

**AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016
APPROVED BY THE BOARD OF DIRECTORS ON 20 APRIL 2017**

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DEC 2016

	2016 Shs'000	2015 Shs'000
SALES	2,309,091	2,383,297
COST OF SALES	(1,295,175)	(1,274,514)
GROSS PROFIT	1,013,916	1,108,783
OTHER INCOME	16,080	49,886
SHARE OF PROFIT FROM ASSOCIATE COMPANY	-	53,832
PROFIT ON DISPOSAL OF ASSOCIATE	-	64,933
TOTAL INCOME	1,029,996	1,277,434
ADMINISTRATION EXPENSES	(1,306,460)	(1,161,412)
LEASE STRAIGHT LINING ADJUSTMENT*	(37,774)	-
PROVISION FOR STOCK OBSOLESCENCE**	(28,652)	-
NET FOREIGN EXCHANGE GAINS	(42,167)	25,573
TOTAL EXPENSES	(1,415,053)	(1,135,839)
OPERATING (LOSS)/PROFIT BEFORE TAXATION	(385,057)	141,595
TAXATION CREDIT	108,712	(27,845)
(LOSS)/PROFIT FOR THE YEAR	(276,345)	113,750
OTHER COMPREHENSIVE LOSS		
EXCHANGE DIFFERENCES FROM TRANSLATION OF FOREIGN OPERATIONS	(1,571)	(13,182)
TOTAL COMPREHENSIVE(LOSS)/INCOME FOR THE YEAR	(277,916)	100,568
BASIC AND DILUTED EARNINGS PER SHARE	(2.24)	0.92
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE	123,558,228	123,558,228

* Lease straight lining adjustment as per IAS 17

** Provision for Stock obsolescence as per IAS 2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DEC 2016

	2016 Shs'000	2015 Shs'000
ASSETS		
Non Current Assets	921,560	793,663
Current Assets	1,360,120	1,692,409
Total Assets	2,281,680	2,486,072
SHAREHOLDERS' FUNDS AND LIABILITIES		
Capital and Reserves		
Share Capital	308,896	308,896
Share Premium	548,803	548,803
Retained Earnings	336,818	674,909
Translation Reserves	(21,885)	(20,314)
Shareholders' Funds	1,172,632	1,512,294
Non Current Liabilities	281,966	390,632
Current liabilities	827,082	583,148
Total Shareholders' Funds and liabilities	2,281,680	2,486,074

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DEC 2016

	2016 Shs'000	2015 Shs'000
Cash generated From Operations	361,718	(483,244)
Taxation Paid	(15,329)	(13,280)
Net cash (used in)/generated from investing activities	(132,031)	120,616
Net cash (used in)/generated from financing activities	(373,719)	502,101
Increase/(Decrease) in cash and cash equivalents	(159,361)	126,193
Cash and cash equivalents at 1 January	136,724	14,521
Effects of Exchange Rates	10,294	(3,990)
Cash and cash equivalents at 31 December	(12,343)	136,724

RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER, 2016

The business recorded positive results in H1 of 2016. However, in H2 of 2016, several factors negatively impacted the peak trading season that resulted in suppressed sales and margins. Existing malls registered lower footfall and new retail property registered lower purchase conversion rates that led to cannibalization. Interest rate capping on bank lending led to a further reduction in liquidity in the market, thereby decreasing customer spend and store productivity.

Revenues declined by 3.1% over Y2015 across key brands, as a result of product supply challenges from South Africa during the second half of the year. The delay in the launch of all green field malls led to a slow start for the new stores. While not fully let, these malls have shown progressive growth and are expected to mature in the medium term.

The Total Income decreased by 12.4% compared to the prior year due to a foreign exchange loss in 2016 and the sale of Woolworths in 2015, which was an exceptional item. The Expenses grew by 24.6% driven by the addition of new stores and a change in accounting policy to conform to International Accounting Standards 2 and 17. The delay in mall openings for 8 stores contributed to the increase in the operating costs due to an earlier deployment of shop fittings, staff and stock.

The Total Comprehensive Income for the Year was a loss of Kshs. 276.9 Million.

FUTURE OUTLOOK

Whilst the business continues to focus on rationalisation of the existing operations and reduction of operational costs, major initiatives took place in Q4 2016 that the Directors believe will enhance sales in 2017. The F& F brand by Tesco was opened in The Hub in December 2016 and a further branch was opened in The Sarit Center in February 2017. The sales to date have been encouraging and the Directors are confident of the success of this new brand due to its value proposition. The Two Rivers Mall which was opened in February 2017 has four Deacons brands namely: Mr Price Apparel, Mr Price Home, Adidas and Bossini. In addition to this, the Company launched two brands (Bossini and Mr Price Apparel) at the Kigali Heights Mall in Rwanda and initial results have been encouraging.

The sales from these new outlets and the full year impact of the stores opened in 2016 are expected to contribute to overall sales growth in 2017.

DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the Financial Year ended 31 December, 2016.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Thursday, 15 June, 2017 at 11.00 a.m.

By ORDER OF THE BOARD
J.L.G. MAONGA
COMPANY SECRETARY
NAIROBI

DATE: 21 April, 2017