses expire four (4) years following the year in which they arose under the current tax legislation. The aging of losses is as below:

Date of Origin	Amount KShs '000	Expiry Date
30 June 2010	29,194	30 June 2014
30 June 2011	2,308	30 June 2015
30 June 2012	7,596	30 June 2016
30 June 2013	6,362	30 June 2017
30 June 2014	11,040	30 June 2018
Totals	56,500	

YATTA VINEYARDS LIMITED

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

11. PROPERTY AND EQUIPMENT

2014:	Buildings KShs'000	Motor vehicles KShs'000	Furniture and equipment KShs'000	Computers KShs'000	Total KShs'000
Cost					
At 1 July 2013	40,000	1,340	1,171	66	42,577
Additions	-	-	487	-	487
At 30 June 2014	40,000	1,340	1,658	66	43,064
Comprising					
At cost	-	-	487	8	495
At valuation	40,000	1,340	1,171	58	42,569
	40,000	1,340	1,658	66	43,064
Depreciation					
At 1 July 2013	167	56	25	3	251
Charge for the year	1,000	335	207	22	1,564
At 30 June 2014	1,167	391	232	25	1,815
Net book value					
At 30 June 2014	38,833	949	1,426	41	41,249

YATTA VINEYARDS LIMITED

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

11. PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Motor	Industrial	Agricultural	Furniture	Computers	Total
	KShs'000	vehicles	plant and	plant and	and	KShs'000	KShs'000
	KShs'000	KShs'000	machinery	machinery	equipment	KShs'000	KShs'000
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
2013:							
Cost							
At 1 July 2012	40,000	2,392	2,796	27,472	3,652	726	77,038
Revaluation	-	(1,052)	(2,796)	(27,472)	(2,481)	(718)	(34,519)
Additions	-	-	-	-	-	58	58
At 30 June 2013	40,000	1,340	-	-	1,171	66	42,577
Comprising							
At valuation- 2013	40,000	1,340	-	-	1,171	8	42,519
Depreciation							
At 1 July 2012	3,000	2,392	2,764	27,272	1,369	668	37,465
Charge for the year	1,000	56	8	-	405	39	1,508
Eliminated on revaluation	(3,833)	(2,392)	(2,772)	(27,272)	(1,749)	(704)	(38,722)
At 30 June 2013	167	56	-	-	25	3	251
Net book value							
At 30 June 2013	39,833	1,284	-	-	1,146	63	42,326

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

12. BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

Biological assets relate to grape vine trees the company has developed

	2014	2013
	KShs'000	KShs'000
Carrying amount as at 30 June 2013	24,140	19,990
Additions and other costs	<u> -</u>	<u> 2,844</u>
	24,140	22,834
Fair value gain	<u> 1,667</u>	<u> 1,306</u>
Carrying amount as at 30 June 2014	<u> 25,807</u>	<u> 24,140</u>

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.

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

12. BIOLOGICAL ASSETS (Continued)

(b) Measurement of fair values (continued)

Fair value hierarchy – (continued)

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.	<ul style="list-style-type: none"> • Estimated future grapes 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 (12.5%) 	<p>The estimated fair value would increase (decrease) if: The estimated grape prices per kilogramme were higher(lower);</p> <p>The estimated harvest, replanting, weeding and transportation costs were lower (higher); or</p> <ul style="list-style-type: none"> • The risk-adjusted discount rates were lower (higher).

13. TRADE AND OTHER RECEIVABLES

	2014 KShs'000	2013 KShs'000
Trade receivables	124	138
Other receivables	<u>101</u>	<u>118</u>
	<u>225</u>	<u>256</u>

14. CASH AND CASH EQUIVALENTS

Cash at bank	695	485
Cash in hand	<u>100</u>	<u>100</u>
	<u>795</u>	<u>585</u>

15. SHARE CAPITAL

(a) Authorised, issued and fully paid:

800,000 ordinary shares of KShs. 5 each	<u>4,000</u>	<u>4,000</u>
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The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

(b) Revaluation reserve

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

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

16. DEFERRED TAXATION LIABILITY

Deferred tax is calculated on all temporary differences using the currently enacted rate of 30%. The net deferred tax (liability)/ asset is attributed to the following items:

2014:	At 1 July	Prior year	Charge to	Charge to	At 30 June
	KShs'000	under/over	profit or	OCI	KShs'000
		provision	loss	KShs'000	KShs'000
		KShs'000	KShs'000		
Property and equipment	35	(110)	440	-	365
On revaluation	(12,597)	-	-	-	(12,597)
Biological assets	(4,440)	-	(500)	-	(4,940)
General provisions	165	17	(69)	-	113
Tax losses	13,627	11	(13,638)	-	-
	<u>(3,210)</u>	<u>(82)</u>	<u>(13,767)</u>	<u>-</u>	<u>(17,059)</u>

2013:	At 1 July	Prior year	Charge to	Charge to	At 30 June
	KShs'000	under/over	profit or	OCI	KShs'000
		provision	loss	KShs'000	KShs'000
		KShs'000	KShs'000		
Property, plant and equipment	(409)	-	444	-	35
On revaluation	(11,276)	-	-	(1,321)	(12,597)
Biological assets	(4,048)	-	(392)	-	(4,440)
General provisions	160	-	5	-	165
Tax losses	11,702	-	1,925	-	13,627
	<u>(3,871)</u>	<u>-</u>	<u>1,982</u>	<u>(1,321)</u>	<u>(3,210)</u>

Unrecognised deferred tax asset.

Deferred tax asset relating to tax losses of KShs 16,949,010 has not been recognised in these financial statements as the directors are of the opinion that the Company may not have adequate taxable profits to be utilized against the tax asset before the expiry of the losses

17. RELATED PARTY BALANCES AND TRANSACTIONS

The company is wholly owned by KWA Holdings E. A. Limited which is incorporated and domiciled in Kenya. The company is a fellow subsidiary of Kenya Wine Agencies Limited, which is also a wholly owned subsidiary of KWA Holdings E. A. Limited.

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

	2014	2013
	KShs'000	KShs'000
(a) Amount due to parent company;		
KWA Holdings E. A. Limited- current	<u>108</u>	<u>108</u>
(b) Amount due to related company;		
Kenya Wine Agencies Limited	<u>63,094</u>	<u>51,453</u>

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

17. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	2014 KShs'000	2013 KShs'000
(c) Transactions;		
During the year the following transactions were entered into with related parties:		
Sale of goods to Kenya Wine Agencies Limited	<u>3,274</u>	<u>2,456</u>
(d) Key management compensation;		
Salaries and other short-term employment benefits	<u>726</u>	<u>623</u>
(e) Government grant;		

The Government of Kenya through a letter by the Office of the President dated 5 February 2001 allotted a parcel of land of 100.5 acres to Yatta Vineyards Limited for a 45 year lease period. The land was given at zero value (no cost) and is partly used to grow vines which are biological assets used in production of wine and other perennial crops for sale. The company has not recognized any amount in the financial statements relating to this parcel of land.

18. TRADE AND OTHER PAYABLES

	2014 KShs'000	2013 KShs'000
Trade payables	450	347
Leave provision	134	549
Other payables	<u>657</u>	<u>609</u>
	<u>1,241</u>	<u>1,505</u>

19. GOING CONCERN

At 30 June 2014, the company had an accumulated losses of KShs 44,205,000 (2013: KShs 20,763,000) as a result of losses incurred in the current and previous periods. In addition, the Company was in a net liability position of KShs 11,867,000 as at 30 June 2014. The ability of the company to continue as a going concern and be able to pay its liabilities when they fall due for the foreseeable future depends on the continued commitment by the parent company in providing financial support. Consequently, the parent company, KWA Holdings E.A. Limited has subordinated all the company's liabilities. The directors therefore believe that the company will remain a going concern for at least the next twelve months.

20. EVENTS AFTER THE REPORTING DATE

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