UNGA GROUP LIMITED

2011 Annual Report & Financial Statements

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

UNGA GROUP LIMITED

Notice of Meeting

UNGA GROUP LIMITED

NOTICE IS HEREBY GIVEN that the Eighty Fourth Annual General Meeting of the Company will be held at Laico Regency, Crystal Ballroom, Nairobi on Tuesday, 6 December 2011 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 Third Annual General Meeting held on 1 December 2010.
3. To receive the Chairman's report.
4. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2011 together with the reports of the Directors and the Auditors thereon.
5. To approve a first and final dividend of Kshs 0.75 per share for the year ended 30 June 2011 payable on or about Tuesday, 10 January 2012 to the shareholders on the Register of Members at the close of business on Tuesday, 6 December 2011.
6. Election of Directors:-
   i) Mr Richard Kemoli, who has attained the age of over 70 years, retires in accordance with Section 186 (2) of the Companies Act (Cap 486). Special Notice is hereby given that a notice has been received in accordance with Sections 142 and 186 (5) of the Companies Act that it is intended to pass the following resolution as an ordinary resolution:

      "That Mr Richard Kemoli, who has attained the age of over 70 years be and is hereby re-elected a director of the Company".

   ii) Mrs Isabella Ochola-Wilson retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offers herself for re-election.
7. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 30 June 2011.
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

W Jumba

Ms Winniefred N Jumba
SECRETARY

11 October 2011

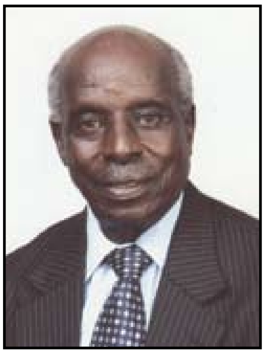
Notes:

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 2 December 2011.
4. Subject to the shareholders' approval, the Register of Members will be closed from the close of business on Tuesday, 6 December 2011 at 4.30 p.m for one day for the purpose of processing the dividend.

Directors' Profiles

Richard Kemoli, MBE, FIoD - Chairman (76)

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 (82)

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 (43)

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 is NIC Bank Limited.

Nicholas C Hutchinson - Exec (55)

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 (56)

Appointed to the Board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 16 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 (66)

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 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 (48)

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, and is the Chairman of Capital Markets Tribunal.

Mrs Isabella Ochola-Wilson - Non Exec (62).

Appointed to the Board in June 2006. She has a BA degree in Business Administration from University of Dar-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 as a project Manager for DFID's Business Partnership Programme in 2005.

Ms Winniefred N Jumba - Company Secretary (39)

Appointed Company Secretary in 2011. She is a holder of a BCom degree and a Masters in Business Administration, both from the University of Nairobi. She is a Certified Public Secretary and a member of ICPSK, with over 12 years experience in Company Secretarial and Registration Services.

Chairman's Statement

Policy and Performance

Unga Group's long-term policies have once again been vindicated. In 2011 our business was buffeted by the effects of drought and devaluation. Individually, these problems can be considerable. In combination, they were especially difficult, causing an acute shortage of raw materials, higher operating costs, foreign exchange losses, reduced margins and depressed consumer demand. That is a cocktail of conditions likely to damage any business.

Yet we emerged with turnover up by 14.7 per cent, gross margin up 37%, and pre tax profits up 88% over prior year. The balance sheet strengthened with a 19% increase in net current assets. How did we manage this? The answer is to be found in the core principles on which we have built our business.

We recognise that every year will have its challenges and we design and prepare ourselves to meet and try our best to overcome them. This is our recipe:

- Unga remains true to its core business. We stick to what we do best.
- Product quality is Unga's over-riding priority, no matter what. We earn and honour customer loyalty, whatever the circumstances.
- Unga recognises that traditional operations must be combined with modern methods and innovative drive. We invest constantly in upgrading our efficiency, our capacity and our people. We devise new products, new packaging, new distribution systems and new partnerships.

So instead of looking back on hard years (and that means most years) with the classic regrets of "could have, should have, would have", we have people who are already able and skilled running systems and partnerships that are more efficient, providing innovative products and services of good value and guaranteed standard to customers who trust us.

The Managing Director's report explains how each of these principles came into play in the past year, to minimise the downs and maximise the ups to the net benefit of shareholders, staff and customers alike.

This is the formula that makes us sustainably competitive, and positions us to do our best to achieve annually the best possible results. Consequently, in 2011, this formula has enabled the Board to recommend a first and final dividend of Shs 0.75 per share (50% higher than prior year) subject to shareholders' approval at the annual general meeting on 6 December 2011.

I would stress that maintaining traditional business lines and following established principles does not mean we operate on some sort of corporate cruise control. Problems, remedies, opportunities and prudent judgment are a never-ending dynamic. They demand a Board that is steadfast and responsive; management on high alert with fast reflexes, imagination and organisation; and staff who deliver on everything the Unga brand stands for with skill and hard work. I commend and thank them all.

Future Outlook

The year ahead is likely to feature continued inflationary pressure on commodity prices and operating costs, combined with weak local currencies. Implementation of the new constitution and the national elections in 2012 are likely to impact on the economy and demand for our products.

We will address these issues with confidence and the determination to sustain our product quality standards, focus on the core business of milling and distribution of flour and animal nutrition and health products; enhance investment in training, modernisation and capacity growth; innovative production and distribution for competitive edge; constant assessment of investment and partnership opportunities. We shall also do our best to improve product range and coverage in both existing and emerging markets.

As an agri-based business, Unga Group's results are always subject to a number of factors that cannot be known with certainty in advance – not least the weather! In 2012, with foreign exchange exposure and risk likely to be at particularly high levels, even the "best possible" result which we are pledged to strive for may not match the 2011 outcomes.

We are also pledged to maintain our employee-driven Social Responsibility programmes. These are not an optional extra but a part of our ethos. Our help gets more important, not less, in the harshest economic conditions.

Our overall policy formula may be clear to state but it is not simple to achieve. Delivering on continual improvement in every sphere is a monumental task. But it is by facing that internal challenge, in advance, that we are able to meet and often beat the external challenges.

Finally I take this opportunity to gratefully thank my fellow directors for their dedication and unwavering support that has enabled us to navigate through a turbulent financial year that has ended with positive results and management's untiring effort to ensure that Board policies are effectively implemented.

Richard Kemoli MBE FIoD
Chairman

Group Managing Director's Report

Industry and Performance

Weak local currencies and raw material shortages created a severe inflationary spiral, increasing input prices and depressing consumer demand. Availability of maize grain was restricted by drought, and protein sources for animal feeds were also in short supply.

Unga Group had the inherent strength to cope with these conditions; to limit detriment where downturns were unavoidable and to maximise gains in more buoyant areas.

Commodity price inflation led to increased turnover (up 14.7 per cent), and despite a large increase in foreign exchange losses on stock, that reserve enabled volumes to be sustained and improved margins to be earned – especially in the animal nutrition and health business. Profit before tax rose to Shs 631 million (up from Shs 335 million in prior year).

Sector Performance

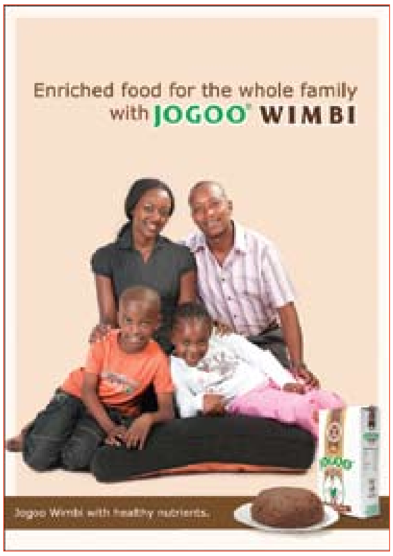
Human Foods

Wheat division volumes declined, but improved revenue and margins were achieved through the impact of commodity price inflation and favourable positions on imported grain.

Volumes in the maize division were reduced by shortage of grain following drought, and margins were also cut because it was not possible to pass the full price impact on to the consumer.

These factors were partially counteracted by the successful launch of a new brown ugali product branded Jogoo® Wimbi. Approval for both Hostess® and Jogoo® Extra to use the new government-sponsored fortification logo will further strengthen Unga's market position, and the commissioning of a new packing line in Eldoret will facilitate market growth.

The cessation of World Food Programme milling contracts reduced maize business opportunities in Uganda.



Animal Nutrition and Health

All animal feed milling was disrupted by high prices and raw material shortages. However, the Group's earlier investment in improved plant productivity was a key factor in enabling Unga to achieve volume growth under these circumstances.

A programme to restructure route-to-market systems was completed, reducing the number of feeds distributors and mapping their territorial boundaries. The benefits of this streamlining are already reflected in enhanced margins for the distributors.

Modernisation of the Nairobi plant is underway and is expected to deliver further production efficiencies and enable volume growth.

Packaging

An additional line has been installed at Bullpak to meet growing demand – from an increasing and more diversified customer base - for quality bleached bags.

Human Capital Development

In recognition of the essential role of people with optimum skills, all existing training and development programmes were continued and new ones added, including an energy conservation awareness and action planning programme. The Group is adopting Training-within-Industry techniques to support practical skills development.

Future Outlook

Both consumer and profit trends will be affected by inflationary pressure on commodity prices and weakening local currencies. While these impacts are unlikely to be avoidable, Unga Group is alert and well positioned to counteract.

Conclusion

We are not able to make the harsher economic projections for 2012 simply go away. We can, and have, built a strong position and set ourselves ambitious goals - to deliver more products of the highest quality to more people, at fair margins that deliver mutual value to shareholders, the corporate establishment present and future, to partners, to customers, and to the sustainable benefit of society and the economy as a whole.

The outcome cannot be guaranteed. The effort is.

Nick Hutchinson
Group Managing Director

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 and Risk Committee of Mr J Kiereini (Chairman), Mr J Kibet and Mr A Ndegwa, which met four times in the year under review, and 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.

Directors' Interest

The interest of the Directors in the shares of the company as at 30 June 2011, 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	3,831
1,001-5,000	3,339
5,001-10,000	592
10,001-100,000	495
100,001-1,000,000	45
1,000,001 and above	4
Total	**8,306**

(b) By category of shareholders

Category	No. of shareholders	No. of shares	% shareholding
Individual local investors	7,772	30,938,681	40.87
Institutional local investors	279	43,166,246	57.02
Foreign investors	255	1,602,059	2.11
Total	**8,306**	**75,706,986**	**100.00**

Major shareholders

The top ten shareholders as at 30 June 2011 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 2011

N Hutchinson
Director

29 September 2011

Corporate Social Responsibility

Unga's social responsibility starts, as it must, with the Group's core business – ensuring everything we do in day-to-day operations is sustainable, ethical, environmentally responsible, fair to suppliers and customers, and that it works to the long-term benefit of all those who have a stake in our existence.

We set the bar high. But the primary measure of these values is not their quantity or their extremity. It is their constancy. They apply in every aspect, all the time.

In addition, Unga Group management and staff, both individually and corporately, give their time, skills, material and financial resources to an increasing number of projects that are external to Unga's core operations.

Formally, every division is challenged to engage the communities its people are linked to, to identify and assist where there is need and/or development potential. The Group directly assists those projects of staff choice that have greatest merit.

Ongoing examples include sponsoring the education of a young girl in Naguru, Kampala, and supporting bright-but-needy students at Uasin Gishu High School, Eldoret. The garbage collection and clean-up campaign at Land Mawe Estate, Nairobi, was extended to more groups, giving each a real sense of ownership and promoting healthy competition.

Additional projects in 2011 included:

An HIV/Aids support group in Turbo needed help with a sustenance project. Unga and staff provided resources and manpower to clear and fence a site and plant fruit tree seedlings. The livelihood of members will benefit from sale of the fruit and the project will enhance HIV awareness and encourage the formation of more support groups.

Unga staff from Eldoret and the Besiobor Women Group working on the passion fruit farm.

Unga staff and women from the Group tour the farm.

Corporate Social Responsibility (continued)

Unga staff have been helping to **empower the girl child** through counselling, health awareness talks, mentoring and provision of sanitary towels to a vocational training school in Kirigiti, Kiambu. Further, each year the best student in Standard 8 will spend a day with senior management at Unga, to gain insight on how the corporate world operates.

Peer educators from Dakar Road presenting their donations to students of Kirigiti Rehabilitation School.

Unga staff in Nakuru partnered with a slum-based school to promote safety, health and environmental awareness. They staged three clean-up days in the school compound and neighbourhood, and implemented waste segregation in the Kitchen. In Kampala, staff partnered with Nakawa Market in implementing various initiatives designed to sensitise the stall owners and their customers on issues of safety, health, environment and workplace organisation.

Students from Nakuru West Secondary School participating in clean up exercise at their school.

Employees from Nakuru and students engaging in a tug of war after the clean up.

Unga staff in Kampala and stall owners doing a clean up at Nakawa market.

Five Year Financial Review (Summary)

UNGA GROUP LIMITED

	2007 Shs'000	2008 Shs'000	2009 Shs'000	2010 Shs'000	2011 Shs'000
CONSOLIDATED INCOME STATEMENT					
Turnover	7,675,347	9,450,824	11,643,639	11,524,454	13,214,442
Operating Profit	225,655	647,785	300,334	351,614	643,342
Profit Before Taxation	156,665	564,016	260,439	335,101	631,070
Taxation Charge	(23,055)	(190,355)	(75,247)	(98,928)	(190,027)
Profit For the Year	133,610	373,661	185,192	236,173	441,043
Earnings Per Share - basic & diluted	Shs 1.31	Shs 3.06	Shs 1.55	1.81	Shs 3.57
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current Assets	1,607,109	1,823,246	1,732,684	1,644,583	1,622,280
Current Assets	2,110,260	2,938,282	3,832,857	3,419,837	4,086,617
Total Assets	3,717,369	4,761,528	5,565,541	5,064,420	5,708,897
EQUITY AND LIABILITIES					
Capital and reserves					
Share Capital and premium	388,602	388,602	451,683	451,683	451,683
Reserves	1,141,147	1,656,459	1,715,291	1,848,086	2,078,952
Equity attributable to equity holders of the parent	1,529,749	2,045,061	2,166,974	2,299,769	2,530,635
Non-controlling interest	789,240	918,985	979,413	1,064,934	1,214,316
Total Equity	2,318,989	2,964,046	3,146,387	3,364,703	3,744,951
Non-current liabilities	50,571	263,995	334,142	355,354	345,150
Current liabilities	1,347,809	1,533,487	2,085,012	1,344,363	1,618,796
	1,398,380	1,797,482	2,419,154	1,699,717	1,963,946
Total equity and liabilities	**3,717,369**	**4,761,528**	**5,565,541**	**5,064,420**	**5,708,897**

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
Ms Winniefred N Jumba
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

The directors present their report together with the audited financial statements of the group for the year ended 30 June 2011.

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.

	2011 Shs'000	2010 Shs'000
Group Results		
Profit before taxation	631,070	335,101
Taxation charge	(190,027)	(98,928)
Profit for the year	441,043	236,173
	=======	=======
Attributable to:		
Equity holders of the parent	270,382	137,236
Non - controlling interests	170,661	98,937
	441,043	236,173
	=======	=======

Dividend

The directors recommend the payment of a first and final dividend of Shs 0.75 (2010 – Shs 0.50) per share amounting to Shs 56,780,240 (2010: Sh 37,853,493) 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 R. Kemoli and Mrs I Ochola-Wilson retire in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Secretary

John L G Maonga retired as secretary on 9th September 2011 and was replaced on the same date by Winniefred N. Jumba.

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

W Jumba

Winniefred N Jumba
Secretary

29 September 2011
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 company and its subsidiaries as at the end of the financial year and of operating results of the group for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and of the company. 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 the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of 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 company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

R Kemoli
Director

N Hutchinson
Director

29 September 2011

Deloitte.

Deloitte & Touche
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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 58 which comprise the consolidated and company statements of financial position as at 30 June 2011, 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, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an independent 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 about whether the financial statements are free of 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 judgment, 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 effectiveness of 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 company and its subsidiaries as at 30 June 2011, 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 2011

Consolidated Statement of Comprehensive Income For the Year Ended 30 June 2011

UNGA GROUP LIMITED

	Notes	2011 Shs'000	2010 Shs'000
Turnover		13,214,442	11,524,454
Cost of Sales		(11,537,363)	(10,304,269)
Gross Profit		1,677,079	1,220,185
Other Operating Income		88,550	70,096
Distribution Costs		(307,515)	(285,635)
Administrative Expenses		(546,958)	(537,895)
Net Foreign Exchange Losses		(183,175)	(77,330)
Other Operating Expenses		(84,639)	(37,807)
Finance Costs	4	(12,272)	(16,513)
Profit Before Taxation	5	631,070	335,101
Taxation Charge	7(a)	(190,027)	(98,928)
Profit for the Year	8	441,043	236,173
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations		(2,559)	(6,832)
Total Comprehensive Income for the Year		438,484	229,341
Profit for the year attributable to:			
Equity holders of the parent		270,382	137,236
Non-controlling interest	23	170,661	98,937
		441,043	236,173
Total comprehensive income for the year			
Attributable to:			
Equity holders of the parent		268,719	132,795
Non-controlling interest	23	169,765	96,546
		438,484	229,341
Earnings per share – basic & diluted	9	Sh 3.57	Sh 1.81

Consolidated Statement of Financial Position
30 June 2011

UNGA GROUP LIMITED

	Notes	2011 Shs'000	2010 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,496,184	1,505,873
Prepaid operating lease rentals	12	40,437	42,153
Intangible assets	13	6,444	760
Retirement benefits asset	15	63,800	82,600
Deferred taxation	16	15,415	13,197
		1,622,280	1,644,583
Current assets			
Inventories	17	1,926,221	1,958,201
Trade and other receivables	18	1,089,749	796,847
Taxation recoverable	7(c)	6,584	31,820
Term deposits	20	349,500	202,902
Cash and bank balances	29(b)	710,635	426,139
		4,082,689	3,415,909
Properties held for sale	21	3,928	3,928
		4,086,617	3,419,837
Total assets		**5,708,897**	**5,064,420**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	378,535	378,535
Share premium		73,148	73,148
Revaluation surplus		689,208	715,018
Translation reserve		5,552	7,215
Revenue reserve		1,384,192	1,125,853
Equity attributable to equity holders of the parent		2,530,635	2,299,769
Non-controlling interest	23	1,214,316	1,064,934
Total equity		3,744,951	3,364,703
Non-current liabilities			
Deferred taxation	16	276,764	283,308
Service gratuity	24	60,952	66,438
Due to related companies	28	7,434	5,608
		345,150	355,354
Current liabilities			
Loans payable	25	-	5,608
Trade and other payables	26	696,022	535,513
Unclaimed dividends	27	21,482	21,482
Due to related companies	28	819,863	728,845
Taxation payable	7(c)	81,424	52,915
		1,618,796	1,344,363
Total equity and liabilities		**5,708,897**	**5,064,420**

The financial statements on pages 19 to 58 were approved by the board of directors on 29 September 2011 and were signed on its behalf by:

R Kemoli
Director

N Hutchinson
Director

Company Statement of Financial Position
30 June 2011

UNGA GROUP LIMITED

	Notes	2011 Shs'000	2010 Shs'000
ASSETS			
Non current assets			
Investment in subsidiary company	14	1,297,335	1,297,335
Current assets			
Receivables	18	1,699	728
Due from subsidiary companies	19(a)	24,550	106,731
Taxation recoverable	7(d)	1,854	385
Term deposits	20	249,500	69,500
Bank balance		487	4,868
		278,090	182,212
Total assets		1,575,425	1,479,547
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	378,535	378,535
Share premium		73,148	73,148
Revenue reserve		998,390	998,346
		1,450,073	1,450,029
Current liabilities			
Due to subsidiary company	19(b)	118,597	23,013
Payables	26	6,755	6,505
		125,352	29,518
Total equity and liabilities		1,575,425	1,479,547

The financial statements on pages 19 to 58 were approved by the board of directors on 29 September 2011, 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 2011

UNGA GROUP LIMITED

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus 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 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 income 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
At 1 July 2010	378,535	73,148	715,018	7,215	1,125,853	2,299,769	1,064,934	3,364,703
Profit for the year	-	-	-	-	270,382	270,382	170,661	441,043
Other comprehensive loss for the year	-	-	-	(1,663)	-	(1,663)	(896)	(2,559)
Total comprehensive income for the year	**-**	**-**	**-**	**(1,663)**	**270,382**	**268,719**	**169,707**	**438,484**
Transfer of excess depreciation	-	-	(33,460)	-	33,460	-	-	-
Deferred taxation on excess depreciation	-	-	10,022	-	(10,022)	-	-	-
Surplus realised on disposal of revalued assets	-	-	(3,388)	-	3,388	-	-	-
Deferred tax on revaluation surplus realised on disposal of revalued assets	-	-	1,016	-	(1,016)	-	-	-
Dividend paid to non controlling interest	-	-	-	-	(37,853)	(37,853)	-	(37,853)
Dividend paid to non - controlling interests	-	-	-	-	-	-	(20,383)	(20,383)
At 30 June 2011	378,535	73,148	689,208	5,552	1,384,192	2,530,635	1,214,316	3,744,951

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

The translation reserve represents translation differences arising from translation of the foreign subsidiary held by the company.

The revenue reserve represents accumulated profit from the normal operations of the group.

Company Statement of Changes in Equity
For the Year Ended 30 June 2011

	Share capital Shs'000	Share premium Shs'000	Revenue reserve Shs'000	Total Shs'000
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
At 1 July 2010	378,535	73,148	998,346	1,450,029
Total comprehensive income for the year	-	-	37,897	37,897
Dividends paid to shareholders - 2010	-	-	(37,853)	(37,853)
At 30 June 2011	378,535	73,148	998,390	1,450,073

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2011

	Notes	2011 Shs'000	2010 Shs'000
Cash Flows from Operating Activities			
Cash generated from operations	29(a)	741,268	175,583
Taxation paid	7(c)	(145,533)	(13,191)
Net cash generated from operating activities		595,735	162,392
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	11	(104,409)	(46,145)
Purchase of intangible assets	13	(7,080)	(173)
Proceeds of disposal of property, plant and equipment		5,857	1,328
Proceeds of disposal of properties held for sale		294	-
Investment in term deposit		(180,000)	(39,500)
Net cash used in investing activities		(285,338)	(84,490)
Cash Flows from Financing Activities			
Dividends paid to non - controlling interest	23	(20,383)	(11,025)
Dividends paid to shareholders		(37,853)	-
Net cash used in financing activities		(58,236)	(11,025)
Increase in Cash and Cash Equivalents		252,161	66,877
Cash and Cash Equivalents at beginning of year		559,541	494,200
Exchange adjustment		(1,067)	(1,536)
Cash and Cash Equivalents at end of year	29(b)	810,635	559,541

UNGA GROUP LIMITED

1 ACCOUNTING POLICIES

Statement of compliance

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

For the purposes of reporting under the Kenyan Companies Act, the balance sheet in these financial statements 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 (IFRS)

(a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2011

Annual improvements to IFRS

Various amendments to existing standards resulting from April 2009 Annual Improvements to IFRSs were effective in the year but had no material effect on the group's financial statements. These included:

	Effective for annual periods beginning on or after
Amendments and revised standards	
IFRS 5, Non-current Assets Held for Sale and Discontinued Operations — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IFRS 8, Operating Segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 1, Presentation of Financial Statements — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 7, Statement of Cash Flows — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 17, Leases — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 36, Impairment of Assets — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 39, Financial Instruments: Recognition and Measurement — Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010

(b) Relevant new and amended standards in issue but not yet effective in the year ended 30 June 2011

Amendments IAS 24: Related Party Disclosures (2009)

The amendments to IAS 24 provide a partial exemption from related party disclosure requirements for government-related entities; clarifies the definition of a related party; and include an explicit requirement to disclose commitments involving related parties. The amendments are effective for annual periods beginning on or after 1 January 2011.

1 Accounting Policies (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(b) Relevant new and amended standards in issue but not yet effective in the year ended 30 June 2011 (continued)

The group will apply this amendment prospectively. The directors, however, anticipate no material impact to the group's financial statements.

IFRS 9: Financial Instruments (2010)

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2015. The group will apply this amendment prospectively. The directors, however, anticipate no material impact to the group's financial statements.

IFRS 10: Consolidated Financial Statements

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an

1 Accounting Policies (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(b) Relevant new and amended standards in issue but not yet effective in the year ended 30 June 2011 (continued)

IFRS 10: Consolidated Financial Statements (continued)

entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:
- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

The standard is effective for annual periods beginning on or after 1 January 2013. The group will apply this amendment prospectively.

IFRS 11: Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures'. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:
- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 'Investments in Associates and Joint Ventures (2011)'. Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

The standard is effective for annual periods beginning on or after 1 January 2013. The group will apply this amendment prospectively. The directors anticipate no material impact to the group's financial statements.

IFRS 12: Disclosure of Interests in Other Entities

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

In high-level terms, the required disclosures are grouped into the following broad categories:
- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on

1 **Accounting Policies (continued)**

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(b) Relevant new and amended standards in issue but not yet effective in the year ended 30 June 2011 (continued)

IFRS 12: Disclosure of Interests in Other Entities (continued)

- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The standard is effective for annual periods beginning on or after 1 January 2013. The group will apply this amendment prospectively. The directors anticipate no material impact to the group's financial statements.

IFRS 13: Fair Value Measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

The standard is effective for annual periods beginning on or after 1 January 2013. The group will apply this amendment prospectively. The directors anticipate no material impact to the group's financial statements.

1 **Accounting Policies (continued)**

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(c) *Early adoption of standards*

The group did not early-adopt any new or amended standards during the financial 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:

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 14.

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. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified.

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.

1 **Accounting Policies (continued)**

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.

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 profit or loss for the year in which they arise.

ii) Tra nslation 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

1 **Accounting Policies (continued)**

Employee benefits costs (continued)

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). Contributions are determined by local statutes in Kenya and Uganda and are currently at Shs 200 per employee per month in Kenya and 10% of the employee's salary in Uganda. The group's contributions are charged to profit or loss in the year to which they relate.

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 and distribution. Specific provisions are made for obsolete, slow moving and defective inventories.

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.

1 Accounting Policies (continued)

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 surplus. 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.

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

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.

Capital work in progress

Capital work in progress relates to property and plant under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and commissioned.

UNGA GROUP LIMITED

1 Accounting Policies (continued)

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.

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.

UNGA GROUP LIMITED

1 Accounting Policies (continued)

Leases (continued)

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 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.

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). Management then allocates resources to and assesses the performance of the operating segments of the Group.

Segment result is segment revenue less segment expenses.

1 **Accounting Policies (continued)**

Segmental reporting (continued)

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:

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 nutrition and health. Management

3 Operating Segments (continued)

considers 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.

Information on reportable segment profit or loss, assets and liabilities

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
Operating segments-30 June 2011					
Revenue from external customers	8,233,373	4,764,315	216,754	-	13,214,442
Inter-segment revenues	428,401	48,006	241,534	(717,941)	-
Interest income	3,562	322	21,562	(12,552)	12,894
Interest expense	23,864	-	960	(12,552)	12,272
Depreciation and amortisation	78,972	32,837	1,826	-	113,635
Reportable segmental profit	216,633	143,283	329,248	(248,121)	441,043
	=======	=======	========	========	========
Other material non-cash items:					
Amortisation of actuarial surplus	10,716	8,084	-	-	18,800
Reportable segment assets	3,744,409	1,336,733	1,351,729	(723,974)	5,708,897
Expenditures for reportable segment non-current assets	79,792	17,479	7,138	-	104,409
Reportable segmental liabilities	1,399,470	501,356	90,391	(27,271)	1,963,946
	=======	=======	========	========	========

3 Operating Segments (continued)

Information on reportable segment profit or loss, assets and liabilities (continued)

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
Operating segments-30 June 2010					
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 revenue	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
	=======	=======	========	========	========

Geographical information

	Revenues Shs'000	Non-current assets Shs'000
At 30 June 2011		
Country		
Kenya	12,075,232	1,283,695
Uganda	1,139,210	338,585
Total	13,214,442	1,622,280
	========	=========
At 30 June 2010		
Country		
Kenya	10,670,205	1,520,558
Uganda	854,249	124,025
Total	11,524,454	1,644,583
	========	=========

4 FINANCE COSTS

	2011 Shs'000	**2010 Shs'000**
Interest payable:		
Loans	-	2,339
Bank overdrafts	960	1,484
Other	11,312	12,690
	12,272	16,513
	=======	========

UNGA GROUP LIMITED

5 PROFIT BEFORE TAXATION

	2011 Shs'000	2010 Shs'000
The profit before taxation is arrived at after charging:		
Staff costs (note 6)	463,319	461,775
Depreciation (note 11)	111,014	114,489
Amortisation of prepaid operating lease rentals (note 12)	1,225	1,589
Amortisation of intangible assets (note 13)	1,396	757
Loss on disposal of leasehold property	7	-
Directors emoluments -fees	2,640	2,640
- other	12,994	12,554
Auditors' remuneration	8,374	7,870
Loss on write off of assets	-	299
Rent payable	45,649	35,992
Amortisation of defined benefit scheme asset (note 15)	18,800	9,400
Reduction in actuarial surplus on retirement benefit asset (note 15)	-	5,806
and after crediting:		
Profit on disposal of property, plant and equipment	(1,834)	(1,328)
Rent receivable	(3,992)	(72)
Bad debt recoveries	(3,707)	-
	=======	=======

6 STAFF COSTS

	2011 Shs'000	2010 Shs'000
Salaries and wages	441,111	429,111
Pension costs – amortisation of defined benefit scheme assets (note 15)	18,800	9,400
Reduction in actuarial surplus on retirement benefit asset (note 15)	-	5,806
Service gratuity (note 24)	3,281	12,922
Social security costs (NSSF) contributions	1,052	1,400
Leave pay(writeback)/provision	(925)	3,136
	463,319	461,775
	=======	=======

7 TAXATION

(a) Taxation charge

	2011 Shs'000	2010 Shs'000
Current taxation based on the chargeable profit for the year at 30%	197,223	89,036
Prior year under/(over) provision	1,806	(701)
	199,029	88,335
Deferred taxation (credit)/charge (note 16)		
Current year	(8,794)	12,973
Prior year over provision	(208)	(2,380)
	(9,002)	10,593
	190,027	98,928
	=======	=======

UNGA GROUP LIMITED

7 Taxation (continued)

	2011 Shs'000	2010 Shs'000
(b) Reconciliation of taxation charge to the expected tax based on accounting profit		
Accounting profit before taxation	631,070	335,101
	=======	=======
Tax charge at the applicable rate of 30%	189,321	100,530
Tax effect of expenses not allowable for tax	13,667	16,852
Tax effect of income not subject to tax	(14,559)	(15,373)
Prior year current tax under/(over) provision	1,806	(701)
Prior year deferred tax over provision	(208)	(2,380)
Taxation charge	190,027	98,928
	=======	=======
(c) Taxation payable/(recoverable)		
At beginning of year:		
Payable	52,915	8,657
Recoverable	(31,820)	(62,310)
	21,095	(53,653)
Charge for the year	199,029	88,335
Exchange adjustment	269	(396)
Payments during the year	(145,553)	(13,191)
At end of year	74,840	21,095
	=======	=======
Comprising:		
Payable	81,424	52,915
Recoverable	(6,584)	(31,820)
	74,840	21,095
	=======	=======
(d) Taxation payable/ (recoverable) - COMPANY		
At beginning of year	(385)	(4,134)
Charge for the year	1,326	5,141
Prior year under provision	385	-
Payments during the year	(3,180)	(1,392)
At end of year	(1,854)	(385)
	=======	=======

8 PROFIT FOR THE YEAR

A profit of Shs 37,897,556 (2010 – Shs 1,501,113) 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.

	2011	2010
Profit for the year attributable to shareholders (Shs '000)	270,382	137,236
	========	========
Weighted average number of ordinary shares	75,706,986	75,706,986
	========	========
Basic earnings per share	Sh 3.57	Sh 1.81
	========	========

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

10 DIVIDEND

Dividend – proposed (Shs)	56,780,240	37,853,493
	========	========
Number of ordinary shares	75,706,986	75,706,986
	========	========
Dividend per share	Shs 0.75	Shs 0.50
	========	========

In respect of the current financial year, the directors propose a first and final dividend of Shs 0.75 (2010 – Shs 0.50) per ordinary share totalling Shs 56,780,240 (2010 – Shs 37,853,493. 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	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)
At 30 June 2010	860,960	1,114,524	149,871	4,937	2,130,292

UNGA GROUP LIMITED

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
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
At 1 July 2010	860,960	1,114,524	149,871	4,937	2,130,292
Exchange adjustments	542	959	44	19	1,564
Additions	760	77,859	12,636	13,154	104,409
Disposals	(4,524)	-	(6,482)	-	(11,006)
At 30 June 2011	857,738	1,193,342	156,069	18,110	2,225,259
Comprising:					
Valuation in 2008	851,967	919,148	-	-	1,771,115
Cost	5,771	274,194	156,069	18,110	454,144
	857,738	1,193,342	156,069	18,110	2,225,259
Depreciation					
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
At 1 July 2010	54,431	441,424	128,564	-	624,419
Exchange adjustments	77	215	39	-	331
Charge for the year	25,977	75,059	9,978	-	111,014
Eliminated on disposal	(207)	-	(6,482)	-	(6,689)
At 30 June 2011	80,278	516,698	132,099	-	729,075
Net Book Value					
At 30 June 2011	777,460	676,644	23,970	18,110	1,496,184
At 30 June 2010	806,529	673,100	21,307	4,937	1,505,873
Net Book Value (Cost basis)					
At 30 June 2011	679,894	457,620	23,970	18,110	1,179,594
At 30 June 2010	694,630	466,625	21,307	4,937	1,187,499

11 Property, Plant and Equipment (continued)

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.

Included in property, plant and equipment are fully depreciated assets with a cost/valuation of Shs 294,063,000 (2010 – Shs 291,963,000). The normal annual depreciation on these assets would have been Shs 61,411,000 (2010 – Shs 61,659,000).

The group has pledged assets with net book value of Shs 619,427,000 (2010 - Shs 688,403,000) to secure its borrowing facilities.

12 PREPAID OPERATING LEASE RENTALS

Group

	2011 Shs'000	2011 Shs'000
Cost		
At beginning of year	59,731	60,466
Exchange adjustment	177	(735)
Disposal	(311)	-
At end of year	59,597	59,731
Amortisation		
At beginning of year	17,577	16,044
Exchange adjustment	368	(55)
Amortisation for the year	1,225	1,589
Eliminated on disposal	(10)	-
At end of year	19,160	17,578
Net Book Value		
At end of year	40,437	42,153

The group has pledged leasehold land with a net book value of Shs 14,688,000 (2010 - Shs 14,704,000) to secure borrowing facilities granted to it.

13 INTANGIBLE ASSETS - COMPUTER SOFTWARE

Group

	2011 Shs'000	2010 Shs'000
Cost		
At beginning of year	40,806	40,944
Additions	7,080	173
Exchange difference	-	(12)
Write off of asset	-	(299)

13 Intangible Assets - Computer Software (continued)

Group (continued)

	2011 Shs'000	2010 Shs'000
At end of year	47,886	40,806
Amortisation		
At beginning of year	40,046	39,289
Amortisation for the year	1,396	757
At end of year	41,442	40,046
Net Book Value		
At end of year	6,444	760
	======	======

14 INVESTMENT IN SUBSIDIARY COMPANY

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 of animal nutrition products and distribution of animal health products.	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:

	2011 Shs'000	2010 Shs'000
Reduction in actuarial surplus arising from valuation in the year (note 6)	-	5,806
Amortisation of surplus	18,800	9,400
	18,800	15,206
	======	=======

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:

	2011 Shs'000	2010 Shs'000
Fair value of plan assets	268,300	268,300
Present value of funded defined benefit obligation	(176,300)	(176,300)
Excess of plan assets over accrued liabilities	92,000	92,000
	======	========
Movement:		
Share of excess of plan assets over accrued liabilities b/f	97,148	102,954
Reduction in actuarial surplus arising from valuation in the year (note 6)	-	(5,806)
Share of excess of plan assets over accrued liabilities c/f	97,148	97,148

15 Retirement Benefits Asset (continued)

Movement (continued)

Amortisation:

	2011 Shs'000	2010 Shs'000
Amortisation at beginning of year	(14,548)	(5,148)
Charge recognised in profit or loss	(18,800)	(9,400)
Amortisation at end of year	(33,348)	(14,548)
Net asset arising from defined benefit obligation	63,800	82,600

16 DEFERRED TAXATION

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

	2011 Shs'000	2010 Shs'000
The net deferred taxation liability is made up as follows:		
Deferred tax liabilities:		
Accelerated capital allowances	102,667	87,561
Revaluation surpluses in subsidiary companies	264,777	276,128
	367,444	363,689
Deferred tax assets:		
Tax losses available for offset against future profits	-	(258)
Provision for leave pay	(2,387)	(2,915)
General provisions	(68,840)	(58,950)
Provision for service gratuity	(18,285)	(19,931)
Unrealised exchange differences	(16,583)	(11,524)
	(106,095)	(93,578)
Net deferred tax liability	261,349	270,111
Movement on the deferred tax account is as follows:		
At beginning of year	270,111	260,955
Exchange adjustments	240	(1,437)
Charge recognised in profit or loss (note 7)	(9,002)	10,593
At end of year	261,349	270,111

UNGA GROUP LIMITED

16 Deferred Taxation (continued)

	2011 Shs'000	2010 Shs'000
Comprising:		
Deferred tax asset	(15,415)	(13,197)
Deferred tax liability	276,764	283,308
	261,349	270,111

17 INVENTORIES

		Group
Raw materials	1,281,844	1,506,333
Finished products	229,352	248,821
Production supplies	39,806	28,760
Engineering stores	27,104	53,902
Goods in transit	348,115	120,385
	1,926,221	1,958,201

18 TRADE AND OTHER RECEIVABLES

Group		
Trade receivables	587,727	563,583
Other receivables and prepayments	502,022	233,264
	1,089,749	796,847
Company		
Other receivables	1,699	728

19 SUBSIDIARY COMPANIES BALANCES - COMPANY

(a) Due from Subsidiary Companies

Unga Limited	17,550	54,713
Unga Investments Limited	-	45,018
Unga Feeds Limited	7,000	7,000
	24,550	106,731

UNGA GROUP LIMITED

19 Subsidiary Companies Balances - Company (continued)

	2011 Shs'000	2010 Shs'000
(b) Due to Subsidiary Companies		
Unga Holdings Limited	23,013	23,013
Unga Investments Limited	95,584	-
	118,597	23,013

20 TERM DEPOSITS

	2011 Shs'000	2010 Shs'000
Group		
Maturing within 90 days:	100,000	133,402
Maturing within 180 days:	249,500	69,500
Term deposits with banks	349,500	202,902
Company		
Term deposits with banks: Maturing within 180 days:	249,500	69,500

The effective interest rate on term deposits as at 30 June 2011 was 5.6% (2010 – 4%).

21 PROPERTIES HELD FOR SALE

	2011 Shs'000	2010 Shs'000
Group		
At beginning and end of year	3,928	3,928

At 30 June 2011, Unga Investments Limited had received a deposit of Shs 40 million (30 June 2010 - Shs 7 million) representing 57% (2010 - 10%) of the agreed sales price for this property.

22 SHARE CAPITAL

	2011 Shs'000	2010 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

UNGA GROUP LIMITED

23 NON-CONTROLLING INTEREST

		2011 Shs'000	2010 Shs'000
Group			
At beginning of year		1,064,934	979,413
Dividend paid		(20,383)	(11,025)
		1,044,551	968,388
Share of profit for the year		170,661	98,937
Exchange adjustment		(896)	(2,391)
Total comprehensive income for the year		169,765	96,546
At end of year		1,214,316	1,064,934
		=======	========
The non-controlling interest consists of:			
Unga Holdings Limited:			
Equity interest held by Seaboard Corporation	35%	1,109,010	988,144
Bullpak Limited:			
Equity interest held by Nampak Holdings Limited	49%	86,085	64,248
Unga Millers (U) Limited:			
Equity interest held by individual minority shareholders	40%	19,221	12,542
		1,214,316	1,064,934
		=======	========

24 SERVICE GRATUITY

	2011 Shs'000	2010 Shs'000
At beginning of year	66,438	58,553
Charge recognised in profit or loss	3,281	12,922
Paid during the year	(8,767)	(5,037)
At end of year	60,952	66,438
	=======	=======

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

UNGA GROUP LIMITED

25 LOANS PAYABLE

	2011 Shs'000	2010 Shs'000
Group		
At beginning of year	5,608	5,577
Exchange adjustment	(388)	(278)
Loans received	-	309
Loans repaid	(5,220)	-
At end of year	-	5,608

These were short term loans advanced by the minority shareholders to a subsidiary company. The loans attracted interest at 12% per annum and were repaid during the year.

26 TRADE AND OTHER PAYABLES

	2011 Shs'000	2010 Shs'000
Group		
Trade payables	409,429	342,345
Other payables and accruals	286,598	193,168
	696,027	535,513
Company		
Other payables and accruals	6,755	6,505

27 UNCLAIMED DIVIDENDS

	2011 Shs'000	2010 Shs'000
Group & Company		
At beginning of the year	21,482	21,482
Declared in the year	37,853	-
Dividends claimed	(37,853)	-
At end of year	21,482	21,482

28 DUE TO RELATED COMPANIES

	2011 Shs'000	2010 Shs'000
Group		
Seaboard Overseas Corporation	627,027	706,768
Nampak Kenya Limited	47,303	1,083
Nampak International Limited	152,967	26,602
	827,297	734,453

UNGA GROUP LIMITED

28 DUE TO RELATED COMPANIES (continued)

	2011 Shs'000	2010 Shs'000
The amounts are repayable as follows:		
On demand or within one year	819,863	728,845
In the second to the fifth years	7,434	5,608
	827,297	734,453

29 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash generated from operations

	2011 Shs'000	2010 Shs'000
Profit before taxation	631,070	335,101
Adjustments for:		
Depreciation (note 11)	111,014	114,489
Amortisation of prepaid operating lease rentals (note 12)	1,225	1,589
Amortisation of intangible assets (note 13)	1,396	757
Profit on disposal of property, plant and equipment	(1,834)	(1,328)
Loss on sale of leasehold property	7	299
Amortization of retirement benefits asset (note 15)	18,800	9,400
Reduction in actuarial surplus arising from valuation of retirement benefit asset in the year (note 15)	-	5,806
Working capital changes;		
Decrease in inventories	31,787	311,737
(Increase)/decrease in trade and other receivables	(293,814)	174,526
Increase/(decrease) in trade and other payables	154,259	(230,803)
Movement in related company balance	92,844	(553,875)
(Decrease)/increase in service gratuity	(5,486)	7,885
Cash generated from operations	741,268	175,583

(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position

	2011 Shs'000	2010 Shs'000
Bank balances	708,687	425,780
Cash balances	1,948	359
	710,635	426,139
Term deposits (note 20)	100,000	133,402
At end of year	810,635	559,541

29 Notes to the Statement of Cash Flows (continued)

	2011 Shs'000	2010 Shs'000
(c) Exchange adjustments on working capital		
Inventories	(42)	(856)
Trade and other receivables	(197)	(252)
Trade and other payables	(137)	(229)
	(376)	(1,337)

For the purposes of the statement of cash flows, 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.

30 RELATED PARTY TRANSACTIONS

By an agreement entered into on 17 March 2000, Unga Holdings Limited was managed by Seaboard Overseas Management Company. This agreement has expired and was replaced by a new agreement that came into effect on 1 July 2010 and contains no provision for a management fee payable to Seaboard Overseas Management Company.

	2011 Shs'000	2010 Shs'000
Group		
During the year the following transactions were entered into with related parties		
Purchase of goods/services:		
Raw material purchases	2,924,419	3,220,339
Management fees - Seaboard Overseas Management Company	-	19,233
Other expenses - Seaboard Overseas Management Company	50,648	67,251
- Nampak Kenya Limited	5,104	5,104
Purchase of spares – Seaboard Overseas Limited	26,764	21,457
Purchase of equipment – Seaboard Overseas Limited	47,097	5,326
Interest charged	-	2,317
Company		
Management fee income	12,000	12,000

Amounts not settled as at the end of the reporting period are disclosed in note 28.

30 Related Party Transactions (continued)

Key management compensation

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

	2011 Shs'000	2010 Shs'000
Salaries and other short-term employment benefits	45,230	43,183
	=======	======
Directors' remuneration		
Fees for services as a director	2,640	2,640
Other emoluments (included in key management compensation above)	12,994	12,554
	15,634	15,194
	=======	=======

31 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 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:

	2011 Shs'000	2010 Shs'000
Share capital	378,535	378,535
Share premium	73,148	73,148
Revaluation reserve	689,208	715,018
Translation reserve	5,552	7,215
Revenue reserve	1,384,192	1,125,853
Equity	2,530,635	2,299,769
	=======	========
Borrowings	-	5,608
Less: cash and cash equivalents	(810,635)	(629,041)
Net bank and cash balances	(810,635)	(623,433)
	=======	========

32 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

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
30 June 2011				
Trade receivables	525,605	62,122	230,764	818,491
Bank balances	708,687	-	-	708,687
Term deposits	349,500	-	-	349,500
	1,583,792	62,122	230,764	1,876,678
30 June 2010				
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

UNGA GROUP LIMITED

32 Financial Risk Management (continued)

Credit risk (Continued)

Company

30 June 2011	**Fully performing Shs'000**	**Past due Shs'000**	**Impaired Shs'000**	**Total Shs'000**
Due from subsidiary companies	24,550	-	-	24,550
Bank balances	487	-	-	487
Term deposits	249,500	-	-	249,500
	274,537	-	-	274,537
30 June 2010				
Due from subsidiary companies	112,731	-	-	106,731
Bank balances	4,868	-	-	4,868
Term deposits	69,500	-	-	69,500
	181,099	-	-	181,099

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. The receivables are not impaired and continue to be paid. The credit control department is actively following these receivables. Cash deposits of Shs 20,800,000 (2010: Shs 15,400,000) and bank guarantees amounting to Shs 356,870,000 (2010: Shs 239,000,000) 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.

UNGA GROUP LIMITED

32 **Financial Risk Management (continued)**

Liquidity risk (continued)

Group

At 30 June 2011	**1-3 months Shs'000**	**3-12 months Sh'000**	**Over 1 year Sh'000**	**Total Sh'000**
Financial Assets:				
Trade receivables	587,727	-	-	587,727
Bank balances	710,635	-	-	710,635
Term deposits	349,500	-	-	349,500
Total financial assets	1,647,862	-	-	1,647,862
Liabilities:				
Trade payables	409,429	-	-	409,429
Due to related companies	827,297	-	-	827,297
	1,236,724	-	-	1,236,724
Net liquidity gap	411,138	-	-	411,138
At 30 June 2010				
Total financial assets	1,192,265	-	-	1,192,265
Total financial liabilities	1,071,190	-	-	1,071,190
Net liquidity gap	121,075	-	-	121,075

Company

At 30 June 2011	**1-3 months Shs'000**	**3-12 months Sh'000**	**Over 1 year Sh'000**	**Total Sh'000**
Assets:				
Due from subsidiary companies	24,550	-	-	24,550
Bank balances	487	-	-	487
Term deposits	249,500	-	-	249,500
Total financial assets	274,537	-	-	274,537

UNGA GROUP LIMITED

32 Financial Risk Management (continued)

Liquidity risk (continued)

Company (continued)

	1-3 months Shs'000	3-12 months Sh'000	Over 1 year Sh'000	Total Sh'000
Liabilities:				
Due to related company	118,597	-	-	118,597
Net liquidity gap	155,940	-	-	155,940
At 30 June 2010				
Total financial assets	181,099	-	-	181,099
Total financial liabilities	23,013	-	-	119,433
Net liquidity gap	158,086	-	-	158,086

The group has undrawn committed borrowing facilities amounting to Shs Nil (2010 – Shs 400,000,000). 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 parameters approved by the Board.

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 2011			
Assets			
Bank and cash balances	69,611	-	33,610
Liabilities			
Trade payables	84,861	-	-
Due to related companies	637,133	142,483	377
	721,994	142,483	377

32 Financial Risk Management (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

	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
	=======	======	======

At 30 June 2011, if the Shilling had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, the pre tax profit for the year and total capital would have been Shs 38,081,000 (2010: Shs 12,807,000) lower/higher, mainly as a result of imports and foreign denominated payables 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 2011, the group had short term and fixed deposits with a carrying amount of Shs 349,200,000 (2010: Shs 202,902,000). 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 1,268,136 (2010: Shs 2,182,500). 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 2011 and 30 June 2010, the group did not hold investments that would be subject to price risk; hence this risk is not relevant.

33 CAPITAL COMMITMENTS

	2011 Shs'000	2010 Shs'000
Commitments at the year end for which no provision has been made in these financial statements:		
Group		
Authorised but not contracted for	411,773	699,974
	=======	=======

UNGA GROUP LIMITED

34 CONTINGENT LIABILITIES

	2011 Shs'000	2010 Shs'000
Guarantees	83,680	56,610
	=======	========

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.

35 INCORPORATION

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

36 CURRENCY

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

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 Fourth Annual General meeting of the Company to be held on Tuesday, 6 December 2011 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)		
7		

As witness my/our hand this ____________________ day of ____________________ 2011

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 her 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

FOLD 1

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

FOLD 3

UNGA GROUP LIMITED