ANNUAL REPORT AND FINANCIAL STATEMENTS 2010

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Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty Third Annual General Meeting of the Company will be held at Laico Regency, Crystal Ballroom, Nairobi on Wednesday, 1 December 2010 at 10.30 a.m. for the following purposes:-

AGENDA

1. To read the notice convening the meeting.
2. To confirm the minutes of the Eighty Second Annual General Meeting held on 4 December 2009.
3. To receive the Chairman's report.
4. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2010 together with the reports of the Directors and the Auditors thereon.
5. To approve a first and final dividend of Kshs 0.50 per share for the year ended 30 June 2010 payable on or about Monday, 17 January 2011 to the shareholders on the Register of Members at the close of business on Wednesday, 1 December 2010.
6. Election of Directors:-
   i) Mr A McKittrick retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offers himself for re-election.
   ii) Mr V O Ojode retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offers himself for re-election.
   iii) Mr J K Kibet retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offers himself for re-election.
7. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 30 June 2010.
8. To note that Messrs Deloitte & Touche continue in office as Auditors under the provisions of Section 159(2) of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

J L G MAONGA
SECRETARY

18 October 2010

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. To be valid, a form of proxy, which is provided with this report, must be duly completed by the member and must be lodged at the Company's Offices, Ngano House, Commercial Street, Industrial Area, P O Box 30096, 00100-Nairobi, or posted in time to reach not later than 10.30 a.m. on 29 November 2010.
4. Subject to the shareholders' approval, the Register of Members will be closed from the close of business on Wednesday, 1 December 2010 at 4.30 p.m for one day for the purpose of processing the dividend.

Directors' Profiles

Richard Kemoli, MBE, FIoD - Chairman (75)

Appointed to the Board in January 1984. He holds a BSc (Econ) from University of Makerere, Kampala and is a fellow of the Institute of Directors (FIoD), UK. He had a long and successful career with Commonwealth Development Corporation and has held directorships in several private and public sector institutions. He is a past Chairman of Housing Finance Company of Kenya Limited and Kenya Open Golf Limited. He is currently the Chairman of Lafarge Bamburi Cement Limited, a director in East Africa Breweries Limited, CMC Holdings Limited, Kakuzi Limited and several private companies.

Jeremiah G Kiereini EGH, EBS, SS – Non Exec (81)

Appointed to the Board in January 1984. He worked in the Kenya Civil Service for 30 years where he held various senior positions culminating in his appointment as Chief Secretary, Head of Civil Service and Secretary to the Cabinet. He is the current Chairman of East African Breweries Limited and has directorships in many other companies including CMC Holdings Limited group of companies, CFC Stanbic Bank Limited, Heritage Insurance Company Limited and CFC Life Assurance Company Limited.

Andrew S Ndegwa - Non Exec (42)

Appointed to the Board in September 2001. He graduated from University of Oxford with a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics. He started his career in the banking industry, firstly with Citibank Limited and then with Mercantile Banking Company Limited before moving to First Chartered Securities Limited where he is the Executive Director. He holds many other directorships among which are East African Breweries Limited and NIC Bank Limited.

Nicholas C Hutchinson - Exec (54)

Appointed to the Board in May 2003, having become the Group Managing Director of Unga Holdings Limited in September 2000. He holds a BSc (Hons) degree in Horticulture from the University of London and has many years of business management experience working for Monsanto Company in East Africa, Europe, North America and South Asia.

Alan McKittrick - Non Exec (55)

Appointed to the Board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 15 years. He has other directorships and considerable experience in Eastern and Southern Africa in the manufacturing and production sectors including the livestock industry. He was the Group's Managing Director between September 1998 and May 2003.

Vitalis O Ojode - Non Exec (65)

Appointed to the Board in May 2003. He is a BCom (Hons) graduate from University of Nairobi; a Fellow of the Association of Chartered Certified Accountants (FCCA) and is a member of ICPAK. He worked for UDV Kenya Limited for many years

Directors' Profiles (continued)

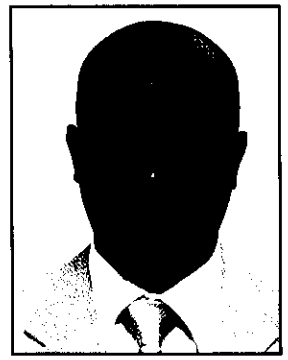
where he held several directorships in the group both in Kenya and Tanzania. He was the Group's Finance Director between November 2001 and May 2006. He is currently a consultant in Financial Management and is a Council Member of Strathmore University.

Jinaro K Kibet - Non Exec (47)

Appointed to the Board in February 2005. He holds an LLB degree from University of Nairobi; is an Advocate of the High Court of Kenya and a partner in the Law firm of Ochieng, Onyango, Kibet and Ohaga- Advocates. He holds other directorships including Elmarak Holdings Limited and Sicham Aviation Limited.

Mrs Isabella Ochola-Wilson - Non Exec (61).

Appointed to the Board in June 2006. She has a BA degree in Business Administration from UniversityofDar-es-Salaam and an MBA (Marketing) from University of British Columbia, Canada. She has many years of management experience working for Johnson and Johnson (K) Limited. She has a directorship in NIC Bank Limited among others. She is currently a Business Consultant, having retired from as a project Manager with DFID's Business Partnership Programme in 2005.



John L G Maonga - Company Secretary (49)

Appointed Company Secretary in 2002. He holds a BA degree from University of Nairobi and is a Certified Public Secretary. He is a member of ICPSK and has over 23 years in Company Secretarial and Registration Services.

Chairman's Statement

Unga Group Limited (UGL) marked its centenary among other events with pre-tax profits of Shs 335 million – 29% up on the previous year. This compares with Shs 260 million for the previous year.

This performance has been maintained in often difficult conditions and it indicates the robustness of the Group's core business and company structure, the soundness of our policy and management, and the strength of our prospects and foresight.

The challenges in the past year included the global downturn which left no economy unscathed, and in particular factors such as an initial maize shortage, high wheat prices, and duty penalties imposed by local fiscal policy.

UGL was well prepared to handle these pressures, proving the wisdom of our planning and ongoing policy:

- Focusing on our traditional core business of milling and distribution of flour and animal nutrition products, while remaining open to expansion of product range and new markets.
- Ensuring our reputation for the highest quality of our products by maintaining standards, service performance and business integrity.
- Investing in the growth of the ability and productivity of our people, both individually and as a team.
- Constantly seeking ways to improve the efficiency and reach of the business, by modernising plant, increasing capacity, product and packaging innovation, widening our geographic spread, improving distribution leverage, and harnessing synergistic partnerships.

These clear and solid foundations, pursued with energy, vigour and skill by management and staff, are assuring added shareholder values and so that in 2010 we will pay dividends of Shs 0.50 per share, subject to shareholders' approval at the annual general meeting on 1 December 2010. This is a landmark event as we last paid a dividend in 1998.

In addition to the direct business bottom line, the Board believes that shareholders, management, staff, customers and stakeholders also expect UGL to depict broader societal values – in the way it conducts its core business and beyond. To understand the Group's position on this, I ask you to read our report on "Corporate Social Responsibility" elsewhere in this document. CSR is not a peripheral issue; it must be, and now is, a formal plank of policy.

We aim to grow this aspect of our performance, based on a creative formula directly linked to our people and our business. Teams of employees can use a large part of any income gains/cost savings they achieve to fund CSR projects of their choice. The Group's CSR themes are youth literacy and the fight against the scourge of HIV/AIDS.

We believe this, together with our core business principles and plans, will serve well in the coming years. There will certainly be operational challenges and continued growth in market competition. But the market itself is growing rapidly and regionally, our core business lines are in areas of universal demand, and the economic environment is essentially vigorous.

The conversion of positive indicators into positive results does require consistent and supportive government policy. This year, our results were damaged by the sudden re-imposition of import duty on maize imports. Business needs to know exactly where the policy goalposts are, if it is to score for its shareholders, its staff and the national economy.

I take this opportunity to applaud the people of UGL for their efforts and performance in 2010, and believe they have the skills, the structure and the determination to take the Group to even greater heights in the years ahead.

We have completed 100 years. We now have 101 reasons to move forward with confidence.

Finally I take this opportunity to thank my colleagues on the Board for their unstinting support at Board meetings and their wise counsel that has enabled management to execute the policies we have laid down that have resulted in a satisfactory performance during the ended financial year.

Richard Kemoli MBE FIoD
Chairman

Managing Director's Report

Industry and Performance

Unga Group Limited's (UGL) 100th operating year was not spectacular in any single respect, but important progress was made in building the company's strength and flexibility, to take maximum advantage of future opportunities.

The Group achieved growth in volumes across its portfolio, but a number of factors inhibited margins and, on balance, turnover remained flat. Pre tax profits were up from Shs 260 million in the previous year to Shs 335 million. The balance sheet strengthened and net current assets increased by 19% over prior year.

Route-to-market restructuring in the animal nutrition business was significantly advanced, by assigning many direct customers to a stronger network of regional distributors. There were start-up burdens in this process – terms of trade incentives and deposits to cover credit risk – but the reduction in immediate gains will be more than off-set by long term benefits to margins and marketing weight.

Better penetration of our human nutrition portfolio in low income areas was immediately achieved by appointing small scale 'hub' dealers in relevant areas of Nairobi.

UGL's quest for synergistic partnerships is by nature a gradual, incremental process. No specific agreements were entered during the year, but progress made in identifying potential partners is expected to realize benefits in 2011/2012.

There were some problems, ironically arising from especially positive conditions. The wheat milling division in Uganda, and the self-opening bags packaging operation achieved such good demand that their production systems were unable to keep up.

And in the maize sector, astute planning was undermined by an about-face in tax policy. Correctly anticipating a shortage of local maize, UGL procured substantial imported stocks, duty free, owing to drought conditions, and was thus able to assure supply, hold prices steady and still achieve good margins. However, a second major consignment to maintain this position was compromised by sudden, unheralded re-imposition of duty, which severely eroded margins in competition with an unexpectedly good local harvest.

Sector Performance

Human Foods

The wheat division achieved volume growth in both the Kenya and Uganda markets and, despite high grain prices, improved margins.

Good margins on the Familia® range of porridges cushioned the maize division from the effects of lower maize meal margins. Maize sales were boosted by a joint promotion with East African Breweries, who rewarded loyal Senator Keg consumers with packets of Jogoo®.

UGL took a stronger position in Nairobi's low-income market by appointing hub distributors and ensuring compliance with recommended retail prices.

Animal Nutrition and health

Volume gains were achieved, but prevailing trade terms gave distributors the better margins. The transition to new route-to-market systems will help redress the balance, and in the longer term UGL should achieve greater benefit of both volume and margin growth.

Packaging

This section achieved modest volume growth, with strong demand for wheat flour products (indeed, some demand was unmet owing to capacity shortfalls) and UGL's diverse customer base compensating for depressed volumes on maize-based products.

Human capital and people development

Training and development of UGL's people remains central in all operations.

Employees are being given the opportunity for the second consecutive year to attend the annual Association of Manufacturing Excellence meeting in USA; 360-degree appraisal training has been extended to middle management (among many benefits this will encourage staff to take ownership of their careers); crucial quarterly audits have ensured that performance against our safety indices continues to improve.

The Group's more proactive and in-built approach to Corporate Social Responsibility directly involves and builds UGL's people as individuals and as teams.

Outlook

Prices of wheat and some raw materials in the feeds sector are likely to remain high. Continued favourable rains are likely to ensure ready availability of local maize grain at reasonable cost.

Capacity expansion is warranted in the increasingly successful human foods business in Uganda, and in the packaging division's bleached bag production. Animal feed production facilities in Nairobi need to be modernized, in combination with the recent route-to-market restructuring, to meet growing competition.

Improved distribution leverage and an expanded product range are high priorities in the coming year. The Group is evaluating entry to the market for nutritionally enhanced porridges for low-income segments.

With stable and validated overall policies now in place, the Group is in a position to marshal year-on-year targets into longer-term projections. Accordingly, management has been tasked to co-ordinate and consolidate projects and performance benchmarks into a five-year Strategic Plan for 2011-2015.

Conclusion

Positive performance and progress was recorded in the past year. Planning measures have proved accurate and timely and, far from running out of breath, we are gaining momentum.

My personal thanks to the Board, management team and staff for their guidance and effort towards the current results, and their commitment to UGL's blend of traditional values and innovative practices which provide strong foundations for UGL's market leadership and future optimism.

Nick Hutchinson
Group Managing Director

Corporate Governance

The Unga Group complies fully and strictly with all requirements of a publicly listed company, including clarity of financial reporting and accountability to shareholders, and aims to set best practice standards in product and service quality and fair conduct towards its staff, suppliers and customers.

The Group recognises its responsibilities of good citizenship in the national and international communities, especially with regard to social welfare, environmental care, economic value and principles of integrity.

Role of the Board

The Board holds the Group's long-term vision, sets broad goals, plans and organisational policies to uphold it, and it offers guidance on strategic decisions and actions of management.

Composition of the Board

The Board consists of the Chairman, who has non-executive responsibilities, one executive and six non-executive directors. One third of the directors retire by rotation each year but are eligible for re-election. The directors' profiles appear on pages 4 and 5 of this Annual Report.

Other Board Information

The roles of the Chairman and Chief Executive are clearly separated, to ensure true accountability of management to shareholders through the Board, in parallel with equally sure autonomy and authority of management in the day-to-day operation of the Group. Directors are kept fully informed of all company activities through both regular and special event reports.

Board Meetings

The Board has four scheduled meetings per year and stands ready for additional meetings on any specific or urgent matters. In the period under review, the Board met four times.

Board Committees

Under its mandate to establish appropriate committees for technical or other specialised issues, the Board currently operates an Audit Committee of Mr J Kiereini (Chairman), Mr J Kibet and Mr A Ndegwa, which met four times in the year under review. It has since been expanded to cover risk and will be renamed "Board Audit and Risk Committee". In addition there is a Nominating and Remuneration Committee of Mr J Kibet (Chairman), Mr R Kemoli, Mr J Kiereini and Mr A Ndegwa, which did not meet during the year.

Communication

The Board receives management reports in advance of all scheduled meetings and as necessary at other times. The Board issues an Annual Report and Financial Statements to all shareholders and other interested parties, and keeps the public advised through half-yearly and annual press notices of results and any significant developments. Shareholders have direct access to the company in line with conventional business practices.

Directors benefits and loans

In the year under review, Directors have received no benefits other than fees and no loans to directors have been advanced.

UNGA GROUP LIMITED

Directors' Interest

The interest of the Directors in the shares of the company as at 30 June 2010, were as follows:

Name	No. of shares
Alan McKittrick	13,472

Distribution of shareholders

(a) By number of shares range

Shareholding(No of shares)	No. of shareholders
Less than 1,000	4,739
1,001-5,000	2,356
5,001-10,000	603
10,001-100,000	510
100,001-1,000,000	41
1,000,001 and above	4
Total	**8,253**

(b) By category of shareholders

Category	No. of shareholders	No. of shares	% shareholding
Local individuals	7,363	29,174,151	38.54
Local institutions	498	44,348,656	58.58
East African individuals	79	222,236	0.29
East African institutions	21	76,820	0.10
Foreign investors	292	1,885,123	2.49
Total	**8,253**	**75,706,986**	**100.00**

Major shareholders

The top ten shareholders as at 30 June 2010 were as follows:

Name	No.of shares	% shareholding
1.Victus Limited	38,557,190	50.93
2. Moses Thara	3,808,117	5.03
3. Alimohamed Adam	1,047,342	1.38
4. Kingsway Nominees Limited	1,043,254	1.38
5. Savitaben Velji Raichand Shah	745,677	0.98
6. Lawrence Gatitu Mbugua	603,475	0.80
7. Shah D Premchand & Premchand D F Shah	497,356	0.66
8. Mohamed A Alimohamed Adam	392,877	0.52
9. Paul Wanderi Ndungu	341,280	0.45
10. Stanbic Nominees Kenya Ltd. A/c R 48701	325,704	0.43

R Kemoli
Director

29 September 2010

N Hutchinson
Director

29 September 2010

Corporate Social Responsibility

Unga Group Limited (UGL) has always been "a good corporate citizen". Throughout its hundred years it has honoured its responsibilities to staff welfare, to customer care, to good environmental practices and in values to the national economy. It has maintained ethical business and product standards and, in addition, has given in cash and kind to charitable causes.

But the more recent concept of Corporate Social Responsibility (CSR) demands more than that. True CSR means more than running a decent company and using the corporate chequebook to finance "look good" and "feel good" donations to charitable projects.

CSR must be built-in to the way a company always thinks, not just bolted-on to what it occasionally does.

A company must, through its policy and management and staff (not just its bank) be an active part of its society and neighbouring communities. It must help ensure projects are sustainable, with their own business viability independent of donors.

UGL, more than ever before, is taking those principles on board. It is recognizing the cardinals of any sustainable development project:

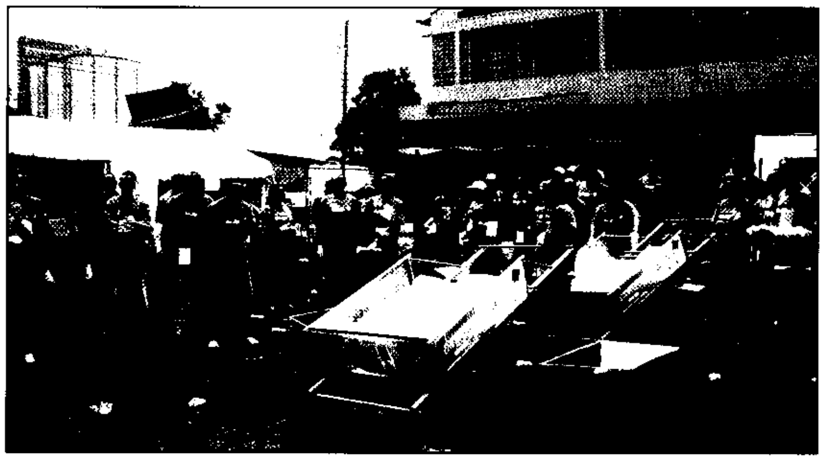
- It must be chosen by its beneficiaries, according to their priorities.
- It must be owned by them.
- It must be run by them.
- It must have its own self-sustaining business viability
- And, ideally, it must be capable of going to scale.

The Group has identified two principal CSR themes: Youth Literacy (especially the girl child) and HIV/AIDS. And it has set a formula that both selects the projects and drives the level of support.

Staff themselves choose the projects they wish to help (which makes the portfolio diverse and assures personal commitment and involvement) and they also determine the level of support funding available – based on the income gains and/or cost savings they are able to secure from initiatives identified and implemented by employees at each site.

This is a long-term journey, now embedded as permanent company policy. All the people of UGL will engage with social issues and their neighbourhoods – directly, personally and corporately.

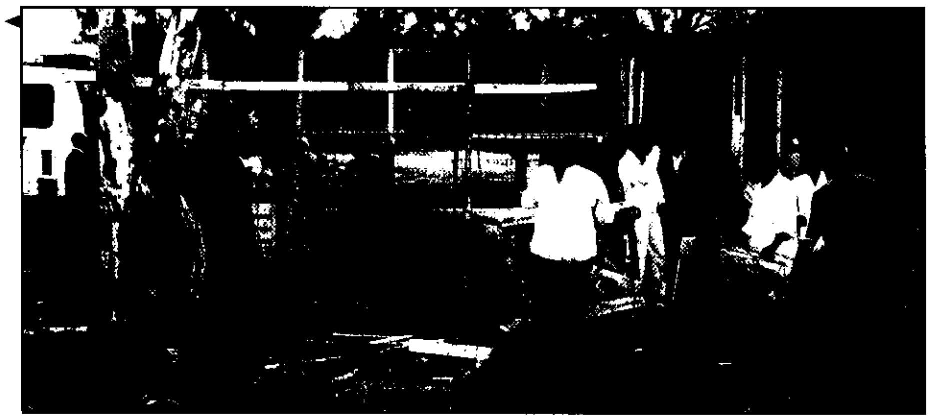
The staff response has been emphatic. Here are some examples of some of the initial projects in this programme



LAND MAWE ESTATE: clean up around 500 houses and planting trees. 3,000 residents benefit. A UGL team supported Land Mawe Frontline 2000 self-help youth group with equipment, led initial clean up of 15 tonnes of garbage, and established a regular clean-up service which is now a source of ongoing funding for the self-help initiative.

NILE ROAD SCHOOL: donations of books and food to the school; establishment of a broiler house for income/education. A UGL team funded construction and start up of the broiler business, and gives ongoing technical support. Children, staff and parents are involved and the project is already expanding on business merit. The school is non-residential and is for the mentally challenged and has student population aged from 7-40 years.

NAKURU HIV/AIDS GROUPS: empowering people living with HIV/AIDS through small animal agriculture; developing income-generating projects for Chemi ya Neema in Subukia and Huruma na Kuangamiza Ukimwi in Lare. The UGL team has helped build, stock and supervise rabbit and poultry growing facilities, and fostered community partnerships via youth football tournaments.



UASIN GISHU HIGH SCHOOL: offer scholarships to bright but needy children, and establish a revenue project to assure funding. The UGL team provided immediate support for two children, and are helping the school establish a poultry business, as a learning aid and to sustain and hopefully expand the scholarship programme.

NAGURU CHILDREN'S HOME (Uganda): giving help and hope, to a centre giving haven to more than 100 abandoned/brutalized children aged between 2 and 13. The UGL team, in partnership with other donors, gave clothing, bedding, food and other essentials, and has established a long-term scholarship fund. This fund is intended to support the education (from Primary 5) of a young girl through university.

Five Year Financial Review (Summary)

UNGA GROUP LIMITED

	2006 Shs'000	2007 Shs'000	2008 Shs'000	2009 Shs'000	2010 Shs'000
CONSOLIDATED INCOME STATEMENT					
Turnover	7,305,958	7,675,347	9,450,824	11,643,639	11,524,454
Profit Before Taxation	142,427	156,665	564,016	260,439	335,101
Taxation Charge	(77,826)	(23,055)	(190,355)	(75,247)	(98,928)
Profit For the Year	64,601	133,610	373,661	185,192	236,173
Earnings Per Share	Shs 0.58	Shs 1.31	Shs 3.06	Shs 1.55	1.81
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current Assets					
Property, plant & equipment	1,489,051	1,367,942	1,657,068	1,579,744	1,505,873
Other	261,425	239,167	166,178	152,940	138,710
	1,750,476	1,607,109	1,823,246	1,732,684	1,644,583
Current Assets					
Inventories	834,754	982,522	1,197,245	2,270,794	1,958,201
Trade & other receivables	608,712	622,507	1,014,441	971,625	796,847
Other	49,297	49,401	37,844	66,238	35,748
Term deposits, cash & bank balances	346,930	455,830	688,752	524,200	629,041
	1,839,693	2,110,260	2,938,282	3,832,857	3,419,837
Total Assets	**3,590,169**	**3,717,369**	**4,761,528**	**5,565,541**	**5,064,420**
EQUITY AND LIABILITIES					
Capital and reserves					
Share Capital	315,454	315,454	315,454	378,535	378,535
Share premium	73,148	73,148	73,148	73,148	73,148
Reserves	1,059,596	1,141,147	1,656,459	1,715,291	1,848,086
Equity attributable to equity holders of the parent	1,448,198	1,529,749	2,045,061	2,166,974	2,299,769
Non controlling interest	748,412	789,240	918,985	979,413	1,064,934
Total Equity	2,196,610	2,318,989	2,964,046	3,146,387	3,364,703
Non current liabilities					
Deferred taxation	-	-	202,205	270,012	283,308
Borrowings	37,344	-	-	-	-
Other	51,754	50,571	61,790	64,130	72,046
	89,098	50,571	263,995	334,142	355,354
Current liabilities					
Trade and other payables	509,713	419,532	772,934	766,545	535,513
Borrowings	327,549	333,452	4,557	5,577	5,608
Due to related companies	438,574	567,648	700,266	1,282,751	728,845
Other	28,625	27,177	55,730	30,139	74,397
	1,304,461	1,347,809	1,533,487	2,085,012	1,344,363
Total equity and liabilities	**3,590,169**	**3,717,369**	**4,761,528**	**5,565,541**	**5,064,420**

Corporate Information

DIRECTORS

R Kemoli - Chairman
N C Hutchinson* - Group Managing Director
A McKittrick
J G Kiereini
A S M Ndegwa - (Alternate - J P M Ndegwa)
V O Ojode
J K Kibet
I Ochola-Wilson (Mrs)

*British

SECRETARY

J L G Maonga
Certified Public Secretary (Kenya)
Livingstone Associates
Deloitte Place, Waiyaki Way, Muthangari
P O Box 30029, 00100
Nairobi

REGISTERED OFFICE

Plot No.209/6841
Ngano House, Commercial Street
Industrial Area
P O Box 30096, 00100
Nairobi

REGISTRARS

Custody & Registrars Services Limited
6th Floor, Bruce House
Standard Street
P O Box 8484 – 00100
Nairobi

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P O Box 40092, 00100
Nairobi

BANKERS

Barclays Bank of Kenya Limited
Barclays Plaza Branch
P O Box 46661, 00200
Nairobi

ADVOCATES

Kaplan & Stratton
Williamson House
4th Ngong Avenue
P O Box 40111, 00100
Nairobi

Report of the Directors

UNGA GROUP LIMITED

The directors present their report together with the audited financial statements of the group for the year ended 30 June 2010.

Activities

The company operates as a holding company. The principal activities of the group continue to be the milling of wheat and maize, the manufacture of packaging materials and animal nutrition products, and the distribution of animal health products.

	2010 Shs'000	2009 Shs'000
Group Results		
Profit before taxation	335,101	260,439
Taxation charge	(98,928)	(75,247)
Profit for the year	236,173	185,192
Attributable to:		
Equity holders of the parent	137,236	117,318
Non Controlling interest	98,937	67,874
	236,173	185,192

Dividend

The directors recommend the payment of a first and final dividend of Shs 0.50 per share amounting to Shs 37,853,493 (2009: Nil) in respect of the financial year. The dividend is subject to approval by the shareholders at the next Annual General Meeting.

Directors

The present board of directors is shown on page 15.

Mr A McKittrick, Mr V O Ojode and Mr J K Kibet retire in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Auditors

Deloitte & Touche, having confirmed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

By Order of the Board

J L G Maonga
Secretary

29 September 2010
Nairobi

Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of its operating results of the group for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements 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 of the 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.

Nothing has come to the attention of the directors to indicate that the parent company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

R Kemoli
Director

N Hutchinson
Director

29 September 2010

Deloitte.

Independent Auditors' Report to the Members of Unga Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Unga Group Limited and its subsidiaries, set out on pages 19 to 56 which comprise the consolidated and company statements of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated and company statements 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 notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and of the company as at 30 June 2010, and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) the company's statement of financial position (balance sheet) is in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
29 September 2010

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2010

UNGA GROUP LIMITED

	Notes	2010 Shs'000	2009 Shs'000
Turnover		11,524,454	11,643,639
Cost of Sales		(10,304,269)	(10,513,939)
Gross Profit		1,220,185	1,129,700
Other Operating Income		70,096	85,644
Distribution Costs		(285,635)	(262,102)
Administrative Expenses		(537,895)	(493,637)
Net Foreign Exchange Losses		(77,330)	(141,293)
Other Operating Expenses		(37,807)	(17,978)
Finance Costs	4	(16,513)	(39,895)
Profit Before Taxation	5	335,101	260,439
Taxation Charge	7(a)	(98,928)	(75,247)
Profit for the Year	8	236,173	185,192
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations		(6,832)	7,069
Total Comprehensive Income for the Year		229,341	192,261
Profit for the year attributable to:			
Equity holders of the parent		137,236	117,318
Non controlling interest	23	98,937	67,874
		236,173	185,192
Total comprehensive income for the year			
Attributable to:			
Equity holders of the parent		132,795	121,913
Non controlling interest	23	96,546	70,348
		229,341	192,261
Earnings per share – basic & diluted	9	Sh 1.81	Sh 1.55

Consolidated Statement of Financial Position
30 June 2010

UNGA GROUP LIMITED

	Notes	2010 Shs'000	2009 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	11	1,505,873	1,579,744
Prepaid operating lease rentals	12	42,153	44,422
Intangible assets	13	760	1,655
Retirement benefits asset	15	82,600	97,806
Deferred taxation	16	13,197	9,057
		1,644,583	1,732,684
Current assets			
Inventories	17	1,958,201	2,270,794
Trade and other receivables	18	796,847	971,625
Taxation recoverable	7(c)	31,820	62,310
Term deposits	20	202,902	49,359
Cash and bank balances	28(b)	426,139	474,841
		3,415,909	3,828,929
Properties held for sale	21	3,928	3,928
		3,419,837	3,832,857
Total assets		**5,064,420**	**5,565,541**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	378,535	378,535
Share premium		73,148	73,148
Revaluation reserve		715,018	738,456
Translation reserve		7,215	11,656
Revenue reserve		1,125,853	965,179
Equity attributable to equity holders of the parent		2,299,769	2,166,974
Non controlling interest	23	1,064,934	979,413
Total equity		3,364,703	3,146,387
Non current liabilities			
Deferred taxation	16	283,308	270,012
Service gratuity	24	66,438	58,553
Due to related companies	27	5,608	5,577
		355,354	334,142
Current liabilities			
Loans payable	25	5,608	5,577
Trade and other payables	26	535,513	766,545
Unclaimed dividends		21,482	21,482
Due to related companies	27	728,845	1,282,751
Taxation payable	7(c)	52,915	8,657
		1,344,363	2,085,012
Total equity and liabilities		**5,064,420**	**5,565,541**

The financial statements on pages 19 to 56 were approved by the board of directors on 29 September 2010, and were signed on its behalf by:

R Kemoli
Director

N Hutchinson
Director

Company Statement of Financial Position
30 June 2010

	Notes	2010 Shs'000	2009 Shs'000
ASSETS			
Non current assets			
Investment in subsidiary company	14	1,297,335	1,297,335
Current assets			
Other receivables	18	728	441
Due from subsidiary companies	19(a)	106,731	112,336
Taxation recoverable	7(d)	385	4,134
Term deposits	20	69,500	30,000
Bank balance		4,868	32,731
		182,212	179,642
Total assets		1,479,547	1,476,977
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	378,535	378,535
Share premium		73,148	73,148
Revenue reserve		998,346	996,845
		1,450,029	1,448,528
Current liabilities			
Due to subsidiary company	19(b)	23,013	23,013
Other payables	26	6,505	5,436
		29,518	28,449
Total equity and liabilities		1,479,547	1,476,977

The financial statements on pages 19 to 56 were approved by the board of directors on 29 September 2010, and were signed on its behalf by:

R Kemoli
Director

N Hutchinson
Director

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2010

	Share capital Sh'000	Share premium Sh'000	Revaluation reserve Sh'000	Translation reserve Sh'000	Revenue reserve Sh'000	**Equity attributable to equity holders Sh'000**	Non-controlling interest Sh'000	**Total Sh'000**
At 1 July 2008	315,454	73,148	763,610	7,061	885,788	2,045,061	918,985	2,964,046
Profit for the year	-	-	-	-	117,318	117,318	67,874	185,192
Other comprehensive income for the year	-	-	-	4,595	-	4,595	2,474	7,069
Total comprehensive income for the year	**-**	**-**	**-**	**4,595**	**117,318**	**121,913**	**70,348**	**192,261**
Issue of bonus shares	63,081	-	-	-	(63,081)			
Transfer of excess depreciation	-	-	(35,934)	-	35,934			
Deferred taxation on excess depreciation	-	-	10,780	-	(10,780)			
Dividend paid to non controlling interest	-	-	-	-	-		(9,920)	(9,920)
At 30 June 2009	378,535	73,148	738,456	11,656	965,179	2,166,974	979,413	3,146,387
At 1 July 2009	378,535	73,148	738,456	11,656	965,179	2,166,974	979,413	3,146,387
Profit for the year	-	-	-	-	137,236	137,236	98,937	236,173
Other comprehensive loss for the year	-	-	-	(4,441)	-	(4,441)	(2,391)	(6,832)
Total comprehensive income for the year	**-**	**-**	**-**	**(4,441)**	**137,236**	**132,795**	**96,546**	**229,341**
Transfer of excess depreciation	-	-	(33,460)	-	(33,460)	-	-	-
Deferred taxation on excess depreciation	-	-	10,022	-	10,022	-	-	-
Dividend paid to non controlling interest	-	-	-	-	-	-	(11,025)	(11,025)
At 30 June 2010	378,535	73,148	715,018	7,215	1,125,853	2,299,769	1,064,934	3,364,703

The revaluation reserve is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.

Revenue reserve represents profit from the normal operations of the group.

Company Statement of Changes in Equity
For the Year Ended 30 June 2010

	Share capital Shs'000	Share premium Shs'000	Revenue reserve Shs'000	Total Shs'000
At 1 July 2008	315,454	73,148	1,053,932	1,442,534
Issue of bonus shares	63,081	-	(63,081)	-
Total comprehensive income for the year	-	-	5,994	5,994
At 30 June 2009	378,535	73,148	996,845	1,448,528
At 1 July 2009	378,535	73,148	996,845	1,448,528
Total comprehensive income for the year	-	-	1,501	1,501
At 30 June 2010	378,535	73,148	998,346	1,450,029

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2010

UNGA GROUP LIMITED

	Notes	2010 Shs'000	2009 Shs'000
Cash Flows from Operating Activities			
Cash generated from/(used in) operations	28(a)	175,583	(48,103)
Taxation paid	7(c)	(13,191)	(73,993)
Net cash generated from/(used in) operating activities		162,392	(122,096)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	11	(46,145)	(37,822)
Purchase of intangible assets	13	(173)	(1,030)
Proceeds of disposal of property, plant and equipment		1,328	2,476
Proceeds of disposal of properties held for sale		-	5,062
Investment in term deposit	20	(39,500)	-
Net cash used in investing activities		(84,490)	(31,314)
Cash Flows from Financing Activities			
Dividends paid to non controlling interest	23	(11,025)	(9,920)
Increase/(Decrease) in Cash and Cash Equivalents		66,877	(163,330)
Cash and Cash Equivalents at beginning of year		494,200	658,752
Exchange adjustment		(1,536)	(1,222)
Cash and Cash Equivalents at end of year	28(b)	559,541	494,200

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

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

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

- **IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009.**

  A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income.

  According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and at end of the period. Since the change only impacts presentation aspects, there is no impact on retained earnings.

  The group also elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows' to describe the 'balance sheet' and 'cash flow statement' respectively.

- **IFRS 8, Operating segments**

  IFRS 8, "Operating Segments", which replaces IAS 14, "Segment reporting", was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. The new standard is based on the management approach and the company's internal reporting of segment information to the entity's Chief Operating Decision Maker. The new standard will enable investors to assess the company's business performance from the same perspective used by the management in making decisions about operating matters.

  Management has chosen to organise the entity around differences in market segments served by their products into two main segments namely consumer and animal health and nutrition.

  Adoption of these interpretations and standards has not led to any changes in the group's accounting policies.

1 Accounting Policies (continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) - (continued)

(ii) Standards and interpretations issued but not yet effective

The standards and interpretations expected to be relevant to the group are detailed below:

- IFRS 9, Financial instruments part 1: classification and measurements (effective for accounting periods beginning 1 January 2013).
- IAS 7, Statement of Cash Flows-Amendments relating to expenditures resulting into assets that can only be classified as investing activities (effective for accounting periods beginning 1 January 2010).
- IAS 17, Leases-Amendments relating to classification of leases of land (effective for accounting periods beginning on or after 1 January 2010).
- IAS 24, Related Party Disclosures-Amendments relating to partial exemption from the disclosure requirements of this standard for government related entities (effective for accounting periods beginning on or after 1 January 2011).
- IAS 32, Financial Instruments Presentation-Amendments relating to accounting for rights issues denominated in a currency other than the functional currency from the issuer (effective for accounting periods beginning on or after 1 February 2010).
- IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction-Amendments relating to treatment of prepayments of future contributions in some contributions (effective for accounting periods beginning on or after 1 January 2011).
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments , relating to debt for equity Swaps (effective for accounting periods beginning on or after 1 July 2010)

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008, April 2009 and May 2010 when effective, will have no material impact on the financial statements of the group.

The IASBs annual improvements process deals with non-urgent, minor amendments to standards.

(iii) Early adoption of standards

The group did not early-adopt new or amended standards during the year.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting as modified to include the revaluation of certain assets. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are as set out below:

1 Accounting Policies (continued)

Consolidation

The consolidated financial statements incorporate the financial statements of Unga Group Limited and its subsidiary companies, all of which are made up to 30 June each year.

Subsidiary undertakings are those companies in which the group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations. All subsidiaries have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated as from the date of disposal. All inter-company transactions and balances and unrealised surpluses and deficits on transactions with the subsidiary companies have been eliminated. Subsidiary undertakings are disclosed on note 13.

Non controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination and the non controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non controlling interests in excess of the non controlling's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment where applicable.

Revenue recognition

Turnover, which represents net sales to external customers during the year, is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

Income tax represents the sum of tax currently payable and deferred tax.

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised, while deferred tax liabilities are recognised for all taxable temporary differences.

1 **Accounting Policies (continued)**

Foreign currencies

i) Transactions and balances

Transactions in foreign currencies during the year are translated into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the end of the reporting period. The resulting differences from conversion and translation are dealt with in the profit or loss for the year in which they arise.

ii) Translation of foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyperinflationery economy) 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 into Kenya Shillings using exchange rates prevailing at the end of the reporting period;
- income and expenses for each statement of 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 under other comprehensive income and accumulated in a separate heading, translation reserve, in the consolidated statement of changes in equity

Employee benefits costs

The group operates a defined benefit retirement scheme for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer. Benefits are paid to retiring staff in accordance with scheme rules. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued once every three years: the last valuation was as at 31 December 2009.

The amount recognised at the end of each reporting period represents the difference between the actuarial value of past service pension benefits and the fair value of scheme assets.

The retirement benefit asset is amortised on the straight line basis over a period recommended by the scheme's Actuaries.

The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). 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 Shs 200 per month per employee. The group's contributions are charged to profit or loss in the year to which they relate.

1 **Accounting Policies (continued)**

Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of each reporting period.
The group's unionisable staff who resign or retire at retirement age or whose services are terminated for reasons other than gross misconduct are entitled to service gratuity payments in accordance with the prevailing Collective Bargaining Agreement. Service gratuity is provided in the financial statements as it accrues to each employee.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing the inventories plus an allocation of normal overhead expenditure attributable to the processes through which they have passed. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling.

Non-current assets held for sale

The group classifies a non-current asset as held for sale if, and only if, its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non current assets held for sale are measured at the lower of their carrying amounts and fair values less estimated selling costs at end of reporting period date.

Impairment loss arising from any subsequent write-down of the carrying amount of an asset identified for sale to fair value less costs to make the sale is charged to profit or loss in the year in which the loss is identified.

Property, plant and equipment

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

Professional valuations are carried out in accordance with the group policy of revaluing items of property, plant and equipment that are carried at valuation every five years.

The basis of valuation is as follows:

(a) Land and buildings – open market value;
(b) Other assets – depreciated replacement cost.

Increases in the carrying amounts of property, plant and equipment resulting from revaluation shall be recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

1 **Accounting Policies (continued)**

Property, plant and equipment (continued)

Decreases that offset previous increases of the same asset are recognised in other comprehensive income and charged against the revaluation surplus; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.

Depreciation

Depreciation is calculated to write off the cost or valuation of property, plant and equipment in equal annual instalments over their estimated useful lives. The annual rates used are:

Long leasehold buildings	2.5%
Short leasehold buildings	Over period of lease
Computer equipment	33.3%
Plant and machinery	5 - 7.5%
Furniture and fittings	12.5%
Motor vehicles	25%
Silos	Shorter of 50 years or the unexpired period of the lease in respect of the land on which they are built

Excess depreciation

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 revaluation reserve to revenue reserve.

Leasehold land

Payments to acquire interests in leasehold land are treated as prepaid operating lease rentals and amortised over the term of the related lease.

Intangible assets

Intangible assets represent computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised over the useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss.

1 Accounting Policies (continued)

Intangible assets (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Impairment

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to a company within the group as a lessee. All other leases are classified as operating leases.

The company as a lessor
Rental income from operating leases is recognised on the straight line basis over the terms of the relevant leases.

The company as a lessee
Rentals payable under operating leases are charged to profit or loss on the straight line basis over the term of the relevant lease.

Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

Financial instruments

Financial assets and liabilities are recognised in the group's statement of financial position when the group has become a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counter party or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible it is written off against the allowance

1 Accounting Policies (continued)

account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial instruments (continued)

Term deposits

Term deposits are classified as held to maturity and are measured at amortised cost.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on

the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are stated at their nominal value.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Group Managing Director). The management then allocates resources to and assesses the performance of the operating segments of the Group.

Segment result is segment revenue less segment expenses.

Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the group's revenue that can be allocated to the segment on a reasonable basis.

Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment) that are expected to be used during more than one year.

Comparatives

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

2 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the group's accounting policies are dealt with below:

2 Critical judgements in applying the Group's Accounting Policies (continued)

Impairment losses

At the end of each reporting period , the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3 OPERATING SEGMENTS

The principal activity of the group continues to be the milling of wheat and maize, the manufacture of packaging materials and animal nutrition products, and the distribution of animal health products.

Management has chosen to organise the entity around differences in market segments served by their products into two main segments namely consumer and animal health and nutrition. Management considered the fact that reports regularly reviewed by the chief operating decision maker in order to allocate resources and to assess performance are based on these two operating segments.

Description of the types of products and services from which each reportable segment derives its revenues

Unga Group Limited has two reportable segments: consumer and animal nutrition and health. The consumer segment produces products for human consumption. The animal nutrition and health segment produces animal feed and mineral supplement products and distributes products for animal health.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Unga Group Limited accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Factors that management uses to identify the entity's reportable segments

Unga Group Limited segments are strategic business units that serve different market segments. They are managed separately because each business requires different technology and marketing strategies.

Information about major customers

One customer under the animal health and nutrition segment accounts for more than 10% of the revenue arising from direct sales while other operating segments have none.

UNGA GROUP LIMITED

3 Operating Segments (continued)

Information on reportable segment profit or loss, assets and liabilities

Operating segments-30 June 2010

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
Revenue from external customers	7,270,124	4,085,868	168,462	-	11,524,454
Inter-segment revenues	711,979	54,162	232,379	(998,520)	-
Interest income	3,887	-	19,036	(13,621)	9,302
Interest expense	28,717	162	1,255	(13,621)	16,513
Depreciation and amortisation	80,126	34,723	1,986	-	116,835
Reportable segmental profit	216,357	(23,684)	87,587	(44,087)	236,173
Other material non-cash items:					
Amortisation of actuarial surplus	5,358	4,042	-	-	9,400
Reportable segment assets	3,405,530	1,433,416	246,467	(20,993)	5,064,420
Expenditures for reportable segment non-current assets	22,676	21,465	2,177	-	46,318
Reportable segmental liabilities	1,277,003	562,059	54,186	(193,531)	1,699,717

Operating segments-30 June 2009

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
Revenue from external customers	7,716,750	3,789,121	137,768	-	11,643,639
Inter-segment revenues	610,683	21,545	232,008	(864,236)	-
Interest revenue	381	2,782	14,552	(14,441)	3,274
Interest expense	50,828	1,582	1,926	(14,441)	39,895
Depreciation and amortisation	77,057	34,994	1,315	-	113,366
Reportable segmental profit	242,313	(88,564)	24,255	7,188	185,192
Other material non-cash items:					
Amortisation of actuarial surplus	(2,906)	(2,242)	-	-	(5,148)
Reportable segment assets	3,867,167	1,443,521	270,510	(15,657)	5,565,541
Expenditures for reportable segment non-current assets	22,893	15,649	310	-	38,852
Reportable segmental liabilities	2,074,734	430,868	58,890	(145,338)	2,419,154

3 Operating Segments (continued)

Geographical information

At 30 June 2010

Country	Revenues Shs'000	Non-current assets Shs'000
Kenya	10,591,827	1,533,960
Uganda	932,627	110,623
Total	11,524,454	1,644,583
At 30 June 2009		
Kenya	10,789,390	1,608,659
Uganda	854,249	124,025
Total	11,643,639	1,732,684

4 FINANCE COSTS

	2010 Shs'000	**2009 Shs'000**
Interest payable:		
Loans	**2,339**	3,338
Bank overdrafts	**1,484**	2,095
Other	**12,690**	34,462
	16,513	39,895

5 PROFIT BEFORE TAXATION

	2010 Shs'000	**2009 Shs'000**
The profit before taxation is arrived at after charging:		
Staff costs (note 6)	**461,775**	393,208
Depreciation (note 11)	**114,489**	111,169
Amortisation of prepaid operating lease rentals (note 12)	**1,589**	1,613
Amortisation of intangible assets (note 13)	**757**	584
Directors emoluments - fees	**2,640**	2,640
- other	**12,554**	11,799
Auditors' remuneration	**7,870**	7,656
Loss on write off of assets	**299**	732
Rent payable	**35,992**	27,218
Amortisation of defined benefit scheme asset (note 15)	**9,400**	5,148
Reduction in actuarial surplus on retirement benefit asset (note 15)	**5,806**	11,476
and after crediting:		
Profit on disposal of properties held for sale	**-**	(2,264)
Profit on disposal of property, plant and equipment	**(1,328)**	(2,476)
Rent receivable	**(72)**	(320)
Bad debt recoveries	**-**	(15,092)

6 STAFF COSTS

	2010 Shs'000	2009 Shs'000
Salaries and wages	429,111	368,222
Pension costs – amortisation of defined benefit scheme assets (note 15)	9,400	5,148
Reduction in actuarial surplus on retirement benefit asset (note 15)	5,806	11,476
Service gratuity (note 24)	12,922	9,496
Social security costs (NSSF) contributions	1,400	931
Leave pay	3,136	(2,065)
	461,775	393,208

7 TAXATION

(a) Taxation charge

	2010 Shs'000	2009 Shs'000
Current taxation based on the chargeable profit for the year at 30%	89,036	15,113
Prior year (over)/under provision	(701)	1,189
	88,335	16,302
Deferred taxation charge (note 16)		
Current year	12,973	63,909
Prior year over provision	(2,380)	(4,964)
	10,593	58,945
	98,928	75,247

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

	2010 Shs'000	2009 Shs'000
Accounting profit before taxation	335,101	260,439
Tax charge at the applicable rate of 30%	100,530	78,132
Tax effect of expenses not allowable for tax	16,852	48,290
Tax effect of income not subject to tax	(15,373)	(27,398)
Prior year current tax over provision	(701)	1,189
Prior year deferred tax over provision	(2,380)	(4,964)
Deferred taxation not recognised	-	5,087
Deferred tax previously unrecognised now recognised	-	(25,089)
Taxation charge	98,928	75,247

7 Taxation (continued)

	2010 Shs'000	2009 Shs'000
(c) Taxation payable/(recoverable)		
At beginning of year:		
Payable	8,657	34,248
Recoverable	(62,310)	(30,210)
	(53,653)	4,038
Charge for the year	88,335	16,302
Exchange adjustment	(396)	-
Payments during the year	(13,191)	(73,993)
At end of year	21,095	(53,653)
Comprising:		
Payable	52,915	8,657
Recoverable	(31,820)	(62,310)
	21,095	(53,653)
(d) Taxation payable/ (recoverable) - COMPANY		
At beginning of year	(4,134)	(2,503)
Charge for the year	5,141	1,531
Payments during the year	(1,392)	(3,162)
At end of year	(385)	(4,134)

8 PROFIT FOR THE YEAR

A profit of Shs 1,501,000 (2009 – Shs 5,994,000) has been dealt with in the books of the company, Unga Group Limited.

9 EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit for the year attributable to shareholders (Shs '000)	137,236	117,318
Weighted average number of ordinary shares	75,706,986	75,706,986
Basic earnings per share	Sh 1.81	Shs 1.55

Diluted earnings per share is the same as basic earnings per share.

10 DIVIDEND

	2010	2009
Dividend – proposed (Shs)	37,853,493	-
Number of ordinary shares	75,706,986	75,706,986
Dividend per share	Shs 0.50	-

In respect of the current financial year, the directors propose a first and final dividend of Shs 0.50 per ordinary share totalling Shs 37,853,493 (2009 – Nil). The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Payment of dividends is subject to withholding tax at a rate of 10% for non-resident shareholders and 5% for resident shareholders. For resident shareholders, withholding tax is only deductible where the shareholding is below 12.5%.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings Shs'000	Plant, machinery, and equipment Shs'000	Motor vehicles Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost or Valuation					
At 1 July 2009	856,491	1,064,627	144,694	15,032	2,080,844
Exchange adjustments	(2,964)	(5,155)	(236)	-	(8,355)
Additions	5,165	12,046	20,301	310	37,822
Disposals	-	-	(9,126)	-	(9,126)
Asset write off	-	(416)	-	(316)	(732)
Transfer from work in progress	-	15,026	-	(15,026)	-
Transfer from properties held for sale (note 21)	4,524	-	-	-	4,524
At 30 June 2009	863,216	1,086,128	155,633	-	2,104,977
Comprising:					
Valuation in 2008	856,491	919,148	-	-	1,775,639
Cost	6,725	166,980	155,633	-	329,338
	863,216	1,086,128	155,633	-	2,104,977
At 1 July 2010	863,216	1,086,128	155,633	-	2,104,977
Exchange adjustments	(2,256)	(3,957)	(182)	-	(6,395)
Additions	-	32,397	8,811	4,937	46,145
Disposals	-	(44)	(14,391)	-	(14,435)

11 Property, Plant and Equipment (continued)

Group (continued)	Leasehold buildings Shs'000	Plant, machinery, and equipment Shs'000	Motor vehicles Shs'000	Capital work in progress Shs'000	Total Shs'000
At 30 June 2010	860,960	1,114,524	149,871	4,937	2,130,292
Comprising:					
Valuation in 2008	856,491	919,148	-	-	1,775,639
Cost	4,469	195,376	149,871	4,937	354,653
	860,960	1,114,524	149,871	4,937	2,130,292
Depreciation					
At 1 July 2008	2,009	298,037	123,730	-	423,776
Exchange adjustments	(124)	(462)		-	(586)
Charge for the year	26,254	70,454	14,461	-	111,169
Eliminated on disposal	-	-	(9,126)	-	(9,126)
At 30 June 2009	28,139	368,029	129,065	-	525,233
At 1 July 2009	28,139	368,029	129,065	-	525,233
Exchange adjustments	(208)	(582)	(122)	-	(912)
Charge for the year	26,500	73,977	14,012	-	114,489
Eliminated on disposal	-	-	(14,391)	-	(14,391)
At 30 June 2010	54,431	441,424	128,564	-	624,419
Net Book Value					
At 30 June 2010	806,529	673,100	21,307	4,937	1,505,873
At 30 June 2009	835,077	718,099	26,568	-	1,579,744
Net Book Value (Cost basis)					
At 30 June 2010	694,630	466,625	21,307	4,937	1,187,499
At 30 June 2009	738,634	485,689	26,568	-	1,250,891

Buildings and certain items of property, plant and equipment were revalued as at 30 June 2008 by Tysons Limited, Registered Valuers and Estate Agents on an open market value basis.

The group has pledged assets with net book value of Shs 688,403,000 (2009 - Shs 723,403,000) to secure its borrowings facilities.

12 PREPAID OPERATING LEASE RENTALS

Group	2010 Shs'000	2009 Shs'000
COST		
At beginning of year	60,466	61,122
Exchange adjustment	(735)	(968)
Transfer from assets held for sale (note 21)	-	312
At end of year	59,731	60,466
AMORTISATION		
At beginning of year	16,044	14,511
Exchange adjustment	(55)	(80)
Amortisation for the year	1,589	1,613
At end of year	17,578	16,044
NET BOOK VALUE		
At end of year	42,153	44,422

The group has pledged leasehold land with a net book value of Shs 14,704,000 (2009 - Shs 15,500,000) to secure borrowings granted to it.

13 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Group	2010 Shs'000	2009 Shs'000
COST		
At beginning of year	40,944	39,914
Additions	173	1,030
Exchange difference	(12)	-
Write off	(299)	-
At end of year	40,806	40,944
AMORTISATION		
At beginning of year	39,289	38,705
Amortisation for the year	757	584
At end of year	40,046	39,289
NET BOOK VALUE		
At end of year	760	1,655

14 INVESTMENT IN SUBSIDIARY COMPANY

Group	2010 Shs'000	2009 Shs'000
Unquoted investment at cost in wholly owned subsidiary:		
Unga Investments Limited	1,297,335	1,297,335
	=======	========

Details of the company's subsidiaries are as follows:

Name	Share capital Shs '000	Country of incorporation	Principal activity	Percentage
Unga Investments Limited	22,200	Kenya	Operates as a holding and an investment company.	100

Unga Investments Limited has a 65% holding in its subsidiary, Unga Holdings Limited, which has the following subsidiaries:

Company	Share capital Shs '000	Country of Incorporation	Principal activity	Percentage
Unga Limited	220,000	Kenya	Milling and sale of wheat and maize.	100%
Unga Farm Care (East Africa) Limited	22,520	Kenya	Manufacture and distribution of animal health and crop protection products, animal feeds and mineral supplements.	100%
Unga Feeds Limited	42,300	Kenya	Dormant company.	100%
Unga Foods Limited	15,400	Kenya	Dormant company.	100%
Bullpak Limited	4,760	Kenya	Manufacture and sale of packaging material for wheat and maize flour products.	51%
Unga Millers (U) Limited	Ush 231,881	Uganda	Milling and sale of wheat and maize, and distribution of animal nutrition products.	60%

Unga Farm Care (East Africa) Limited has a 74% holding in Unga Farm Care (Tanzania) Limited, a company incorporated in Tanzania. This subsidiary is dormant and is currently undergoing liquidation. The carrying amount of this investment has been fully impaired.

15 RETIREMENT BENEFITS ASSET

Group

The retirement benefits scheme asset represents a surplus of the fair value of scheme assets over the value of past service pension benefits based on an actuarial valuation carried out as at 31 December 2009. In accordance with a recommendation by the actuaries, the group is taking a contribution holiday for 5 years with effect from 1 January 2010.

The length of the contribution holiday is subject to review at every valuation date based on the advice of the Actuaries. The next actuarial valuation is due as at 31 December 2012.

The principal actuarial assumptions applied in the last valuation were:

Rate of interest	9%
Rate of salary escalation	7%
Rate of pension increases	0%

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	2010 Shs'000	2009 Shs'000
Reduction in actuarial surplus arising from valuation in the year (note 6)	5,806	11,476
Amortisation of surplus	9,400	5,148
	15,206	16,624

The amount included in the statement of financial position arising from the group's obligation in respect of this defined benefit plan is as follows:

	2010 Shs'000	2009 Shs'000
Fair value of plan assets	268,300	246,181
Present value of funded defined benefit obligation	(176,300)	(143,227)
Excess of plan assets over accrued liabilities	92,000	102,954
Charge recognised in profit or loss	(9,400)	(5,148)
Net asset arising from defined benefit obligation	82,600	97,806
Movement:		
Share of excess of plan assets over accrued liabilities b/f	102,954	129,013
Reduction in actuarial surplus arising from valuation in the year (note 6)	(5,806)	(11,476)
Share of excess of plan assets over accrued liabilities c/f	97,148	117,537

15 Retirement Benefits Asset (continued)

	2010 Shs'000	2009 Shs'000
Amortisation at beginning of year	(5,148)	(14,583)
Charge recognised in profit or loss	(9,400)	(5,148)
Amortisation at end of year	(14,548)	(19,731)
Net asset arising from defined benefit obligation	82,600	97,806

16 DEFERRED TAXATION

Deferred taxation is provided on all temporary differences under the liability method using the currently enacted rate of 30%.

	2010 Shs'000	2009 Shs'000
The net deferred taxation liability is made up as follows:		
Deferred tax liabilities:		
Accelerated capital allowances	87,561	92,452
Unrealised exchange differences	-	19,165
Revaluation surpluses in subsidiary companies	276,128	284,431
	363,689	396,048
Deferred tax assets:		
Tax losses available for offset against future profits	(258)	(66,728)
Provision for leave pay	(2,915)	(1,425)
General provisions	(58,950)	(51,721)
Provision for service gratuity	(19,931)	(17,566)
Unrealised exchange differences	(11,524)	-
	(93,578)	(137,440)
Net deferred tax liability	270,111	258,608
Deferred tax asset not recognised	-	2,347
Net deferred tax liability recognised	270,111	260,955

Movement on the deferred tax account is as follows:

	2010 Shs'000	2009 Shs'000
At beginning of year	260,955	202,205
Exchange adjustments	(1,437)	(195)
Charge recognised in profit or loss(note 7)	10,593	58,945
At end of year	270,111	260,955

16 Deferred Taxation (continued)

	2010 Shs'000	2009 Shs'000
Comprising:		
Deferred tax asset	(13,197)	(9,057)
Deferred tax liability	283,308	270,012
	270,111	260,955

Tax losses during the year mainly relate to Unga Farm Care (East Africa) Limited (2009 tax losses mainly related to Unga Limited and Unga Farm Care (East Africa) Limited). With effect from June 2009, the Kenyan tax legislation allows tax losses to be carried forward for a period of up to four years. Previously, these could be carried forward to perpetuity. The deferred tax asset not recognized of Shs 2,347,000 as at 30 June 2009 was in respect of Unga Millers (U) Limited.

	2010 Shs'000	2009 Shs'000
17 INVENTORIES		
Group		
Raw materials	1,506,333	1,601,798
Finished products	248,821	249,419
Production supplies	28,760	39,635
Engineering stores	53,902	96,067
Goods in transit	120,385	283,875
	1,958,201	2,270,794
18 TRADE AND OTHER RECEIVABLES		
Group		
Trade receivables	563,583	607,466
Other receivables and prepayments	233,264	364,159
	796,847	971,625
Company		
Other receivables	728	441
19 SUBSIDIARY COMPANIES BALANCES - COMPANY		
(a) Due from Subsidiary Companies		
Unga Limited	54,713	51,962
Unga Investments Limited	45,018	53,374
Unga Feeds Limited	7,000	7,000
	106,731	112,336

19 Subsidiary Companies Balances - Company (continued)

	2010 Shs'000	2009 Shs'000
(b) Due to Subsidiary Companies		
Unga Holdings Limited	23,013	23,013

20 TERM DEPOSITS

	2010	2009
Group		
Maturing within 90 days:	133,402	19,359
Maturing within 180 days:	69,500	30,000
Term deposits with banks	202,902	49,359
Company		
Term deposits with banks: Maturing within 180 days:	69,500	30,000

The effective interest rate on term deposits as at 30 June 2010 was 4% (2009 – 6%).

21 PROPERTIES HELD FOR SALE

	2010 Shs'000	2009 Shs'000
Group		
At beginning of year	3,928	7,634
Disposals	-	(2,798)
Reclassified from prepaid operating lease rentals (note 12)	-	3,928
Reclassified to prepaid operating lease rentals (note 12)	-	(312)
Reclassified to property, plant and equipment rentals (note 11)	-	(4,524)
At end of year	3,928	3,928

A deposit of Sh 7 million representing 10% of the agreed sales price for this property was received by Unga Investments Limited from the buyer during the year.

22 SHARE CAPITAL

	2010 Shs'000	2009 Shs'000
Authorised:		
82,760,000 ordinary shares of Shs 5 each	413,800	413,800
Issued and fully paid:		
75,706,986 ordinary shares of Shs 5 each	378,535	378,535

23 NON-CONTROLLING INTEREST

		2010 Shs'000	2009 Shs'000
Group			
At beginning of year		979,413	918,985
Dividend paid		(11,025)	(9,920)
		968,388	909,065
Share of profit for the year		98,937	67,874
Exchange adjustment		(2,391)	2,474
Total comprehensive income for the year		96,546	70,348
At end of year		1,064,934	979,413
The non-controlling interest consists of:			
Unga Holdings Limited:			
Equity interest held by Seaboard Corporation	35%	988,144	922,790
Bullpak Limited:			
Equity interest held by Nampak Holdings Limited	49%	64,248	56,623
Unga Millers (U) Limited:			
Equity interest held by individual minority shareholders	40%	12,542	-
		1,064,934	979,413

24 SERVICE GRATUITY

	2010 Shs'000	2009 Shs'000
Group		
At beginning of year	58,553	57,233
Charge recognised in profit or loss	12,922	9,496
Paid during the year	(5,037)	(8,176)
At end of year	66,438	58,553

The service gratuity represents the present value of future obligations in respect of unionisable staff in accordance with the Collective Bargaining Agreement.

25 LOANS PAYABLE

	2010 Shs'000	2009 Shs'000
Group		
At beginning of year	5,577	4,557
Exchange adjustment	(278)	1,020
Loans received	309	-
At end of year	5,608	5,577

These are short term loans advanced by the minority shareholders to a subsidiary company. The loans attract interest at 12% per annum (2009: 12%) and are repayable by September 2010.

26 TRADE AND OTHER PAYABLES

	2010 Shs'000	2009 Shs'000
Group		
Trade payables	342,345	560,349
Other payables and accruals	193,168	206,196
	535,513	766,545
Company		
Other payables and accruals	6,505	5,436

27 DUE TO RELATED COMPANIES

Group		
Seaboard Overseas Corporation	706,768	1,202,819
Nampak Kenya Limited	1,083	57,938
Nampak International Limited	26,602	27,571
	734,453	1,288,328
The amounts are repayable as follows:		
On demand or within one year	728,845	1,282,751
In the second to the fifth years	5,608	5,577
	734,453	1,288,328

UNGA GROUP LIMITED

28 NOTES TO THE STATEMENT OF CASH FLOWS

	2010 Shs'000	2009 Shs'000
(a) Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	335,101	260,439
Adjustments for:		
Depreciation (note 11)	114,489	111,169
Amortisation of prepaid operating lease rentals (note 12)	1,589	1,613
Amortisation of intangible assets (note 13)	757	584
Profit on disposal of properties held for sale	-	(2,264)
Profit on disposal of property, plant and equipment	(1,328)	(2,476)
Loss on write off of asset (note 11)	-	732
Loss on write off of intangible asset (note 13)	299	-
Amortization of retirement benefits asset (note 15)	9,400	5,148
Reduction in actuarial surplus arising from valuation of retirement benefit asset in the year (note 15)	5,806	11,476
Working capital changes;		
Decrease/(increase) in inventories	311,737	(1,060,365)
Decrease in trade and other receivables	174,526	44,578
Decrease in trade and other payables	(230,803)	215,485
Movement in related company balance	(553,875)	364,458
Increase in service gratuity	7,885	1,320
Cash generated from/(used in) operations	175,583	(48,103)
(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position		
Bank balances	425,780	474,643
Cash balances	359	198
	426,139	474,841
Term deposits (note 20)	133,402	19,359
At end of year	559,541	494,200

28 Notes to the Statement of Cash Flows (continued)

	2010 Shs'000	2009 Shs'000
(c) Exchange adjustments on working capital		
Inventories	(856)	13,184
Trade and other receivables	(252)	1,762
Trade and other payables	(229)	2,827
	(1,337)	17,773

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

29 RELATED PARTY TRANSACTIONS

By an agreement entered into on 17 March 2000 and later amended on 27 April 2002, Unga Holdings Limited is managed by Seaboard Overseas Management Company. Under this agreement Seaboard Overseas Management Company provides technical and operational support including a resident management team. The agreement was for an initial term of five years and could be extended for a further five-year term at the option of the management company. This has been extended for a further five year term.

A profit-based management fee is currently payable, subject to a minimum of Shs 12 million per year. Seaboard Overseas Management Company is a related party by virtue of common shareholding.

	2010 Shs'000	2009 Shs'000
Group		
During the year the following transactions were entered into with related parties		
Purchase of goods/services:		
Raw material purchases	3,220,339	4,848,153
Management fee - Seaboard Overseas Management Company	19,233	18,944
Other expenses - Seaboard Overseas Management Company	67,251	55,426
- Nampak Kenya Limited	5,104	5,104
Spares purchases - Seaboard Overseas Limited	26,783	37,085
Interest charged	2,317	24,189
Company		
Management fee	12,000	12,000

Amounts not settled as at the end of the reporting period are disclosed in note 27.

29 Related Party Transactions (continued)

Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	2010 Shs'000	2009 Shs'000
Salaries and other short-term employment benefits	43,183	48,871
Directors' remuneration		
Fees for services as a director	2,640	2,640
Other emoluments (included in key management compensation above)	12,554	11,799
	15,194	14,369

30 CAPITAL RISK MANAGEMENT

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

The capital structure of the group consists of debt, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and reserves.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The constitution of capital managed by the group is as follows:

	2010 Shs'000	2009 Shs'000
Share capital	378,535	378,535
Share premium	73,148	73,148
Revaluation reserve	715,018	738,456
Translation reserve	7,215	11,656
Revenue reserve	1,125,853	965,179
Equity	2,299,769	2,166,974
Borrowings	5,608	5,577
Less: bank and cash balances	(629,041)	(524,200)
Net bank and cash balances	(623,433)	(518,623)

31 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by management under policies based on guidance received from the board of directors. Management identifies and evaluates financial risks. The board provides guidance for overall risk management, as well as providing direction on specific areas such as foreign exchange risk and liquidity risk.

The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

Credit risk

Credit risk is managed on a group-wide basis. Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority The group management assesses the credit quality of each customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

The amount that best represents the group's and company's maximum exposure to credit risk as at the end of each reporting period is made up as follows:

Group

30 June 2010	**Fully performing Shs'000**	**Past due Shs'000**	**Impaired Shs'000**	**Total Shs'000**
Trade receivables	504,272	59,311	228,811	792,394
Bank balances	425,780	-	-	425,780
Term deposits	202,902	-	-	202,902
	1,132,954	59,311	228,811	1,421,076
30 June 2009				
Trade receivables	487,983	119,483	206,069	813,535
Bank balances	474,643	-	-	474,643
Term deposits	49,359	-	-	49,359
	1,011,985	119,483	206,069	1,337,537

31 Financial Risk Management (continued)

Company

30 June 2010 Shs'000	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total
Due from subsidiary companies	106,731	-	-	106,731
Bank balances	4,868	-	-	4,868
Term deposits	69,500	-	-	69,500
	181,099	-	-	181,099
30 June 2009				
Due from subsidiary companies	112,336	-	-	112,336
Bank balances	32,731	-	-	32,731
Term deposits	30,000	-	-	30,000
	175,067	-	-	175,067

Credit risk (Continued)

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

The receivables that are past due relate to trade receivables overdue between 30 to 120 days. These receivables are not impaired and continue to be paid. The credit control department is actively following these receivables. Cash deposits of Shs 15,750,000 (2009: Shs 15,400,000) and bank guarantees amounting to Shs 239,000,000 (2009: Shs 139,575,000) are held as collateral for trade receivables.

The impaired amounts are fully provided for and the amount of the loss incurred dealt with in profit or loss during the year of impairment.

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which together with management, closely monitors the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table analyses the group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at end of 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.

Notes to the Financial Statements (continued)

31 Financial Risk Management (continued)

Group

At 30 June 2010	1-3 months Shs'000	3-12 months Sh'000	Over 1 year Sh'000	Total Sh'000
Assets:				
Trade receivables	563,583	-	-	563,583
Bank balances	425,780	-	-	425,780
Term deposits	202,902	-	-	202,902
Total financial assets	1,192,265	-	-	1,192,265
Liabilities:				
Trade payables	342,345	-	-	342,345
Due to related companies	728,845	-	-	728,845
Total financial liabilities	1,071,190	-	-	1,071,190
Net liquidity gap	121,075	-	-	121,075
At 30 June 2009				
Total financial assets	1,095,288	36,180	-	1,131,468
Total financial liabilities	1,848,677	-	-	1,848,677
Net liquidity gap	(753,389)	36,180	-	(717,209)

Company

At 30 June 2010	1-3 months Shs'000	3-12 months Sh'000	Over 1 year Sh'000	Total Sh'000
Assets:				
Due from subsidiary companies	106,731	-	-	106,731
Bank balances	4,868	-	-	4,868
Term deposits	69,500	-	-	69,500
Total financial assets	181,099	-	-	181,099

31 Financial Risk Management (continued)

	1-3 months Shs'000	3-12 months Sh'000	Over 1 year Sh'000	Total Sh'000
Liabilities:				
Due to related company	23,013	-	-	23,013
Net liquidity gap	158,086	-	-	158,086
At 30 June 2009				
Total financial assets	175,067	-	-	175,067
Total financial liabilities	23,013	-	-	23,013
Net liquidity gap	152,054	-	-	152,054

The group has undrawn committed borrowing facilities amounting to Sh 400,000,000 (2009 – Sh 125,000,000). The borrowing facilities consist of loans and bank overdrafts. Security for these borrowings includes an all assets debenture for Shs 1.5 billion issued by a subsidiary company, corporate guarantees by group companies and legal charges over certain properties owned by subsidiary companies, and a property registered in the name of a group company (See notes 11 and 12).

Market risk

(i) Foreign exchange risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved parameters.

The carrying amounts of the group's foreign currency denominated monetary assets and liabilities at end of reporting period date are as follows:

Group

	USD Shs'000	GBP Shs'000	EURO Shs'000
30 June 2010			
Assets			
Bank and cash balances	54,764	-	5,279
Liabilities			
Trade payables	25,149	1,188	-
Due to related companies	269,187	-	20,663
	294,336	1,188	20,663

31 Financial Risk Management (continued)

30 June 2009	USD Shs'000	GBP Shs'000	EURO Shs'000
Total assets	71,540	-	143
Total liabilities	912,528	8,437	16,855

At 30 June 2010, if the Shilling had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, the impact on pre tax profit for the year and total capital would have been Shs 12,807,000 (2009: Shs 43,307,000) lower/higher, mainly as a result of export sales, foreign denominated loans and bank balances.

Company

The company has no foreign denominated financial instruments and thus not exposed to foreign exchange risks.

(ii) *Interest rate risk*

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. The group closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

As at 30 June 2010, the group had short term and fixed deposits with a carrying amount of Shs 202,902,000 (2009: Shs 49,359,000). An increase or decrease of 10 percent in the interest rate would result in an increase/decrease in pre-tax profit and total capital of Shs 405,804 (2009: Shs 296,154). The company had no other interest bearing financial assets and liabilities.

(iii) Price risk

Price risk arises from fluctuations in the prices of equity investments. At 30 June 2010 and 30 June 2009, the group did not hold investments that would be subject to price risk; hence this risk is not relevant.

	2010 Shs'000	2009 Shs'000
32 CAPITAL COMMITMENTS		
Commitments at the year end for which no provision has been made in these financial statements:		
Group		
Authorised but not contracted for	699,974	623,162
33 CONTINGENT LIABILITIES		
Guarantees	56,610	20,601

33 **Contingent Liabilities (continued)**

Several legal claims have been made against the group by former employees, mainly for wrongful dismissal or industrial accident claims. The cases are ongoing and their likely outcomes are not known.

The directors, based on advice received from the group's legal advisors, believe no material liability will arise from these cases.

34 **INCORPORATION**

The company is domiciled and incorporated in Kenya under the Companies Act.

35 **CURRENCY**

The financial statements are presented in Kenya Shillings thousands (Shs'000).

UNGA GROUP LIMITED

Form of Proxy

I/We ____

of ____ being a member/members

of Unga Group Limited, hereby appoint ____

and failing him/her ____

whom failing, the duly appointed Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Eighty Third Annual General meeting of the Company to be held on Wednesday, 1 December 2010 at 10.30 a.m. and at any adjournment thereof.

I authorise my proxy to vote as follows on the resolutions for the meeting:

Item No.	Yes	No
2		
4		
5		
6 (i)		
6 (ii)		
6 (iii)		
7		
8		

As witness my/our hand this ____________________ day of ____________________ 2010

____________________ **Signed**

____________________ **Signed**

Notes

1 If you are unable to attend this meeting personally, this form should be completed and returned to the Secretary, Unga Group Limited, P O Box 30096, 00100 Nairobi, to reach him no later than 48 hours before the time appointed for the meeting.

2. A person appointed to act as a proxy need not also be a member of the Company.

3. If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or an attorney duly authorised in writing.

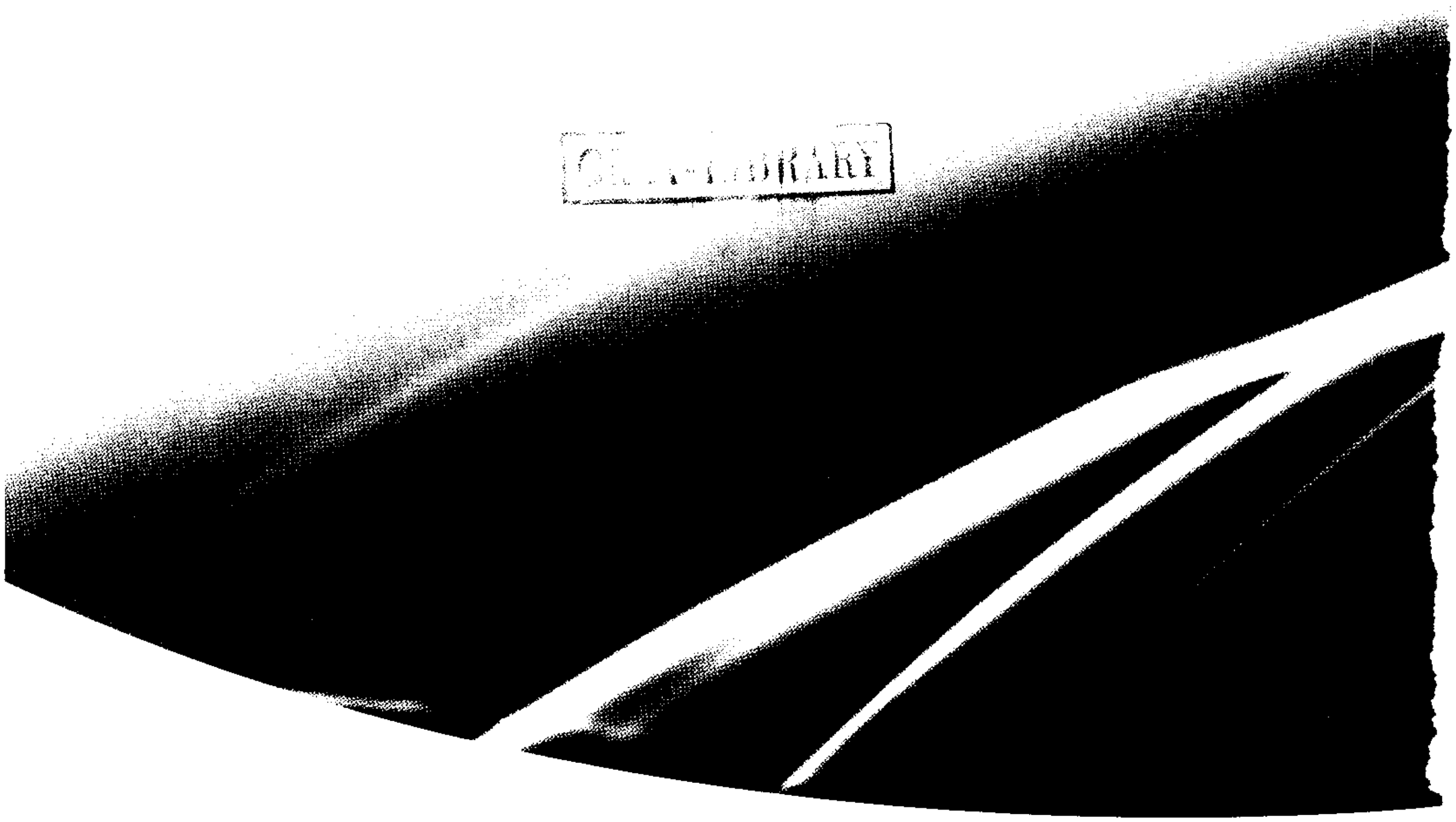
FOLD 2

The Secretary
UNGA GROUP LIMITED
P.O. Box 30096
00100 GPO
NAIROBI

FOLD 1

FOLD 3

CMA-LIBRARY



UNGA GROUP LIMITED