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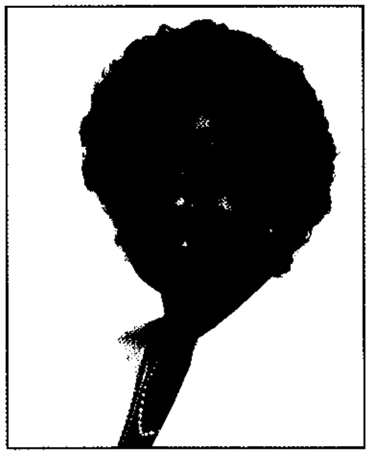
TOUCHING LIVES THROUGH QUALITY NUTRITION

At the heart of our business, lies the dedication in ensuring that everyone enjoys good nutrition. Unga Limited is proud to present a heritage of quality products.

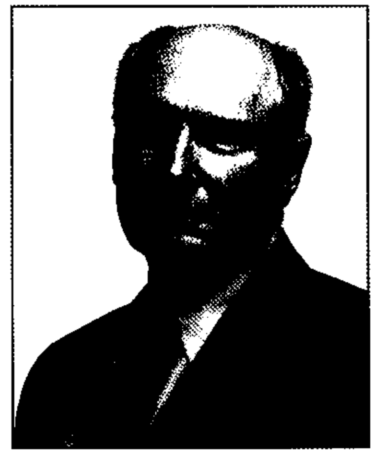
UNGA LIMITED
Your Nutritional Partner

Directors' Profiles



Mrs Isabella Ochola-Wilson
Non Exec (65)

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 business 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 and a member of the University Council, Technical University of Kenya.



Nicholas C. Hutchinson
Exec (58)

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. His other directorships include Kisima Farm Limited and Sunpower Products Limited.

Andrew S. Ndegwa
Non Exec (46)

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

Alan McKittrick
Non Exec (59)

Appointed to the Board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 19 years. He has other directorships and considerable experience of the manufacturing and production sectors in Eastern and Southern Africa, including the livestock industry. He was the Group's Managing Director between September 1998 and May 2003.

Directors' Profiles (continued)

Vitalis O. Ojode
Non Exec (69)

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 group directorships 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.

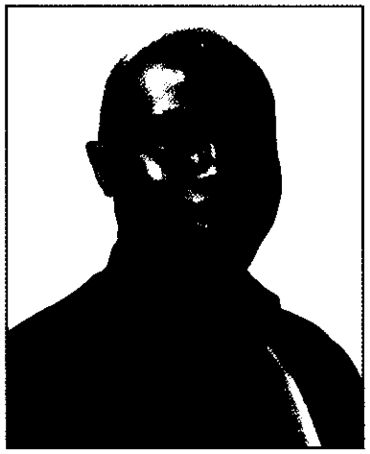
Mrs Mary Kimotho M'Mukindia
Non Exec (57)

Appointed to the Board in February 2013. She is a BCom (Hons) graduate of the University of Nairobi. Mary has over 34 years of business experience both in the public and private sector in the energy sector where she served at top positions in the oil industry both here and in the United Kingdom, finally serving as the Managing Director of National Oil Corporation of Kenya. She is a Management Consultant and has directorships in Jacaranda Holdings Limited and Kenya Revenue Authority.

Jinaro K. Kibet
Non Exec (50)

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.

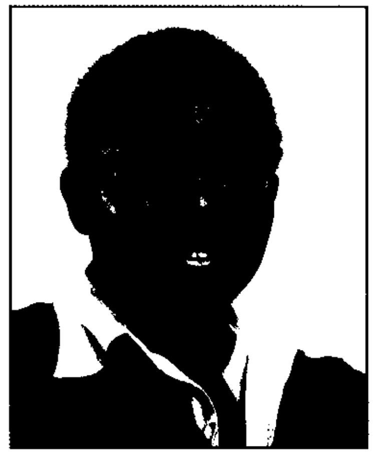
Directors' Profiles (continued)



Patrick O. Obath

Non- Exec (59)

Appointed to the Board in September 2013. He is a BSc (Hons) Mechanical Engineering graduate of the University of Nottingham and is a member of the Institution of Engineers, Kenya and the Energy Institute (UK). Mr Obath has more than 31 years business experience working for the Shell group of companies in Europe, Asia and Africa, finally serving as the CEO of Kenya Shell and Shell Tanzania. He has served on many boards, both private and public and is a director in Standard Chartered Bank Kenya Limited and Kenya Power & Lighting Company Limited, among others. He is currently the Managing Consultant in Eduardo & Associates.



Winniefred N Jumba

Company Secretary (42)

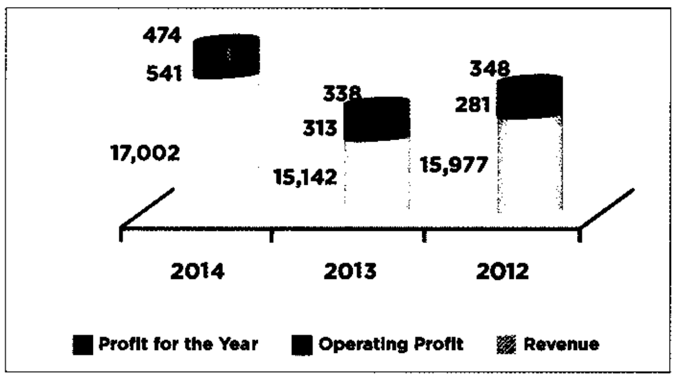
Appointed Company Secretary in 2011. She is a holder of a BCom degree and a Masters in Business Administration, both from the University of Nairobi. She is a Certified Public Secretary and a member of ICPSK, with over 15 years' experience in Company Secretarial and Registration Services.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Group's annual report and financial statements for the financial year ending 30th June 2014.

A good financial performance

It was another challenging year in our industry, but I am pleased to state that for us it was a successful one. **Turnover increased by 12.3%, and gross profit rose by 33%**, reflecting volume growth and processing improvements that were realised in the human nutrition sector. **Profit for the year increased by 40.3% to Shs 474 million** and **Earnings per share increased from Shs 2.59(restated) to Shs 3.65.**



In view of the good performance, the Board is pleased to recommend **a first and final dividend payment of Shs 0.75 per share.** This is subject to shareholder approval at the Annual General Meeting to be held on 2nd December 2014.

Transformation strategy

We are embarked on a major transformation, from seeing ourselves as a food and feeds provider to being a nutrition company - one offering products that support a healthy life. As a result the Group's vision has been reviewed to read ***"Nutrition for Life",*** reflecting our commitment to delivering high quality and high impact nutrition products for both animals and humans.

To support this vision, we have evolved a strategy built upon **Growth and Expansion.** This entails strengthening our human resource skills and competencies pool, continuing to modernise our production facilities, upgrading our IT platform and improving our end to end supply chain.

As was stated in my report last year, we are always looking for new opportunities through entering into **partnerships and acquisitions**, with a view to improving geographical coverage and expanding our product range. To this end, we have decided to re-enter the bakery business as a value-addition development, market a rice and pulses product range under the Amana® brand and expand our footprint in Tanzania through the introduction of our Fugo® line of animal feeds.

At the same time, where we feel this to be appropriate, we are ready to divest. To this end, the group decided to **sell its entire shareholding in Bulipak Limited**, a paper bag manufacturing company owned though its subsidiary, Unga Holdings Limited. This exercise was completed subsequent to the end of the financial year.

Apart from the introduction of value-add products, we are working to increase our margins by investing in our supply chain - through continuing to improve on our logistics, refurbishing our mills and developing modern route-to-consumer capability.

These initiatives call for a robust and responsive organisational structure, systems and processes. Going forward, the Group will increase its focus and investment in its management infrastructure and people.

Engage and develop our people

Unga's employees and its stakeholders will be called upon to live the core values by which we live to realise our vision. These remain as:

Self-Responsibility
Trust
Respect
Integrity
Innovation
Continual Improvement
Teamwork

Chairman's Statement (continued)

We expect to be **"STRIICT"** in practicing these values!

We have seen great benefits from applying the ***Hoshin Kanri*** principles of operational planning and performance management to achieve our results. *Hoshin Kanri* helps us to focus on and communicate shared goals, while holding participants accountable for achieving their set targets. In Japanese, *Hoshin* means "compass needle" or "direction", and *Kanri* means "management" or "control". We are in the third year of applying this approach that takes advantage of the collective thinking power of all employees to make the Group the best in our field. Our managers delegate as much (rather than as little) authority as possible, encouraging all employees to participate. Unga intends to do more to embed and deepen these principles throughout the organisation.

Corporate Social Responsibility

We remain highly aware of our responsibilities to the communities and environment in which we operate. Our CSR principles are guided by our policy to partner with these communities in assisting the needy and vulnerable, with emphasis on literacy and the girl child. Details of our activities during the year are to be found in the CSR report.

Outlook for next year

The Group remains alert to challenges such as adverse weather conditions; negative publicity; the fluctuating value of local currencies; and increasing competition. We will continue to improve our stockholding practices to minimise exchange losses and reduce cost; implement new route-to-consumer models so as to deepen our market reach; and launch new products to widen our market footprint. This will be supported by a strengthened senior management team.

Appreciating those who made it happen

Our successful year was made possible thanks to the drive of our dedicated team. I wish to appreciate my fellow directors for their commitment to our change initiatives. The new Board committees are functional and the Board has adopted a self-assessment process with the aim of further improving on our corporate governance. I also applaud the management and staff, whose diligence and professionalism have allowed us to achieve our good results.

Finally and not least, I must convey my appreciation to the shareholders for their continued interest in and support for the Group.

Isabella Ochola-Wilson
Chairman

Group Managing Director's Report

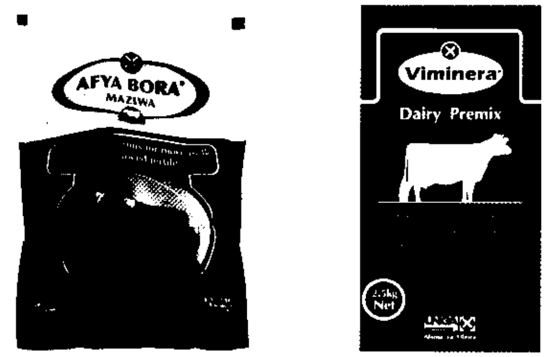
"Developing new markets"

In line with this year's theme of ***"Developing new markets"*** our flour volumes grew by 10.9%, while volumes in the animal nutrition and health sector increased by 9.8%. While the Uganda Shilling appreciated against the US Dollar, the Kenya Shilling continued to depreciate, resulting in aggregate unrealised foreign exchange losses of Shs 16 million.

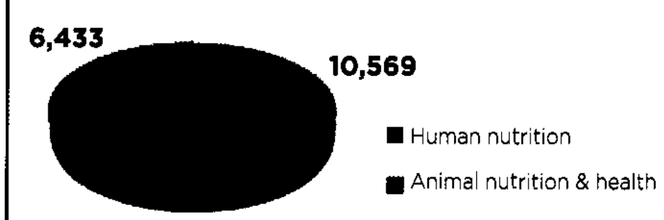
Our focus on **expanding and modernising our production facilities** continues unabated, so as to satisfy the market demand for our high quality products. Most importantly, the new state of the art wheat mill on Commercial Street (Nairobi) has allowed us to address the supply gaps that existed in the market and eased the pressure on the Eldoret mill.

All five of the Group's milling plants in Kenya received **ISO 22000-2005** certification during the year; in addition the central laboratory received **ISO 17025-2005** accreditation. These important achievements will ensure that we stay ahead of the competition in delivering safe, quality products to the market. It is for this reason that Unga remains the supplier of choice to international food service franchises in the region.

The Group introduced new and attractive packaging and pack designs for Afya Bora® minerals and Viminera® feed pre-mixes. It also introduced improved layer diets in Kenya and Fugo® feeds in Tanzania.



Segment turnover contribution 'M'



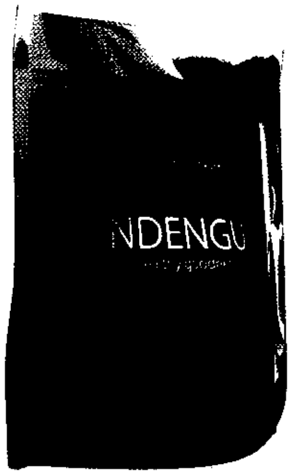
Human nutrition

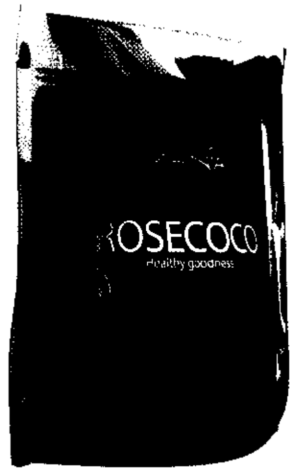
Maize prices remained relatively stable over the first three quarters of the year, but scarcity in the fourth quarter caused prices to increase significantly; this has since been eased by inflows from Tanzania. Imported wheat prices showed some volatility in the period, due to the late harvest in the Black Sea region and political instability in the Ukraine. There was a shortage of quality millet and maize throughout the year.

The volume growth in the segment was driven by increased consumer demand for both wheat and maize products and the company's ability to satisfy the wheat demand from production at the new mill, which positively impacted profit margins in the wheat division; margins in the maize division continued to be depressed by high grain prices.

During the year the Group introduced new and attractive minimalist pack designs for the Exe® and Hostess® brands and also launched the Amana® range of pulses in Kenya.

Group Managing Director's Report (continued)





A new route-to-consumer model will be introduced in the new financial year to sustain leadership in the modern trade channel.

Animal nutrition and health

While the increase in revenue is attributable to volume growth, that in gross profit resulted from both volume growth and enhanced margins realised from processing efficiencies.

On the other hand the profit before taxation declined compared to that in the prior year, as a result of the implementation of programmes aimed at protecting market share and increasing awareness of the key Almatix®, Levoxy® and Afya Bora® brands.

The route-to-consumer model will be enhanced by introducing sales depots on a targeted basis in the new financial year.

Packaging

Volume was up by comparison to the previous year. Trading conditions were favourable, helped by increased market demand. The increase in profit before tax was driven by volume growth, coupled with improved margins realised from reduced raw material cost and production efficiencies.

Developing our people

Competency Assessments were carried out for both management and supervisory levels; the results are to be used in building our people's skills and competencies and in planning their career progression. The exercise is already helping us to better identify those with the potential to assume positions of increased management responsibility.

Our philosophy of how we relate to our workforce is guided by our ***Hoshin Kanri* principles,** and the company's *Hoshin Kanri* goals are developed with the purpose of enhancing individual and team performance. Using gap analysis methodology, we are rigorously asking the repeated **"Why?"** as we analyse and solve problems, and work to improve on our management process.

During the year, a significant proportion of our employees participated in an employee engagement survey conducted by Deloitte, and I am proud to say that the Group received a **"Best company to work for"** award.

We believe that our continual improvement focus, supported by *Hoshin Kanri* is positively impacting employee engagement, resulting in an improved ability to attract and retain quality people, a key element in delivering our vision and strategy.

Outlook for next year

The resumption of maize imports from Tanzania is likely to ensure adequate supplies and stable prices; local wheat prices are likely to be high as a consequence of reduced availability attributable to less than optimum weather conditions. Meanwhile, the continuing political instability in Ukraine is expected to affect the supply of imported wheat, thereby keeping prices high.

Prices of other imported raw materials such as Euro Soya are expected to remain high; the dwindling sources of non GMO soya in the global market is not helping the situation. It is reassuring however to note that the Group is working on plans to expand storage facilities so as to allow us to hold adequate stock at a reduced cost.

The stronger we get the more ambitious we become

The Group will continue to focus on improved forward planning in order to procure raw materials at favourable prices wherever possible. We will also be pursuing further production efficiencies, driven by additional facility upgrades and our continual improvement programmes.

In the longer term, the Group will continue to evaluate and undertake strategic investments designed to enhance shareholder value.

I wish to express my personal appreciation to the board, the management team and the staff, who have positively embraced the whole discipline of *Hoshin Kanri* and worked tirelessly to achieve the good results of the year.

Nick Hutchinson
Group Managing Director

Corporate Governance

Committed to the highest standard of corporate governance, Unga Group complies fully with all requirements of a publicly listed company, including clarity of financial reporting and shareholder accountability. Our policy is to set best practice standards in product and service quality, combined with fair conduct towards our employees, suppliers and customers.

Recognising its responsibilities of good citizenship in national and international communities, Unga Group particularly concentrates on issues of social welfare, environmental care and principles of integrity.

Composition of the Board

The Board consists of the Chairman, who is independent and has no executive responsibilities, one executive and six non-executive directors. More than one third of the directors are both independent and non-executive; one third retires by rotation each year but is eligible for re-election.

Collectively, the directors possess a broad range of leading edge skills and competencies, covering the areas of legal, finance, banking, operations and management. The directors' profiles appear on pages 3 to 5 of this Annual Report.

Role of the Board

The responsibility of the Board is to hold the Group's long-term vision, set broad goals, plans and organisational policies to uphold it, and offer guidance on strategic decisions and actions of management. It ensures compliance with auditing and accounting standards, and is also tasked with the management of risk, through overseeing the implementation of adequate control systems.

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 clearly defined 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 Unga Group Board has four scheduled meetings per year and stands ready for additional meetings on any specific or urgent matters. In the period under review, it met five times.

Board Committees

Under its mandate to establish appropriate committees for technical or other specialised issues, the Board set up two new committees and reconstituted the membership of existing ones. These are listed below:

Audit and Risk Committee

The Audit and Risk Committee has the primary function to assist the Board in fulfilling its oversight responsibilities for the integrity of the Group's financial statements, compliance with legal and regulatory requirements, corporate governance, risk management and performance of the internal audit function and that of the independent auditors.

The committee consists of four members, all of whom are independent non- executive directors. It was chaired by Mrs Mary M'Mukindia. The other members were Mr Jinaro Kibet, Mr Andrew Ndegwa and Mr Vitalis Ojode.

It met six times during the year to review internal risk assessments and statutory compliance requirements and to recommend new external auditors and the internal audit policy for approval by the Board.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee has the mandates to review succession planning within the Board, identify and nominate for the approval of the Board, suitable candidates to fill Board vacancies, as and when they arise. In addition, it reviews and approves the remuneration for the non-executive directors.

It is currently composed of Mr Jinaro Kibet (Chairman), Mr Andrew Ndegwa, Mr. Patrick Obath and Mrs Isabella Ochola-Wilson, who are independent non-executive directors.

It did not meet during the year.

Investment and Operations Committee

The role of the Investment and Operations Committee is to assist and advise the Board on matters relating to Investment, occupational health and safety, technical

Corporate Governance (continued)

operational matters and the status of major capital works projects approved by the Board.

The members who served during the year were: Mr Patrick Obath (Chairman), Mr Andrew Ndegwa and Mr Alan McKittrick.

It met once during the year.

Human Resources Committee

Its responsibility is to review and monitor the Company's Human Resources Management strategy to determine whether the Human Resource plans and initiatives will enable the Company to achieve its strategic objectives; review and when appropriate, recommend to the Board the Company's Human Resources policies.

It is also responsible for the evaluation of management performance and making recommendations to the Board regarding incentive-compensation plans.

It is currently composed of Mr Alan McKittrick (Chairman), Mrs Mary M'Mukindia and Mrs Isabella Ochola-Wilson.

It did not meet during the year under review.

The compensation for the financial year ended 30th June 2014 is disclosed in Note 32 of the financial statements.

Communication

The Board receives management reports in advance of all scheduled meetings and as necessary at other times. It 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' Interests

The interest of the Directors in the shares of the Company as at 30th June 2014 was as follows:

Name	Shares
Alan McKittrick	13,472

There were no material contracts involving directors' interests during the year.

The ten largest shareholdings in the company and the respective number of shares at 30th June 2014 are as follows:

Name	No of Shares	%
1. Victus Limited	38,557,190	50.93
2. Moses Thara	3,808,117	5.03
3. Rakesh Prakash Gadani	3,178,580	4.20
4. CfC Stanbic Nominees Ltd. A/c R 48701	2,210,400	2.92
5. Standard Chartered(K) Nominees Ltd A/c KE 20510	1,877,700	2.48
6. Alimohamed Adam	1,047,342	1.38
7. Savitaben Velji Raichand Shah	745,677	0.98
8. Shah Premchand Devchand Fulchand	697,600	0.92
9. Investments & Mortgages Nominees Ltd A/c 028950	345,120	0.46
10. Mohamed Aslam Alimohamed Adam	226,886	0.30
Total number of shares	**52,694,612**	**69.60**

Corporate Governance (continued)

Distribution of the shareholders

(a) By number of shares range

Range	Shareholders	Shares	%
1-500 shares	3,927	695,537	0.92
501-5,000	2,988	5,297,261	7.00
5,001-10,000	498	3,443,921	4.55
10,001-100,000	405	9,702,834	12.81
100,001-1,000,000	32	5,888,104	7.78
1,000,001 and above	6	50,679,329	66.94
Total	**7,856**	**75,706,986**	**100.00**

(b) By category of shareholders

Domicile	Shareholders	Shares	%
Foreign companies	7	1,890,360	2.50
Foreign individuals	250	1,964,258	2.59
Local companies	267	43,201,062	57.06
Local individuals	7,570	28,651,306	37.85
Total	**8,094**	**75,706,986**	**100.00**

I Ochola-Wilson (Mrs)
Director

N Hutchinson
Director

Corporate Social Responsibility

The Unga Group partners with the communities in which we operate to assist their needy and vulnerable members. We do this through our philosophy of **"Connecting to Grow"**, which we express in our acronym **UNITEe** (**UN**gan**I**sha **T**uku**E**). In other words not only do we connect with our communities, but also with one another.

We always expect that the projects we undertake be economically viable, which helps to deepen the Group's ties with the communities involved. In addition to their economic sustainability, the projects must be chosen by the beneficiaries and owned by them, and they must be run by them.

The Group provides the initial seed capital from a specific CSR fund; our staff offer expertise; and the community owners manage the project. The surplus cash generated goes to help needy students, where our emphasis continues to be on girl child literacy.

Trinity College, Kampala

The new project initiated during the year was at Trinity College Nabbingo, Kampala, a girls' institution with a population of 1,010 students, of whom a hundred are either orphaned or other needy girls.

Employees of Unga Millers (U) Limited partnered with the school to start a bakery so as to avoid having to buy bread; proceeds from the surplus production sponsor needy students.

As with the Group's other projects, the students are taken through the 6K principles of Kuchagua, Kupanga, Kusafisha, Kusanifisha, Kudumisha and Kusitirisha. (these Swahili 6Ks are derived from the English 6Ss: Sort, Set, Shine, Standardise, Sustain and Safety). They are also exposed to hygiene and communicable diseases awareness training.

Dough preparation

Bakery unit handing over to the Principal

Corporate Social Responsibility (continued)

Wareng High School, Eldoret

This is an ongoing bakery project, and in the year under review a permanent structure to house the bakery was constructed.

Other CSR projects include the pig husbandry initiative at Baraka Oontoyie Secondary School in Kajiado County; the bakery projects at Muthurwa Girls High School, Kiambu, and Our Lady of Mercy Girls High School, Nairobi; and a dairy project at Nakuru Girls School.

The temporary structure for the bakery

The permanent structure put up by the employees

Five Year Financial Review (Summary)

	2010 Shs'000	2011 Shs'000	2012 Shs'000	2013 Shs'000	[redacted]
Consolidated statement of comprehensive income					
Revenue	11,524,454	13,214,442	15,976,763	15,142,017	
Operating profit	358,848	741,512	280,645	313,284	
Profit before income tax	335,101	631,070	512,569	389,458	
Income tax expense	(98,928)	(190,027)	(164,374)	(124,685)	
Profit for the Year	236,173	441,043	348,195	338,196	
Earnings Per Share- basic & diluted	Shs 1.81	Shs 3.57	Shs 2.81	Shs 2.59	
Consolidated statement of financial position					
Assets					
Non-current assets	1,644,583	1,622,280	1,754,938	2,272,647	
Current assets	3,415,909	4,082,689	4,640,963	5,820,205	
Assets of disposal group classified as held for sale	3,928	3,928	3,928	15,527	
Total Assets	5,064,420	5,708,897	6,399,829	8,108,379	
EQUITY AND LIABILITIES					
Share Capital	378,535	378,535	378,535	378,535	
Reserves	1,921,234	2,152,100	2,283,365	2,440,145	
Equity attributable to equity holders of the parent	2,299,769	2,530,635	2,661,900	2,818,680	
Non controlling interests	1,064,934	1,214,316	1,305,988	1,472,621	
Total Equity	3,364,703	3,744,951	3,967,888	4,291,301	
Non current liabilities	355,354	345,150	463,988	650,214	
Current liabilities	1,344,363	1,618,796	1,967,953	3,166,864	
Liabilities of disposal group classified as held for sale					
	1,699,717	1,963,946	2,431,941	3,817,078	
Total equity and liabilities	**5,064,420**	**5,708,897**	**6,399,829**	**8,108,379**	

Corporate Information

DIRECTORS:	I Ochola-Wilson (Mrs)	-	Chairman
	N C Hutchinson*	-	Group Managing Director
	A McKittrick		
	A S M Ndegwa	-	(Alternate - J P M Ndegwa)
	V O Ojode		
	J K Kibet		
	M K M'Mukindia (Mrs)		
	P O Obath		
	*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
Tel: +254(020)3933000

REGISTRARS:

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

AUDITORS:

PricewaterhouseCoopers
Certified Public Accountants (Kenya)
PwC Tower, Waiyaki Way/ Chiromo Road, Westlands
P O Box 43963, 00100
Nairobi

BANKERS:

Barclays Bank of Kenya Limited
The West End, Waiyaki Way
P O Box 30120, 00100
Nairobi

ADVOCATES:

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

Report of the Directors

DIRECTORS' REPORT

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

PRINCIPAL 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.

RESULTS AND DIVIDEND

The Group's profit for the year was Shs 474,494,000 (2013: Shs 338,196,000). The profit attributable to equity holders of Shs 276,040,000 (2013: Shs 195,983,000) has been added to retained earnings. The directors recommend payment of a first and final dividend of Shs. 0.75 (2013: Shs 0.75) per share amounting to Shs 56,780,240 (2013: Shs 56,780,240) in respect of the financial year. The dividend is subject to approval by the shareholders at the next Annual General Meeting.

	[redacted]	2013 Shs'000
Profit for the year		338,196
Attributable to:		
Equity holders of the parent		195,983
Non - controlling interests		142,213
		338,196

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 17. Mrs. Isabella Ochola - Wilson and Mr. Andrew S.M. Ndegwa retire in accordance with Articles 88 and 89 of the Company's Articles of Association and being eligible, offer themselves for re-election.

AUDITOR

The Company's auditor, PricewaterhouseCoopers, was appointed in the year and continues in office in accordance with Section 159(2) of the Companies Act.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 September 2014.

By order of the Board

Winniefred N Jumba
SECRETARY
25 September 2014

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 as at the end of the financial year and of its profit or loss for that year. It is also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

(ii) Selecting and applying appropriate accounting policies;

(iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2014 and of the Group financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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

Approved by the board of directors on 25 September 2014 and signed on its behalf by:

I Ochola-Wilson (Mrs)
Director

N Hutchinson
Director

25 September 2014

Independent Auditors' Report to the members of Unga Group Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Unga Group Limited (the "Company") and its subsidiaries (together, the "Group"), set out on pages 21 to 61. These financial statements comprise the consolidated statement of financial position at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone at 30 June 2014 and the statement of changes in equity of the Company 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 with the requirements of the Companies Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 30 June 2014 and of the financial performance and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and 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 and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Michael Mugasa- P/No 1478.

PricewaterhouseCoopers.

Certified Public Accountants
Nairobi.

25 September 2014

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Consolidated Statement of Comprehensive Income
Year ended 30th June 2014

	Notes	[redacted]	2013 (Restated) Shs'000
Revenue	5	[redacted]	15,142,017
Cost of sales		[redacted]	(13,888,100)
Gross profit		[redacted]	**1,253,917**
Other income	8	[redacted]	101,462
Distribution costs		[redacted]	(351,316)
Administrative expenses		[redacted]	(589,317)
Other operating expenses		[redacted]	(16,338)
Finance costs	10	[redacted]	(8,950)
Profit before income tax		[redacted]	**389,458**
Income tax expense	13	[redacted]	(124,685)
Profit for the year from continuing operations		[redacted]	264,773
Profit for the year from discontinuing operations	28	[redacted]	73,423
Profit for the year		[redacted]	**338,196**
Attributable to;		[redacted]	
Owners of the parent		[redacted]	195,983
Non-controlling interests	15	[redacted]	142,213
		[redacted]	338,196
Earnings per share attributable to owners of the parent during the year (expressed in Kenya shilling).		[redacted]	
Basic and diluted earnings per share		[redacted]	
From continuing operations		[redacted]	1.83
From discontinuing operations		[redacted]	0.76
Basic and diluted earnings per share	6	[redacted]	2.59
Profit for the year		[redacted]	338,196
Other comprehensive income for the year		[redacted]	
Items that will not be subsequently reclassified to profit or loss		[redacted]	
Revaluation surplus		[redacted]	317,907
Deferred income tax thereon		[redacted]	(95,371)
Retirement benefit scheme asset re-measurement	26	[redacted]	(22,709)
Deferred income tax thereon		[redacted]	6,813
Other comprehensive income arising from discontinuing operations	28	[redacted]	39,525
Items that may be subsequently reclassified to profit or loss		[redacted]	
Currency translation differences on foreign operations		[redacted]	(21,162)
		[redacted]	225,003
Total comprehensive income for the year		[redacted]	563,199
Attributable to;		[redacted]	
Owners of the parent		[redacted]	326,485
Non-controlling interest		[redacted]	236,714
		[redacted]	563,199

Consolidated Statement of Financial Position
At 30th June

	Notes	[redacted]	2013 (Restated) Shs'000	2012 (Restated) Shs'000
Assets				
Non-current assets				
Property, plant and equipment	22		2,209,074	1,633,333
Prepaid operating lease rentals	23		35,688	37,813
Intangible asset	24		8,794	5,672
Retirement benefits asset	26		16,052	34,570
Deferred income tax	18		3,039	43,550
			2,272,647	1,754,938
Current assets				
Inventories	19		3,172,479	2,115,489
Trade and other receivables	20		1,999,052	1,748,593
Current income tax			29,598	132,290
Cash and cash equivalent	27(b)		619,076	644,591
			5,820,205	4,640,963
Assets of disposal groups classified as held-for-sale	28		15,527	3,928
Total assets			8,108,379	6,399,829
Equity and liabilities				
Share capital	14		378,535	378,535
Share premium			73,148	73,148
Revaluation reserve			797,335	670,898
Translation reserve			(15,729)	(5,221)
Other reserve			(10,332)	-
Retained earnings			1,595,723	1,544,540
			2,818,680	2,661,900
Non -controlling interests	15		1,472,621	1,305,988
Total equity			4,291,301	3,967,888
Liabilities				
Non-current liabilities				
Post-employment benefit obligation	17		69,112	64,741
Deferred income tax	18		431,738	399,247
Borrowings	16		149,364	-
			650,214	463,988
Current liabilities				
Trade and other payables	21		3,079,018	1,957,498
Current income tax			73,882	10,455
Borrowings	16		13,964	-
			3,166,864	1,967,953
Liabilities of disposal group classified as held-for-sale	28		-	-
Total liabilities			3,817,078	2,431,941
Total equity and liabilities			8,108,379	6,399,829

The financial statements on pages 21 to 61 were approved for issue by the board of directors on 25 September 2014 and signed on its behalf by:

I Ochola-Wilson (Mrs)
Director

N Hutchinson
Director

Company Statement of Financial Position
At 30th June

	Notes	[redacted]	2013 Shs'000
ASSETS			
Non-current assets			
Investments in subsidiaries	25		1,297,335
Deferred income tax	18		1,251
Total non-current assets			1,298,586
Current assets			
Trade and other receivables	20		69,088
Current income tax			10,773
Cash and cash equivalent	27(b)		221,538
Total current assets			301,399
TOTAL ASSETS			1,599,985
EQUITY AND LIABILITES			
Capital and reserves			
Ordinary shares	14		378,535
Share premium			73,148
Retained earnings			992,495
Total equity			1,444,178
Current liabilities			
Trade and other payables	21		155,807
Total current liabilities			155,807
TOTAL EQUITY AND LIABILITIES			1,599,985

The financial statements on pages 21 to 61 were approved for issue by the board of directors on 25 Septmber 2014 and signed on its behalf by:

I Ochola-Wilson (Mrs)
Director

N Hutchinson
Director

Consolidated Statement of Changes in Equity

	Share capital Shs '000	Share premium Shs '000	Revaluation surplus Shs '000	Translation reserve Shs '000	Other reserve Shs '000	Retained earnings Shs '000	Equity attributable to equity holders Shs '000	Non-controlling interests Shs '000	Total Shs '000
Year ended 30 June 2013									
At start of year									
- as previously stated	378,535	73,148	670,898	(5,221)	-	1,558,405	2,675,765	1,313,453	3,989,218
- prior year adjustment (Note 31)	-	-	-	-	-	(13,865)	(13,865)	(7,465)	(21,330)
- as restated	378,535	73,148	670,898	(5,221)	-	1,544,540	2,661,900	1,305,988	3,967,888
Profit for the year	-	-	-	-	-	195,983	195,983	142,213	338,196
Other comprehensive income for the year	-	-	151,342	(10,508)	(10,332)	-	130,502	94,501	225,003
Total comprehensive income for the year	-	-	151,342	(10,508)	(10,332)	195,983	326,485	236,714	563,199
Transfer of excess depreciation	-	-	(35,578)	-	-	35,578	-	-	-
Deferred income tax on transfer	-	-	10,673	-	-	(10,673)	-	-	-
Transactions with owners									
Dividend paid to shareholders	-	-	-	-	-	(56,780)	(56,780)	-	(56,780)
Dividend paid to non - controlling interests	-	-	-	-	-	-	-	(52,134)	(52,134)
Acquisition of Non-controlling interest (note15)	-	-	-	-	-	(112,925)	(112,925)	(17,947)	(130,872)
At end year	378,535	73,148	797,335	(15,729)	(10,332)	1,595,723	2,818,680	1,472,621	4,291,301
Year ended 30 June 2014									
At start of year									
-as previously stated	378,535	73,148	797,335	(15,729)	-	1,723,590	2,956,879	1,547,036	4,503,915
-prior year adjustment (Note 31)	-	-	-	-	(10,332)	(127,868)	(138,200)	(74,414)	(212,614)
-as restated	378,535	73,148	797,335	(15,729)	(10,332)	1,595,722	2,818,679	1,472,622	4,291,301
Profit for the year	-	-	-	-	-	276,040	276,040	198,454	474,494
Other comprehensive income for the year	-	-	-	1,971	13,625	-	15,596	7,906	23,502
Total comprehensive income for the year	-	-	-	1,971	13,625	276,040	291,636	206,360	497,996
Transfer of excess depreciation	-	-	(36,998)	-	-	36,998	-	-	-
Deferred income tax on transfer	-	-	11,048	-	-	(11,048)	-	-	-
Transactions with owners									
Dividend paid to shareholders	-	-	-	-	-	(56,780)	(56,780)	-	(56,780)
Dividend paid to non - controlling interests	-	-	-	-	-	-	-	(45,274)	(45,274)
At end of year	378,535	73,148	771,385	(13,758)	3,293	1,840,932	3,053,535	1,633,708	4,687,243

Other reserves relates to remeasurement of the retirement benefit obligation asset.

UNGA GROUP LIMITED

Company Statement of Changes in Equity

	Share capital Shs'000	Share premium Shs'000	Revenue reserve Shs'000	Total Shs'000
Year ended 30 June 2013				
At start of year	378,535	73,148	997,132	**1,448,815**
Profit for the year	-	-	52,143	**52,143**
Other comprehensive income	-	-	-	**-**
Total comprehensive income	-	-	52,143	**52,143**
Transactions with owners				
Dividends paid to shareholders - 2012	-	-	(56,780)	**(56,780)**
At end of year	378,535	73,148	992,495	**1,444,178**
Year ended 30 June 2014				
At start of year	378,535	73,148	992,495	**1,444,178**
Profit for the year	-	-	51,126	**51,126**
Other comprehensive income	-			-
Total comprehensive income	-	-	51,126	**51,126**
Transactions with owners				
Dividends paid	-	-	(56,780)	**(56,780)**
At end of year	378,535	73,148	986,841	**1,438,524**

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2014

	Notes	[redacted]	2013 Shs'000 Restated
Operating activities			
Cash generated from operations	27(a)	[redacted]	435,161
Income tax paid		[redacted]	(19,414)
Net cash from operating activities		[redacted]	415,747
Investing activities			
Purchase of property, plant and equipment	22	[redacted]	(354,218)
Purchase of intangible assets	24	[redacted]	(6,650)
Proceeds of disposal of property, plant and equipment	8	[redacted]	1,427
Proceeds of uplift/(investment) in term deposit		[redacted]	280,000
Net cash used in investing activities		[redacted]	(79,441)
Financing activities			
Dividends paid to shareholders	7	[redacted]	(56,780)
Dividends paid to non - controlling interests	15	[redacted]	(52,134)
Proceeds from loans	16	[redacted]	163,328
Acquisition of non-controlling interests	15	[redacted]	(130,872)
Net cash from financing activities		[redacted]	(76,458)
Net increase in cash and cash equivalents		[redacted]	**259,848**
Movement in cash and cash equivalents			
At start of year		[redacted]	364,591
Increase		[redacted]	259,848
Effects of exchange rate changes		[redacted]	(5,363)
At end of year		[redacted]	619,076
Cash and cash equivalent from discontinuing operations		[redacted]	119,892
Cash and cash equivalent from continuing operations	27(b)	[redacted]	499,184
At end of year		[redacted]	619,076

Notes

1 General information

Unga Group Limited is incorporated in Kenya under the Companies Act as a limited liability company, and is domiciled in Kenya. The address of its registered office is:

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

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for equipment and buildings, which have been measured at fair value. All values are shown in thousands of Kenya Shillings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 July 2013. Where applicable, the effects of the adoption of these standards have been disclosed in the notes to the financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. This standard had no effect to the group and company financial statements.

IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard had no effect to the group and company financial statements.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard had no effect to the group and company financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. This amendment does not have a material impact.

IAS 19, 'Employee benefits' was amended in June 2011. The amendments to IAS 19 effective for periods starting on or after 1 January 2013 have been applied by the Group for the first time. The revised standard requires that all actuarial gains and losses arising in any given year be recognised immediately in Other Comprehensive Income. Previously actuarial gains and losses outside the 10% corridor were deferred and amortised over the expected working life of employees. Additional disclosures have been made in the financial statements in accordance with the revised standard in note 26 to the financial statements. The retrospective effect of the standard has been incorporated on the financial statements, including the inclusion of a third column in the statement of financial position relating

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

to the restated position at 30 June 2012 and 30 June 2013, in accordance with IFRS requirements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the company until 1 January 2014, however the company has decided to early adopt the amendment as of 1 July 2013. This amendment does not have a material impact.

(ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company and the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities (issued in December 2011) - The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. They are effective for annual periods beginning on or after 1 January 2014, with retrospective application.

Amendments to IAS 36 titled Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013) - The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. They are effective for annual periods beginning on or after 1 January 2014.

Amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013) - The amendments permit the continuation of hedge accounting in a situation where the counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met. They are effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 titled Investment Entities (issued in October 2012) - The amendments define "investment entities" and provide them an exemption from the consolidation of subsidiaries; instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 / IAS 39 (the exception does not apply to subsidiaries that provide services relating to the investment entity's investment activities). An investment entity is required to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements, and additional disclosures are introduced. The amendments are effective for annual periods beginning on or after 1 January 2014, retrospectively with some transitional

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations that are not yet effective and have not been early adopted (continued)

provisions. The Directors do not anticipate any effect on the Group's financial statements.

IFRIC 21 Levies (issued in May 2013) - The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold. The interpretation is effective for annual periods beginning on or after 1 January 2014. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets

Investments in subsidiaries are accounted for at cost less impairment in parent company financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred over the amount in the acquiree and the acquisition-date fair value over any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of

UNGA GROUP LIMITED

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(ii) Transactions and non-controlling interests (continued)

subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.
Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value profit or loss in profit or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary 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 at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to statement of other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Sales of goods are recognised in the period in which the Group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

No element of financing is deemed present

UNGA GROUP LIMITED

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Group does not operate any loyalty programmes.

(ii) Interest income is recognised on a time proportion basis using the effective interest method Interest income is recognised using the effective interest rate method.

(iii) Dividends are recognised as income in the period in which the right to receive payment is established.

(e) 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 at least every five years.

The basis of valuation is as follows:
(a) 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 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:

Leasehold buildings	Shorter of 40 year or over the lease period
Computer equipment	33.30%
Plant and machinery	5 - 7.5%
Furniture and fittings	12.50%
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

(f) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation or amortisation but are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its assets at initial recognition and re-evaluates such designation at every reporting date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

i) Classification

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Group's loans and receivables comprise 'receivables and prepayments', 'non-current receivables and prepayments' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

a) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

b) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

c) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial

Notes (continued)

2 Summary of significant accounting policies (continued)

(h) Financial assets (continued)

recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio;
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to under 'assets carried at amortised cost' above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(i) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Notes (continued)

2 Summary of significant accounting policies (continued)

(i) Accounting for leases (continued)

The Group leases certain property, vehicles and equipment. Leases of property, vehicles and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, vehicles and equipment acquired under finance leases are depreciated over the shorter of the assets useful life and the lease term.

(j) 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 of production hence the cost is determined using standard costs that approximate actual. 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.

(k) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

(l) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(o) Employee benefits

(i) Retirement benefit scheme assets

The Group operates defined benefit retirement benefit schemes for its employees. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

costs are recognised immediately in income. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees.

The Group and all its employees also contribute to the appropriate National Social Security Funds, which is a defined contribution schemes.

(ii) Other post-employment obligations

The group operates an unfunded service gratuity benefit scheme for unionisable employees based on basic salary and years of service. The obligation under the scheme is recognised based on actuarial valuation. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled or asset realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(r) Dividend distribution

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.

(s) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Notes (continued)

2 Summary of significant accounting policies (continued)

(s) Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

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.

4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including liquidity risk, credit risk, the effects of changes in debt and equity market 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.

Financial risk management is carried out by the finance department under guidance of the Board of Directors.

Market risk

(i) 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 i impact of interest rate changes.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk which is partially offset by cash held at variable rates. The Company regularly monitors financing options available to ensure optimum interest rates are obtained.

At 30 June 2014, an increase/decrease of 10% in interest rates would have resulted in a decrease/increase in post-tax profit of Shs 37,009,000 (2013: Shs 27,920,000).

(ii) Price risk

Price risk arises from fluctuations in the prices of equity investments. At 30 June 2014 and 30 June 2013, the group did not hold investments that would be subject to price risk; hence this risk is not relevant.

(iii) Foreign exchange

Group

The Group undertakes certain transactions denominated in foreign currencies and is therefore exposed to foreign exchange risk primarily with respect to the Euro and the US dollar. Exchange rate exposures are managed within approved policy parameters.

At 30 June 2014, if the Kenyan Shilling had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year and equity would have been Shs 17,956,267 (2013: Shs14,586,000) higher/lower.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Group (continued)

At 30 June 2014, if the Kenyan Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been Shs 75,167,530 (2013: Shs109,247,500) higher/lower.

Company

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

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 is the carrying value of its financial assets in the statement of financial position adjusted for the following:

Group	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
At 30 June 2014				
Trade receivables	1,465,844	-	214,608	1,680,452
Bank balances	548,223	-	-	548,223
Call deposits	298,067	-	-	298,067
Other receivables	108,760	-	-	108,760
	2,420,894	-	214,608	2,635,502
Group				
As at 30 June 2013				
Trade receivables	1,065,851	25,277	195,324	1,286,452
Bank balance	398,960	-	-	398,960
Call deposit	219,511	-	-	219,511
Other receivables	83,067			83,067
	1,767,389	25,277	195,324	1,987,990
Company				
At 30 June 2014				
Other receivables	24,912	-	-	24,912
Bank balance	1,307	-	-	1,307
Call deposits	237,000	-	-	237,000
	263,219	-	-	263,219
As at 30 June 2013				
Other receivables	69,088	-	-	69,088
Bank balance	2,027	-	-	2,027
Call deposits	219,511	-	-	219,511
	290,626	-	-	290,626

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

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 40,089,131 (2013: Shs 36,289,131) and bank guarantees amounting to Shs 428,450,000 (2013: Shs 544,750,000) are held as collateral for trade receivables.

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

In determining the recoverability of a trade receivable, the Group 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.

Concentration risk

The concentration risk relates to exposure on sales that the company faces on dealing with its key customers. This analysed as follows: One customer (Kenchic) accounts for 10% of the revenue of the group (2013 - 10%). This customer has a high credit rating. All other sales are to a wide unrelated customer base.

	[redacted]	%	2013 Shs'000	%
Kenchic Limited		10%	1,525,329	10%
Others		90%	13,616,688	90%
		100%	15,142,017	100%

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

Group	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
At 30 June 2014:				
Liabilities:				
Trade payables	505,902	-	-	505,902
Due to related companies	849,065	-	-	849,065
Borrowings	27,437	82,313	562,380	672,130
Other payables	429,604	-	-	429,604
	1,812,008	82,313	562,380	2,456,701
At 30 June 2013:				
Liabilities:				
Trade payables	586,660	-	-	586,660
Due to group companies	1,743,768	-	-	1,743,768
Borrowings	3,491	10,473	155,897	169,861
Other payables	727,108	-	-	727,108
	3,061,027	10,473	155,897	3,227,397

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group has undrawn committed borrowing facilities amounting to Shs 380,000,000 and USD 5,600,908 (2013 - Shs 100,000,000). 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.

	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
Company				
At June 2014				
Liabilities:				
Other payables	-	21,818	-	21,818
Due to related companies	104,990	-	-	104,990
	104,990	21,818	-	126,808
At June 2013				
Liabilities:				
Other payables	12,142	-	-	12,142
Due to related companies	143,665	-	-	143,665
	155,807	-	-	155,807

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

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 (including 'current and non-current borrowings') less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The constitution of capital managed by the group is as follows:

	[redacted]	2013 Shs'000
Equity		4,291,301
Borrowings (Note 16)		163,328
Less: cash equivalents (Note 27(b))		(619,076)
Net debt		(455,748)
Gearing ratio		0%

Notes (continued)

5 Revenue

		2013 Shs'000
Analysis of sales by category:	[redacted]	
Human nutrition		9,524,057
Animal nutrition		5,363,585
Animal health products		254,375
		15,142,017

6 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.

		2013
Profit for the year attributable to shareholders (Shs '000')	[redacted]	195,983
Weighted average number of ordinary shares ('000')		75,707
Basic earnings per share		2.59

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

7 Dividends

In respect of the current financial year, the directors propose a first and final dividend of Shs 0.75 (2013: Shs 0.75) per ordinary share amounting to Shs 56,780,240 (2013: Shs 56,780,240). The proposed dividend is subject to approval by shareholders at the next Annual General Meeting and has not been included as a liability in these financial statements. Payment of dividend 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%.

8 Other income

		2013 Shs'000
Analysis of sales by category:	[redacted]	
Sale of packing material		13,291
Gain on disposal		1,427
Interest income		28,736
Sundry income		58,008
		101,462

Notes (continued)

9 Segmental Reporting

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 human nutrition and animal nutrition and health. Management 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: human nutrition and animal nutrition and health. The human nutrition 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.

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

Year ended 30 June 2014	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Consolidation Shs'000
Continuing operations					
Revenue from external customers	10,705,934	6,608,285	-	(311,917)	17,002,302
Inter-segment revenues	521,231	53,729	-	(574,960)	-
Interest income	7,081	5,422	17,002	-	29,505
Other income	29,244	3,725	6,268	-	39,237
Interest expense	30,380	(4,377)	-	-	26,003
Depreciation and amortisation	111,212	42,913	-	(474)	153,651
Reportable segmental profit	237,041	338,971	110,632	(118,909)	567,735
Other material non-cash items:					
Reportable segment assets	5,062,399	2,277,605	415,510	(235,389)	7,520,125
Expenditures for reportable Segment non-current assets	496,373	19,907	-	705	516,985
Reportable segmental liabilities	2,260,535	756,004	143,234	-	3,159,773
Discontinuing operations					
Revenue from external customers	-	-	343,380	-	343,380
Inter-segment revenues	-	-	311,917	(311,917)	-
Interest income	-	-	8,509	-	8,509
Interest expense	-	-	3,174	-	3,174
Depreciation and amortization	-	-	14,623	-	14,623
Reportable segmental profit	-	-	91,727	-	91,727

Notes (continued)

9 Segmental Reportingm (continued)

	Human Nutrition Shs'000	Animal nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Consolidation Shs'000
Other material non-cash Items:					
Reportable segment assets	-	-	506,455	-	506,455
Expenditures for reportable Segment non-current assets	-	-	878	-	878
Reportable segmental liabilities	-	-	179,561	-	179,561
Year ended 30 June 2013					
Continuing operations					
Revenue from external customers	9,554,392	5,866,584	(278,959)	-	15,142,017
Inter-segment revenues	498,438	49,791	-	(548,229)	-
Interest income	3,584	-	24,845	-	28,429
Interest expense	14,328	2,642		-	16,970
Depreciation and amortization	83,197	48,770		-	131,967
Reportable segmental profit	186,839	261,074	243,040	(248,809)	442,144
Other material non-cash Items:					
Reportable segment assets	5,647,147	2,538,783	260,463	-	8,446,393
Expenditures for reportable Segment non-current assets	306,297	47,657	-	-	353,954
Reportable segmental liabilities	2,828,104	892,116	119,379	-	3,839,599
Discontinuing operations					
Revenue from external customers	-	-	338,102	-	338,102
Inter-segment revenues	-	-	278,959	(278,959)	-
Interest income	-	-	4,818	-	4,818
Interest expense	-	-	1,635	-	1,635
Depreciation and amortization	-	-	10,651	-	10,651
Reportable segmental profit	-	-	73,423	-	73,423
Year ended 30 June 2013					
Dis-continued operations					
Other material non-cash Items:					
Reportable segment assets	-	-	440,731	-	440,731
Expenditures for reportable Segment non-current assets	-	-	6,914	-	6,914
Reportable segmental liabilities	-	-	172,684	-	172,684

Year ended 30 June 2014	Revenue Shs'000	Non-current assets Shs'000
Country		
Kenya	15,911,492	2,386,670
Uganda	1,090,810	154,732
	17,002,302	2,541,402
Year ended 30 June 2013	**Revenue**	**Non-current assets**
Country		
Kenya	14,295,986	2,113,330
Uganda	846,031	159,317
	15,142,017	2,272,647

UNGA GROUP LIMITED

Notes (continued)

10 Finance costs

	[redacted]	2013 Shs'000
Interest expense:		
Loans		1,601
Bank overdrafts		5,870
Other trade finance		1,479
		8,950

11 Profit before income tax

	[redacted]	
The profit before income tax is arrived at after charging:		
Staff costs (Note 12)		536,504
Depreciation (Note 22)		130,833
Amortisation of prepaid operating lease rentals (Note 23)		1,525
Amortisation of intangible assets (Note 24)		3,524
Directors emoluments (Note 32)		16,617
Auditors' remuneration		11,004
Bad debt expense		585
Loss on disposal of property, plant and equipment		-
Increase in provision for bad debts (Note 20)		3,239
Provision for slow moving inventory		4,814

12 Staff costs

	[redacted]	
Salaries and wages		532,175
Retirement benefit (Note 26)		(4,191)
Post-employment benefit obligation (Note 17)		7,528
Social security costs (NSSF) contributions		506
Accrued leave pay		486
		536,504

13 Income tax expense

	[redacted]	
Current income tax		155,645
Deferred income tax (Note 18)		(30,960)
Income tax expense		124,685

Notes (continued)

13 Income tax expense (continued)

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

		2013 Shs'000
Profit before income tax	[redacted]	389,458
Tax calculated at the statutory income tax rate of 30% (2013 - 30%)		116,837
Tax effects of:		
Expenses not deductible for tax purposes		19,811
Income not subject to tax		(15,308)
(Over) / under provision of deferred income tax in prior year		555
Under provision of current income tax in prior year		-
Deferred income tax credit not taken up		2,790
Income tax expense		124,685

14 Share capital

	Number of Shares Shs'000	Ordinary Shares Shs'000
Authorised:		
Balance at 30 June 2012, 30 June 2013 and 30 June 2014	82,760	413,800
Issued and fully paid:		
Balance at 30 June 2012, 30 June 2013 and 30 June 2014	75,707	378,535

The total authorised number of ordinary shares is 82,760,000 with a par value of Shs 5 per share. The total number of ordinary shares issued 75,706,986 with a par value of Shs 5 per share. All issued shares are fully paid.

15 Non-controlling interests

Group		2013 Shs' 000
As previously stated	[redacted]	1,313,453
Prior year adjustment		(7,465)
		1,305,988
Dividend paid		(52,134)
Acquisition of non-controlling interests by shareholders of the parent		(17,947)
		(70,081)
Share of profit for the year		142,213
Share of other comprehensive income		94,501
Total comprehensive income for the year		236,714
At end of year		1,472,621

Notes (continued)

15 Non-controlling interests (continued)

Gropup (continued)

		[redacted]	2013 Shs'000
Acquisition of non-controlling interests:			
At start of year			21,919
Share of loss for the period to 31 December 2012			(5,858)
Exchange adjustment			1,886
			17,947
Cash paid to non-controlling interests			(130,872)
Net loss recognised in revenue reserves			(112,925)
Unga Holdings Limited:			
Equity interest held by Seaboard Corporation in Unga Holdings Limited	35%		1,327,249
Bullpak Limited:			
Equity interest held by Nampak Holdings Limited in Bullpak Limited	49%		145,372
			1,472,621

Summarised financial information on subsidiaries with material non-controlling Interests

A summary of financial results of Bullpak Limited where there is a 49% non-controlling interest have been included in note 28. Unga Holdings Limited which has a 35% non-controlling interest operates as a holding company. A summary of its financial performance is set out below:

Unga Holdings Limited summarised statement of financial position

	[redacted]	2013 Shs'000
Current assets		5,642,229
Current liabilities		(3,188,456)
Total current net assets		**2,453,773**
Non-current assets		2,271,396
Non-current liabilities		(650,214)
Total non-current net assets		**1,621,182**
Net assets of disposal group classified as held for sale		11,599
Total Net Assets		4,086,554

Notes (continued)

15 Non-controlling interests (continued)

Group (continued)

Unga Holdings Limited summarised statement of comprehensive income

	[redacted]	2013 Shs'000
Revenue		15,142,017
Profit before income tax		376,227
Income tax expense		(115,160)
Post tax profit from continuing operations		261,067
Post tax profit from discontinuing operations		73,423
Other comprehensive income		230,567
Total comprehensive income		565,057

Unga Holdings Limited summarised cash flows

Net cash generated from operating activities		480,783
Net cash used in investing activities		(490,313)
Net cash generated from financing activities		54,418
Net increase in cash and cash equivalent		44,888
Cash and cash equivalent at start of the year		362,786
Increase		44,888
Effect of exchange rates		(10,132)
At end of year		397,542

16 Borrowings

Group

Bank loans		163,328
The borrowings are repayable as follows:		
Within one year		13,964
More than one year		149,364
		163,328

Notes (continued)

16 Borrowings (continued)

Gropup (continued)

	[redacted]	2013 Shs'000
Movement in principal borrowings:		
At start of year		-
Loans received		163,328
Accrued interest		-
Interest paid		-
At end of year		163,328

The bank borrowing facilities consist of loans secured by an all assets debenture for Shs 1.5 billion, corporate guarantees by Unga Group Limited of Shs 1.5 billion and legal charges of Shs 1.5 billion over certain properties.

The bank loan is a term loan facility of USD 7,500,000 to finance installation of a wheat milling plant. Interest is charged at 4% above the 3 months LIBOR rate. The loan is expected to mature in June 2020. The outstanding loan at 30 June 2014 amounted to USD 6,173,563.

The effective interest rate on the bank loan at 30 June 2014 was 4.27% (2013: 4.34%).

17 Post-employment benefits obligation

The group operates an unfunded service gratuity for the unionised employees based on final salary and years of service. The movement in the obligation is as follows;

Group

	[redacted]	2013 Shs'000
At start of year		64,741
Charge to profit or loss (Note 12)		7,528
Paid during the year		(3,157)
At end of year		69,112

18 Deferred income tax

Deferred income tax is made up of the following;

Group

Deferred income tax asset		(3,039)
Deferred income tax liability		431,738
Net deferred income tax liability		428,699

Notes (continued)

18 Deferred income tax (continued)

Gropup (continued)

Deferred income tax is calculated using the enacted income tax rate of 30% (2013: 30%). The deferred income tax comprises the following;

Group	[redacted]	2013 Shs'000
At start of year		
- as previously reported		344,797
- prior year adjustments		10,900
- as restated		355,697
Charge to profit or loss (note 13)		(30,960)
Charge to other comprehensive income		103,962
Discontinuing operations (note 28)		-
		428,699

Deferred income tax assets and liabilities, deferred income tax charge in profit or loss, and deferred income tax charge in other comprehensive income are attributable to the following items:

Group Year ended 30 June 2014	1.7.2013 Shs'000	(Charged)/ credited to P/L Shs'000	(Charged)/ credited to OCI Shs'000	30.6.2014 Shs'000
Deferred income tax liabilities				
Property, plant and equipment on historical cost basis	146,804	397,670	-	544,474
Revaluation surplus	353,222	(190,551)	-	162,671
Interest receivable	-	(3,604)	-	(3,604)
Retirement benefit scheme assets	4,020	-	10,032	14,052
	504,046	203,515	10,032	717,593
Deferred income tax assets				
Other temporary differences	67,435	45,189	-	112,624
Unrealised exchange losses	6,628	3,341	-	9,969
Interest payable	-	7,670	-	7,670
Tax losses carried forward	1,284	96,342	-	97,626
	75,347	152,542	-	227,889
Net deferred income tax liability	428,699	50,973	10,032	489,704
Discontinuing operations (note 28)	-	1,741	(430)	(29,669)
Net deferred income tax for continuing operations	428,699	52,714	9,602	460,035

UNGA GROUP LIMITED

Notes (continued)

18 Deferred income tax (continued)

Gropup (continued)

Year ended 30 June 2014	1.7.2013 Shs'000	(Charged)/ credited to P/L Shs'000	(Charged)/ credited to OCI Shs'000	[redacted]
Deferred income tax liabilities				
Property, plant and equipment on historical cost basis	155,656	(8,852)	-	[redacted]
Revaluation surplus	242,380	-	110,842	[redacted]
Unrealised exchange gain		-	-	[redacted]
	10,900	-	(6,880)	[redacted]
	408,936	(8,852)	103,962	[redacted]
Deferred income tax assets				
Unrealised exchange losses	(13,637)	20,265	-	[redacted]
Other deductible differences	65,658	1,777	-	[redacted]
Tax losses carried forward	1,218	66	-	[redacted]
	53,239	22,108	-	[redacted]
Net deferred income tax liability	355,697	(30,960)	103,962	[redacted]

Company

Year ended 30 June 2014	1.7.2013 Shs'000	(Charged)/ credited to P/L Shs'000	(Charged)/ credited to OCI Shs'000	[redacted]
Deferred income tax assets				
Tax losses carried forward	1,251	(1,251)	-	[redacted]
Year ended 30 June 2013				
Deferred income tax assets				
Tax losses carried forward	1,251	-	-	[redacted]

19 Inventories

Group	[redacted]	2013 Shs'000
Raw materials	[redacted]	2,536,028
Finished products	[redacted]	137,949
Packing materials	[redacted]	42,859
Engineering stores	[redacted]	61,183
Goods in transit	[redacted]	394,460
	[redacted]	3,172,479

Notes (continued)

20 Trade and other receivables

	Group		Company	
	[redacted]	**2013 Shs'000**	[redacted]	**2013 Shs'000**
Trade receivables		1,286,452		-
Provision for impairment losses		(195,324)		-
		1,091,128		-
VAT recoverable		824,857		-
Other receivables		83,067		35
Due from related parties (note 32)		-		69,053
Due from affiliate parties (note 32)		-		-
		1,999,052		69,088

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	[redacted]	**2013 Shs'000**	[redacted]	**2013 Shs'000**
At start of year		192,085		-
Provision in the year (Note 11)		3,239		-
At end of year		195,324		-
21 Trade and other payables				
Trade payables		586,660		-
Other payables and accrued expenses		727,108		12,142
Due to affiliates parties (note 32)		1,743,768		45,805
Due to related parties (note 32)		-		97,860
Unclaimed dividends		21,482		-
		3,079,018		155,807

Notes (continued)

22 Property, plant and equipment

	Buildings Shs'000	Plant and equipment Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
At 1 July 2012					
Cost or Valuation	856,437	1,331,401	173,571	10,576	2,371,985
Accumulated depreciation	(105,212)	(493,512)	(139,928)	-	(738,652)
Net Book Value	751,225	837,889	33,643	10,576	1,633,333
Year ended 30 June 2013					
Opening net book value	751,225	837,889	33,643	10,576	1,633,333
Currency translation differences	(2,032)	(4,106)	(285)		(6,423)
Revaluation surplus	9,686	365,500	-	-	375,186
Transfer to assets held for sale (Note 28)	-	(11,599)	-	-	(11,599)
Write off	-	(178)	-	-	(178)
Additions	-	57,733	5,243	291,242	354,218
Transfers	-	6,911	-	(6,911)	-
Disposals	-	(536)	(4,094)	-	(4,630)
Depreciation charge	(26,090)	(92,787)	(11,956)	-	(130,833)
Closing Net Book Value	732,789	1,158,827	22,551	294,907	2,209,074
At 30 June 2013					
Cost or Valuation	732,789	1,281,787	174,435	294,907	2,483,918
Accumulated depreciation	-	(122,960)	(151,884)	-	(274,844)
Net Book Value	732,789	1,158,827	22,551	294,907	2,209,074
At 30 June 2013					
Cost or Valuation	732,789	1,281,787	174,435	294,907	2,483,918
Accumulated depreciation	-	(122,960)	(151,884)	-	(274,844)
Net Book Value	732,789	1,158,827	22,551	294,907	2,209,074
Year ended 30 June 2014					
Opening net book value	732,789	1,158,827	22,551	294,907	2,209,074
Currency translation differences	(2,986)	7,870	9,001	(10,333)	3,552
Additions	2,409	422,970	10,601	67,205	503,185
Disposals	-	-	(1,275)	-	(1,275)
Transfers	-	283,467	-	(283,467)	-
Discontinuing operation (Note 28)	(110,063)	(212)	-	(5)	(110,280)
Depreciation charge	(22,424)	(124,530)	(14,391)	-	(161,345)
Closing Net Book Value	599,725	1,748,392	26,487	68,307	2,442,911
At 30 June 2014					
Cost or Valuation	495,478	2,027,543	180,659	68,307	2,771,987
Accumulated depreciation	104,247	(279,151)	(154,172)	-	(329,076)
Net Book Value	599,725	1,748,392	26,487	68,307	2,442,911

Notes (continued)

22 Property, plant and equipment (continued)

All buildings and various items of plant, machinery and equipment were revalued as at 30 June 2013 by Knight Frank Valuers Limited, Registered Valuers and Estate Agents. Buildings were revalued on an open market value while plant and machinery were revalued on the depreciated replacement costs basis.

Included in property, plant and equipment are fully depreciated assets with a cost/valuation of Shs 423,279,285 (2013 - Shs 307,468,210). The normal annual depreciation on these assets would have been Shs 57,846,822 (2013 - Shs 65,767,122).

The group has pledged assets with net book value of Shs 457,709,170 (2013 - Shs 516,181,028) to secure its borrowings facilities (See note 16).

If the buildings were stated on the historical cost basis, the amounts would be as follows:

	Buildings Shs' 000	Plant and equipment Shs' 000
Year ended 30 June 2014		
Cost	841,688	1,769,665
Accumulated depreciation	(670,381)	(504,530)
Net book amount	171,307	1,265,135
Year ended 30 June 2013		
Cost	841,688	1,059,675
Accumulated depreciation	(661,803)	(411,295)
Net book amount	179,885	648,380

23 Prepaid operating lease rentals

Group	[redacted]	**2013 Shs'000**
Cost		
At start of year		58,432
Currency translation differences		(406)
At end of year		58,026
Amortisation		
At start of year		20,619
Currency translation differences		194
Amortisation for the year		1,525
At end of year		22,338
Net book value		35,688

The operating lease prepayment relates to leasehold land. The leasehold land was valued as at 30 June 2013 by Knight Frank Valuers Limited on an open market value basis for existing use at Shs 878,500,000.

The group has pledged leasehold land with a net book value of Shs 12,161,630 (2013 - Shs 13,844,604) to secure borrowings granted to it (See note 16).

Notes (continued)

24 Intangible assets - computer software

Group	[redacted]	2013 Shs'000
Cost		
At start of year		49,815
Additions		6,650
Currency translation differences		(6)
At end of year		56,459
Amortisation		
At start of year		44,143
Currency translation differences		(2)
Amortisation for the year		3,524
At end of year		47,665
Net book value		8,794

25 Investment in subsidiaries - Company

Unquoted investment at cost in wholly owned subsidiary

	[redacted]	2013 Shs'000
Unga Investments Limited		1,297,335

Details of the company's subsidiaries are as follows:

Company name	Principal place of business	Principal activity	% Interest held	Share capital Shs'000
Unga Investments Limited	Kenya	Operates as a holding and an investment company.	100	22,200

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

Company name	Principal place of business	Principal activity	% Interest held	Share capital Shs'000
Unga Limited	Kenya	Milling of wheat and maize	100	220,000
Unga Farm Care (East Africa) Limited	Kenya	Manufacture of animal nutrition products and distribution of animal health products	100	22,520
Unga Feeds Limited	Kenya	Dormant company	100	42,300
Unga Foods Limited	Kenya	Dormant company	100	15,400
Bullpak Limited	Kenya	Manufacture of packaging materials.	51	4,760
Unga Millers (U) Limited	Uganda	Milling of wheat and maize, and distribution of animal nutrition products	100	7,280

Notes (continued)

25 Investment in subsidiaries – Company (continued)

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.

The group acquired the entire non-controlling interests in Unga Millers (U) Limited on 31 December 2012.

26 Retirement benefits asset

The Group operates a defined benefits pension scheme for employees of Unga Limited, Unga Farmncare EA. Limited and Bullpak Limited. The retirements benefits scheme asset represents the actuarial allocation of the surplus of the fair value of scheme assets over the value of past service pension obligations after applying an asset ceiling to the company. An asset ceiling has been applied only to recognise the benefit arising from reduced employer contributions available to the company as a result of the scheme being in an actuarial surplus position.

The retirement benefits scheme provides for a lump sum benefit based on the final employees salary at the point of retirement with an option to purchase an annuity.

The amount included in the statement of financial position arising from the company's obligation in respect of this defined benefits pension scheme is arrived at as follows:

At 30 June	[redacted]	2013 (Restated) Shs'000	2012 (Restated) Shs'000
Present value of funded obligations		174,246	157,163
Fair value of plan assets		(397,144)	(314,254
Surplus on funded plan		(222,898)	(157,091
Impact of asset ceiling		206,846	122,521
Retirement benefit scheme asset recognised in the statement of financial position		(16,052)	(34,570

The movement in the retirement benefit scheme asset over the year was as follows:

	Present value of Obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact of asset ceiling Shs'000	Total Shs'000
Year ended 30 June 2013					
At start of year					
-as previously reported	229,133	(274,133)	(45,000)	-	(45,000)
-prior year adjustment (Note 31)	(71,970)	(40,121)	(112,091)	122,521	10,430
-as restated	157,163	(314,254)	(157,091)	122,521	(34,570)
Current service cost	11,454	-	11,454	-	11,454
Interest expense/ (income)	18,796	(50,369)	(31,573)	15,928	(15,645)
Charge to profit or loss	30,250	(50,369)	(20,119)	15,928	(4,191)

Notes (continued)

26 Retirement benefits asset (continued)

	Present value of Obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact of asset ceiling Shs'000	Total Shs'000
Re-measurements:					
Return on plan assets	-	(46,288)	(46,288)	-	(46,288)
Change in assumptions	736	-	736	-	736
Change in asset ceiling	-	-	-	68,261	68,261
Charge to other comprehensive income	736	(46,288)	(45,552)	68,261	22,709
Contributions :					
Employer	13,664	(13,664)	-	-	-
Employees	-	-	-	-	-
Payments from plan:					
Benefit paid	(27,570)	27,570	-	-	-
	(13,906)	13,906	-	-	-
At end of year	174,243	(397,005)	(222,762)	206,710	(16,052)
Year ended 30 June 2014					
At start of year					
- as previously reported	157,000	(381,600)	(224,600)	-	(224,600)
- prior year adjustment (Note 31)	17,243	(15,405)	1,838	206,710	208,548
- as restated	174,243	(397,005)	(222,762)	206,710	(16,052)
Current service cost	1,804	-	1,804	-	1,804
Interest expense/ (income)	22,061	(52,175)	(30,114)	25,839	(4,275)
Charge to profit or loss	23,865	(52,175)	(28,310)	25,839	(2,471)
Re measurements:					
Return on plan assets	-	(3,704)	(3,704)	-	(3,704)
Change in assumptions	9,139	892	10,031	-	10,031
Change in asset ceiling	-	-	-	(35,569)	(35,569)
Charge to other comprehensive income	9,139	(2,812)	6,327	(35,569)	(29,242)
Contributions :					
Employer	19,528	(19,528)	-	-	-
Employee	-	-	-	-	-
Payments from plan:					
Benefit paid	(16,849)	16,849	-	-	-
	2,679	(2,679)	-	-	-
At end of year	209,926	(454,671)	(244,745)	196,980	(47,765)
Discontinuing operations (Note 28)	(18,588)	22,232	3,644	-	3,644
Continuing operations	191,338	(432,439)	(241,101)	196,980	(44,121)

Assumptions regarding future mortality experience are set based on actuarial advice, published statistics and experience in the industry.

Notes (continued)

26 Retirement benefits asset (continued)

		2013	2012
Discount rate	[redacted]	12.50%	13%
Rate of salary escalation		7%	7%
Rate of pension increases		0%	0%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

At 30 June 2014

Discount rate	At current discount rate Shs ' million	1% decrease Shs ' million	1% increase Shs ' million
Present value of obligation	191.4	192.7	189.9
At 30 June 2013			
Present value of obligation	159.5	160.7	158.4

Since the bulk of the benefits payable under the scheme are salary related and there are no pensions paid from the scheme, the sensitivity of the liability to a change in the salary escalation assumption is expected to be consistent with the sensitivity to the discount rates.

The plan assets are comprised of the following;

		2013 Shs'000	2013 %
Quoted equities	[redacted]	(128,675)	32%
Offshore investments		(12,709)	3%
Government bonds		(223,989)	57%
Commercial paper and corporate bonds		(23,829)	6%
Fixed and time deposits		(7,942)	2%
Net current assets		-	0%
		(397,144)	100%

Through its defined benefit pension plans and, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to treasury bonds yields; if plan assets underperform this yield, this will create a deficit. The plan assets currently exceed the liabilities and this risk is therefore not considered significant.

Changes in bond yields

A decrease in treasury bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Notes (continued)

27 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations:

Group	[redacted]	2013 Shs'000
Profit before income tax (from continuing and discontinuing operations)		492,509
Adjustments for:		
Depreciation (Note 22)		130,833
Amortisation of prepaid operating lease rentals (Note 23)		1,525
Amortisation of intangible assets (Note 24)		3,524
Gain on disposal of property, plant and equipment		(1,427)
Working capital changes;		
Inventories		(1,067,235)
Trade and other receivables		(250,459)
Trade and other payables		139,215
Related parties		982,305
Service gratuity		4,371
Cash generated from operations		435,161

(b) 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.

Group	[redacted]	2013 Shs'000
Bank balances		398,960
Call deposits		219,511
Cash balances		605
Cash and cash equivalent from discontinuing operations (note 28)		-
Cash and cash equivalent from continuing operations		619,076
Company		
Bank balances		2,027
Call deposits		219,511
		221,538

The effective interest rate on call deposit as 30 June 2014 was 7% (2013: 7%)

28 Non-current assets held for sale and discontinuing operations

The assets and liabilities related to Bullpak Limited, a 51% subsidiary of the group which carries out packaging business have been presented as held for sale following the approval of the shareholders on 28 November 2013 to dispose of the investment. The completion date for the transaction is expected to be 30 September 2014. The assets and liabilities held for sale are carried at their carrying value.

Notes (continued)

28 Non-current assets held for sale and discontinuing operations (continued)

The group also intends to dispose of a parcel of land and a milling plant that it no longer utilizes in the next twelve months.

An analysis of the result of discontinuing operations is as follows:

	[redacted]	2013 Shs'000
Revenues		617,061
Expenses		(514,100)
Profit before tax of discontinuing operations		102,961
Income tax expense thereon		(29,538)
Profit for the year from discontinuing operations		73,423
Other comprehensive income		56,465
Income tax expense thereon		(16,940)
		39,525
Total comprehensive income from discontinuing operations		112,948
Attributable to owners of parent		57,603
Attributable to non-controlling interest		55,345
		112,948
a) Cash flows from assets held for sale		
Operating cash flows		95,061
Investing cash flows		(6,914)
Financing cash flows		(45,723)
Total cash flows		42,424
b) Assets of disposal group classified as held for sale		
Milling plant and leasehold land		15,527
Bullpak Limited		
Property, plant and equipment		-
Retirement benefits asset		-
Inventories		-
Trade and other receivables		-
Due from consol. Affiliates		-
Due from non-consol. Affiliates		-
Short term deposit		-
Cash and bank balances		-
		-
Total assets held for sale		15,527

Notes (continued)

28 Non-current assets held for sale and discontinuing operations (continued)

	[redacted]	2013 Shs'000
c) Liabilities of disposal group classified as held for sale		
Deferred income tax		-
Trade and other payables		-
Due to non-consol. Affiliates		-
Current income tax		-
		-
Net assets held for sale		15,527

29 Capital commitment

Group

	[redacted]	2013 Shs'000
Authorised and contracted for		283,466
Authorised but not contracted for		891,103
		1,174,569

The bulk of the capital commitments relate to the acquisition of plant and machinery

30 Contingent liabilities

	[redacted]	2013 Shs'000
Guarantees		62,986

Several legal claims have been made against the group by former employees, mainly for wrongful dismissal or industrial accident claims. The cases are on-going 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.

31 Prior year adjustments

During the year, the Group has adopted IAS 19, Employee benefits (revised in 2011). In accordance with the standard, the actuarial re-measurement of the retirement benefits scheme obligation asset have been recognised in other comprehensive income.

The effect of the restatements on the previously reported statement of financial position for the year ended 30 June 2012 and 30 June 2013 is as follows:

	Retirement Benefits asset Shs'000	Other assets Shs'000	Total assets Shs'000	Total liabilities Shs'000	Total equity Shs'000
At 30 June 2012					
At start of year					
- as previously reported	45,000	6,365,259	6,410,259	2,421,041	3,989,218
- restated retirement benefit scheme asset	(10,430)	-	(10,430)	10,900	(21,330)
- as restated	34,570	6,365,259	6,399,829	2,431,941	3,967,888

Notes (continued)

31 Prior year adjustments (continued)

	Retirement Benefits asset Shs'000	Other assets Shs'000	Total assets Shs'000	Total liabilities Shs'000	Total equity Shs'000
At 30 June 2013					
At start of year					
- as previously reported	224,600	8,092,327	8,316,927	3,813,012	4,503,915
- restated retirement benefit scheme asset	(208,548)	-	(208,548)	4,066	(212,614)
- as restated	16,052	8,092,327	8,108,379	3,817,078	4,291,301

The effect of the restatements on the previously reported statement of comprehensive for the year ended 30 June 2013 is as follows:

	Profit for the year Shs'000	Other comprehensive income Shs'000	Total comprehensive income Shs'000	Earnings per share Shs'000
- as previously reported	508,020	246,463	754,483	4.09
- restated retirement benefit scheme obligation asset	(169,824)	(21,460)	(191,284)	(1.50)
- as restated	338,196	225,003	563,199	2.59

32 Related party transactions

The company is listed on the Nairobi Securities Exchange and the shares are widely held.

During the year the following transactions were entered into with related parties:

i) Sale of goods and services

	Group		Company	
	[redacted]	2013 Shs'000	[redacted]	2013 Shs'000
Sale of finished goods - Kenchic Limited		1,525,329		-

ii) Purchase of goods and services from affiliates and related parties

Raw material purchases - Seaboard Overseas Limited	[redacted]	4,054,052	[redacted]	-
Other expenses - Seaboard Overseas Management Company		101,380		-
- Nampak Kenya Limited		12,815		-
Purchase of equipment and spares - Seaboard Overseas Group		379,526		-
Purchase of packaging material - Bullpak Limited		-		-
Interest charged - Seaboard Overseas Limited		9,499		-
		4,557,272		-

Notes (continued)

32 Related party transactions (continued)

Seaboard and Nampak are affiliated by virtue of being part of the non-controlling interest as set out in note 15

iii) Due from group companies

	Group		Company	
	[redacted]	2013 Shs'000	[redacted]	2013 Shs'000
Unga Investments Limited	[redacted]	-	[redacted]	-
Unga Holdings Limited	[redacted]	-	[redacted]	62,053
Unga Feeds Limited	[redacted]	-	[redacted]	7,000
	[redacted]	-	[redacted]	69,053

iv) Due from affiliates

	Group		Company	
Nampak Kenya Limited	[redacted]	-	[redacted]	-
Nampak International Limited	[redacted]	-	[redacted]	-
	[redacted]	-	[redacted]	-

v) Due to group companies

	Group		Company	
Unga Limited	[redacted]	-	[redacted]	3,126
Unga Investments	[redacted]	-	[redacted]	94,734
Unga Farm Care Limited	[redacted]	-	[redacted]	-
	[redacted]	-	[redacted]	97,860

vi) Due to affiliates

	Group		Company	
Seaboard Cooperation subsidiaries	[redacted]	1,647,283	[redacted]	45,805
Nampak Kenya limited	[redacted]	3,820	[redacted]	-
Nampak international limited	[redacted]	92,665	[redacted]	-
	[redacted]	1,743,768	[redacted]	45,805

vii) Key management compensation

	Group		Company	
Salaries and other short-term employment benefits	[redacted]	40,590	[redacted]	-

viii) Directors' remuneration

	Group		Company	
Fees	[redacted]	3,900	[redacted]	-
Other emoluments	[redacted]	12,717	[redacted]	-
	[redacted]	16,617	[redacted]	-