

2015

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Annual Report  
and Financial  
Statements

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UNGA   
GROUP  
LIMITED



Furthering Our Horizons





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## VISION

Nutrition for Life

## MISSION

Achieve and maintain market share leadership in the provision of superior human nutrition, animal nutrition and animal health products and services for the benefit of all stakeholders within Eastern Africa

## CORE VALUES

We are an organisation that delivers on the expectations of our customers and other stakeholders by living these core values:-

- Self Responsibility
- Trust
- Respect
- Integrity
- Innovation
- Continual Improvement
- Teamwork



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# AMANA, THE GIFT OF HEALTHY GOODNESS

Introducing the nutritious Amana range of Ndengu, Rosecoco and Njahi; in a re-sealable pack for a taste of delicious quality every time.

*Get your pack of Amana at your nearest supermarket today!*  
*Amana is a registered Trademark of Unga Limited*

**UNGA LIMITED**   
Your Nutritional Partner

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty Eighth Annual General Meeting of the Company will be held at Kenyatta International Conference Centre (KICC), the Amphitheatre, Harambee Avenue, Nairobi, on Wednesday, 2 December 2015 at 10:30 a.m. for the following purposes:-

1. To read the notice convening the meeting.
2. To confirm the minutes of the Eighty Seventh Annual General Meeting held on 2 December 2014.
3. To receive the Chairman's report.
4. To receive and adopt the Consolidated Audited Financial Statements for the financial year ended 30 June 2015 together with the reports of the Directors and the Auditor thereon.
5. To consider and approve a first and final dividend of Kshs 1.00 per share for the year ended 30 June 2015 payable on or about 13 January 2016 to the shareholders on the Register of Members at the close of business on 2 December 2015, and to approve the closure of the Register of Members for one day from the close of business on Wednesday, 2 December 2015 to close of business on Thursday, 3 December 2015 for the purpose of processing the dividend.
6. Election of Directors:-
  - i. In accordance with the provisions of Articles 88 and 89 of the Company's Articles of Association, Mr Alan McKittrick retires at this meeting and being eligible, offers himself for re-election.
  - ii. Mr Vitalis Ondeke Ojode retires in accordance with Section 186(2) of the Companies Act. Special notice is hereby given that notice has been received in accordance with Section 186(5) of the Companies Act that it is intended to pass the following resolution at the 2015 Annual General meeting;
 

'That Mr Vitalis Ondeke Ojode who has attained the age of over 70 years, be and is hereby re-elected a director of the Company.'
7. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 30 June 2015.
8. To note that Messrs PricewaterhouseCoopers have expressed their willingness to continue in office as Auditors of the Company in accordance with the provisions of Section 159 (2) of the Companies Act (Cap 486) and to authorise the Directors to fix their remuneration for the ensuing financial year.
9. Any Other Business of which due notice has been received.

### BY ORDER OF THE BOARD



**WINNIEFRED N JUMBA  
COMPANY SECRETARY**

**9 October 2015**

### Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. To be valid, a form of proxy, which is provided with this report, must be duly completed by the member and must be lodged at the Company's Offices, Ngano House, Commercial Street, Industrial Area, P O Box 30096, 00100-Nairobi, or posted in time to reach not later than 5.00 a.m. on Friday, 27 November 2015, in an envelope marked **"AGM"**.



## Notice of Meeting (continued)

4. Subject to the shareholders' approval, the Register of Members will be closed from the close of business on Wednesday, 2 December 2015 at 4.30 p.m. for one day for the purpose of processing the dividend.
5. All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority ('the Authority) as abandoned assets on the appointed date.

Therefore, all present and former shareholders with unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below to claim any unpaid dividends to avert the event of the dividends being forwarded to the Authority.

Custody & Registrars Services Ltd  
6th Floor, Bruce House  
Standard Street  
NAIROBI

Tel: (+254-20) 2230518/271/493/488  
Mobile: 0726 971 599/0737 095 124  
Email: [crs@candrgroup.co.ke](mailto:crs@candrgroup.co.ke)

6. All shareholders of the Company are reminded to update their corresponding postal addresses and profile details with their respective stock brokers to avoid any inconveniences relating to future communications with the Company.

## Directors' Profiles



### **Mrs Isabella Ochola-Wilson - Non Exec (66).**

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 (59)**

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. He is Chairman of the Cereal Millers Association and a director of Kisima Farm Limited and Sunpower Products Limited.



### **Andrew S. Ndegwa - Non Exec (47)**

Appointed to the Board in September 2001. He graduated from the 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.

## Directors' Profiles (continued)

### Alan McKittrick - Non Exec (60)

Appointed to the Board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 20 years. He has other directorships and considerable experience in 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.



### Vitalis O. Ojode - Non Exec (70)

Appointed to the Board in May 2003. He is a BCom (Hons) graduate of the University of Nairobi; a Fellow of the Association of Chartered Certified Accountants (FCCA) and 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.



### Jinaro K. Kibet - Non Exec (51)

Appointed to the Board in February 2005. He holds an LLB degree from the University of Nairobi; is an Advocate of the High Court of Kenya and a partner in the law firm of Tripleoklaw LLP, Advocates. He holds other directorships including Sicham Aviation Limited and Prime Bank Limited.



## Directors' Profiles (continued)



### **Mrs Mary Kimotho M'Mukindia - Non Exec (58)**

Appointed to the Board in February 2013. She is a BCom (Hons) graduate of the University of Nairobi. Mary has many years of business experience both in the public and private 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.



### **Patrick O. Obath - Non- Exec (60)**

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 many years of 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 previously served on many boards, both private and public and is a director in Standard Chartered Bank Kenya Limited and Trade Mark East Africa (TMEA) Limited, among others. He is currently the Managing Consultant in Eduardo & Associates.



### **Winniefred N Jumba - Company Secretary (43)**

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 many years' experience in Company Secretarial and Registration Services.

## Chairman's Statement



On behalf of the Board of Directors, I am pleased to present to you, our owners, the Group's Annual Report and Financial Statements for the financial year ending 30th June 2015.

Last year our theme was "Developing New Markets", and for this year we have chosen

**"Furthering Our Horizons"**. This theme puts our people at the centre of our focus – for it is our people, our talent, who reach for your Group's extended horizons. They are the ones who create positive and purposeful partnerships with each other, with our suppliers, with our customers, and with other stakeholders.

And how are we furthering our horizons? Through continuing to introduce new products; through carefully selected acquisitions like that of Ennsvalley Bakery, and through shedding businesses like Bullpak that are not strategically aligned to our future development plans.



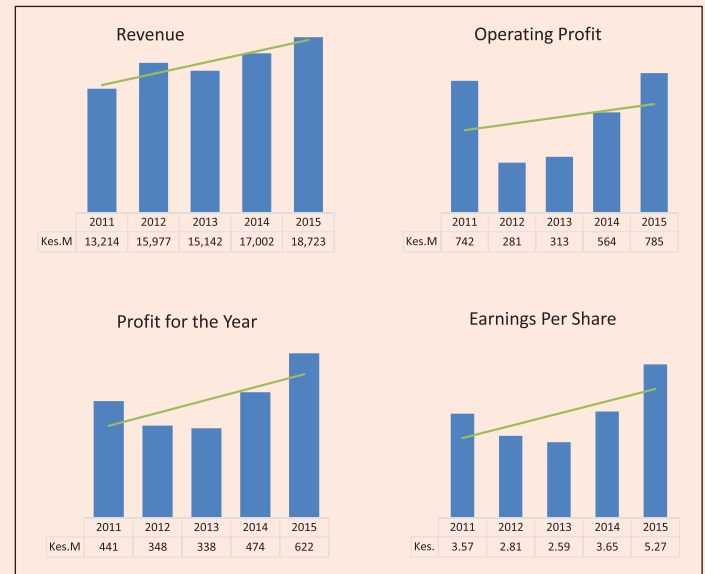
Our responsibility as directors is to steer the Group to achieve these horizons, and to ensure that shareholder value is enhanced. Very much included within this is our responsibility to maintain strong relationships with you as our shareholders, and this Annual Report supports that objective.

### Financial Performance

As was the case last year, 2015 was also a successful year, with all the strategic initiatives that have been undertaken over recent years continuing to deliver satisfying results.

**Turnover increased by 10.1% to Shs 18.7 billion, while gross profit rose by 31.1%** (despite foreign exchange losses of Shs133 million) and **profit for the year increased by 31.2% to Shs 622 million.**

Earnings per share increased from Shs 3.65 in 2014 to Shs 5.27.



In view of the good performance, we are pleased to recommend **a first and final dividend payment of Shs1.00 per share** – a 33% increase over last year. This is subject to shareholder approval at the Annual General Meeting that will be held on 2nd December 2015.

### Delivering on our transformation strategy

Over the last few years, your company has continued its transition from a Flour and Feed Milling business to a Human Food and Animal Feed business. And as I indicated to you in my last report, we have taken an important further step, as reflected on our new vision statement: "Nutrition for Life".

Our vision challenges us "to produce and/or market solid and/or liquid food necessary to sustain life, provide energy and promote health in both humans and animals, for the entire period between birth and death". Additionally, it requires that we do this in an environmentally sustainable and socially responsible manner.

## Chairman's Statement (continued)

Our vision is backed up by our **mission statement**, **"To achieve and maintain market share leadership in the provision of superior human nutrition, animal nutrition and animal health products and services for the benefit of all stakeholders within Eastern Africa."**

Our **"STRICT" values** are equally important to us, with the acronym reminding us of the need for Self-Responsibility; Trust; Respect; Integrity; Innovation; Continual Improvement; and Teamwork. We fully understand that we must live these values if we are to live our vision and our theme.

I now wish to share with you something of our **2015-2020 Strategic Plan**, which is the foundation for living our vision and our values and is based on our **"Ambition"** – which we express as our **"5 Ps"**:

We aim to grow a sustainable and **Profitable** business.

We want to develop strong and lasting consumer relationships built on a diversified product **Portfolio**.

We want to create mutually rewarding businesses with selected **Partners**.

We are developing a diverse team of highly engaged and commercially focused **People**.

And we want to be known as caring for the **Planet** through our socially responsible and environmentally sustainable behaviour.

Five Strategic Pillars, namely **Supply Chain Optimisation; Consumer Intimacy; People; Geographic Expansion; and Portfolio Management**, will support our ambition and in turn these strategic pillars will be supported by 5 Business Enablers. These include **Information and Communications Technology; Innovation; Strategic Partnerships; Social Responsibility; and a 'Green' approach to our strategic initiatives**.

Finally, the expected outcome of our transition into a diversified human nutrition and animal nutrition business over the next five to fifteen years is the way we have defined our **Picture of Success**, which I summarise for you as being:

1. The number one Human and Animal Nutrition business in Eastern Africa, growing to achieve our targeted revenues and profits.
2. The best organisation to work for.
3. An organisation that is recognised for enabling the communities with which it works – which includes the establishment of an active Foundation to manage our corporate social responsibility activities.
4. A champion of 'Green', recycling and reusing material.
5. The brand of choice in food and feeds.

### Ever-strengthening governance

In our **Board Charter**, we state the purpose of the Board as "ensuring that the Company is managed in a sound manner that fosters increased business profitability within an environment of good corporate governance". We further acknowledge that the Board will "supervise the business and affairs of the Company to foster its long term success and to maximise shareholder value in a manner that recognises the interests of other stakeholders including the Company's clients and employees". This we take extremely seriously.

With support from the Company Secretary, your board has completed its new charter, and our comprehensive board committees are now all operational: Investment and Operations; Human Resources, Nominations and Remuneration; and Audit and Risk. The board has been fully involved with mapping out the Group's exciting new strategic direction, focusing on new products, new plants and new partners.

### Stretching our people, as they live our vision and our values

As stated clearly in our Board Charter, our core values spell out how we work to deliver on the expectations of our customers and other stakeholders – not least you, our shareholders.

The Group is proud of the new executives who have recently joined us to strengthen the executive team, seasoned

## Chairman's Statement (continued)

professionals whose impact is already being felt, particularly in how we market our company and its products and manage our people.

We are also delighted that our Group Managing Director Nick Hutchinson has recently been elected to the chairmanship of the Cereal Millers' Association, and that our Group Operations Manager Bob Thieme continues in his role as Chair of the Association of Kenyan Feed Manufacturers - both indicative of the respect in which they and the Group are held.

### Corporate Social Responsibility – essential to how we view sustainability

Our CSR programmes continue to partner with the communities in which we operate, assisting the needy and vulnerable. And as before, our emphasis is on the girl child. Our approach is an ambitious one, at the other end of the spectrum from arm's-length charity. In promoting the baking entrepreneurial ventures in the schools we support, we fully appreciate there will be challenges along the way. But we are fully convinced that the life skills developed in the institutions we support make all the difference in preparing the students for a life of self-reliance. You as our shareholders can be proud of how we are contributing to the development of the deserving and the needy.

With regard to environmental sustainability, we have integrated energy management into our continual improvement projects and have embarked on an initiative to measure, segregate and reduce our waste. Moving forward, we will investigate economically viable opportunities for increasing the use biodegradable packing materials.

### Outlook

The Group remains alert to the challenges of consistent quality raw material supply, particularly in the light of the expected impact of El Niño this year, the consequence of weakening local currencies, increased interest rates and reduced consumer purchasing power. We will continue to closely manage our raw material inventories, buying local wheat whenever it makes financial sense; ensure that we prioritise and finance our growth projects prudently; and

maintain our focus on the drive for efficiency and productivity improvements to support an ever more robust and effective Route-to-Consumer.

### Appreciation

The Group leadership fully understands that success can only be possible if our people are empowered and motivated, and I am proud to state that as a result of a strong leadership approach, our management and employees have been increasingly focused externally, determined to deliver the best possible service to our customers. So as your Chairman, and on behalf of my fellow directors and you our shareholders, I wish to record our deep appreciation of the hard work of our increasingly professional team. I also take this opportunity to recognise how well they have been living our STRICT values.

None of this would be possible without the support of our shareholders, and so I conclude by thanking you for your confidence in the Group and hence for the great support you continue to give us. We look forward to engaging with as many of you as possible at our upcoming Annual General Meeting.

Last but not least, I must extend my gratitude to my fellow directors for the great support they continue to give me in building a strong board for the Unga Group.

### Thank You



**I Ochola-Wilson (Mrs)**

Chairman

## Group Managing Director's Report



### Performance

Although volumes in the human nutrition sector grew by only 2.9%, our sector gross margin increased by 20%. Meanwhile, our animal nutrition & health volumes grew by 10.8% and the gross margin by 20.9%. We did an excellent job of balancing volume and price – with a

favourable cost position on most imported raw materials having a positive impact. The company continues to have to absorb the impact of unrecoverable VAT. Since most of the products we sell are exempt, we are unable to claim back input VAT and, given the aggressive pricing strategies of some of our competitors, it is not always possible to pass on the full impact to our consumers/farmers. This is a particular challenge to the company, but we pride ourselves in being tax compliant.

The financial results for the year include only one month's trading results for Bullpak Limited, as the company ceased to be an operating subsidiary with effect from 1st August 2015.

In 2014 we started work on our Eldoret grain storage capacity expansion project, which is expected to be completed by the end of the 2016 financial year. During 2016 we will rehabilitate the Commercial Street silos and commission the new grain receiving facility, designed to improve the supplier turnaround time. These projects support our continued efforts to improve our operating efficiencies and reduce costs. Also in 2016, we will initiate projects to increase our wheat milling capacity in Eldoret and feed pelleting capacity in Nairobi.

During this financial year we sold the maize mill in Uganda, which was not designed to manufacture maize meal of the specification consumed by the Ugandan market. After analysing the situation, a decision was made to exit the maize milling business and focus our future investments in Uganda on the production of wheat flour, value-added wheat products and animal feeds. We continue to import Hostess® and Jogoo® from Kenya for sale to the supermarket outlets frequented by Kenyans resident in Uganda.



We successfully passed the **ISO surveillance audits** at all our Kenyan milling plants (ISO 22000-2005) and at our central laboratory (ISO 17025) during the financial year. One of the positive consequences of subjecting ourselves to these important quality certifications is that we have been selected as exclusive flour suppliers to Kentucky Fried Chicken (KFC) and to Nestle in Kenya, and are also approved suppliers to Domino's pizza outlets. We expect Unilever to join this list during the 2016 financial year.

One of our strategic objectives is to remain the **local supplier of choice** to the ever-increasing number of multinational food companies operating locally. To this end we are also working towards securing ISO 22000-2005 certification in Uganda by the end of the 2016 financial year.

We maintained momentum along our **PaTaMu** journey of **continual improvement** (an acronym for 'Pamoja Tuangamize Muda') that works to eliminate all wasteful activity. Through PaTaMu we have further improved our productivity, quality, delivery and safety, while maintaining highly motivated teams. Our programme of regular focused improvement workshops has yielded some outstanding results. We will be introducing the Kanban (pull) system of inventory management to our distribution partners over the next two years – an initiative designed to further strengthen our Route-to-Consumer models.

## Group Managing Director’s Report (continued)

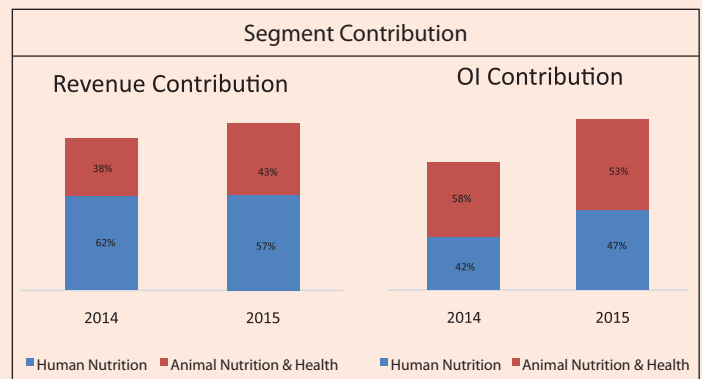
In line with our ambitious growth strategy, a critical project to improve information flow through the implementation of a new Enterprise Resource Planning (ERP) system, supported by Workflow Management software, was initiated at the beginning of the financial year. The Group has selected **SAP** to replace BaaN and is on-track to ‘go live’ on 1st January 2016. This project will force a significant change in our operating practices, resulting in enhanced service levels to our suppliers and customers and improved efficiencies and decision-making.

We take our theme of “Furthering our Horizons” very seriously, conscious of doing so in the context of our vision of offering **“Nutrition for Life”**. We will do this by targeting consumers across their entire life cycle with products which contribute to their nutritional wellbeing – recognising that our animal nutrition and health products ultimately contribute to the nutritional wellbeing of consumers through their consumption of meat, milk and eggs.

### Human Nutrition

Maize supply and prices remained stable for much of the year, a consequence of plentiful availability from Tanzania. Prices rose dramatically during the fourth quarter but reduced to acceptable levels through the intervention of the National Cereals and Produce Board. Imported wheat prices remained stable throughout the year, decreasing towards the end as favourable harvests increased stock levels. As is the norm, local wheat prices started out high, decreasing somewhat as major North Rift cropping areas were harvested and then increasing again at the end of the financial year. Unfavourable weather impacted both the quality and the volume of the Narok crop.

The human nutrition sector represented 47% of our operating income in the financial year. Profit before tax was slightly lower than prior year – a consequence of a significant increase in currency translation losses.



Towards the end of the financial year, we introduced Exe® Bread Flour Ready Mixes in Uganda – a first in the country – for use by bakers to improve the quality and consistency of their products and to reduce their production costs. Unfortunately, the introduction of the Amana® range of pulses and rice was negatively impacted by raw material supply challenges –explained by a combination of inexperience and the unavailability of product of the quality we require to meet the targeted market need. We believe we have addressed these challenges, and expect to see this new brand family make a positive contribution to our shelf presence in the modern trade.

During the year the company’s Exe® and Jogoo® brands were awarded **‘Superbrands’** status in their respective categories, confirmation that for Kenya’s consumers these remain brands of choice.

A **new Route-to-Consumer model** (fewer distributors, supported by improved trading terms) was rolled-out over the year under review, starting with the greater Nairobi market and finishing with the Coastal markets. Additionally, the sales team structure was revised to improve our focus on providing support to our modern trade partners. As expected, volume demand slowed down during the transition, but it has picked-up, as evidenced by improved sales in the first quarter of the new financial year. Year-on-year marketing spend increased (a trend that will continue into the foreseeable future), with one of the highlights being an ‘EXEpress your Love’ television commercial, which aired during the second half of the year.

## Group Managing Director's Report (continued)

### *Animal Nutrition and Health*

The sector represented 53% of the company's operating income in 2015. Profit before tax increased over the prior year – the animal nutrition & health businesses being less exposed to the foreign currency fluctuations.

With regard to animal nutrition-specific raw material supply, we began to source some of our soybean meal requirements from Zambia (an alternative to India) during the year and, in spite of a tight supply situation, we were also able to secure reasonably well-priced cotton seed cake and sunflower seed cake supplies through forward contracting.

Our marketing spend increased over the prior year, and as with the human nutrition lines, this will continue into the foreseeable future. The highlight was the introduction of Mr. Mazao, a spokesperson for the animals who consume our nutrition and health products, targeted at dairy and beef cattle. A similar character will be introduced in 2016 to speak for the poultry group of "consumers".

We opened a **sales depot** in Nyali (Mombasa) during the first half of the financial year, while our Thika depot opened during the first month of the new financial year. More are planned, but we first want to learn from the experiences of operating the existing units. What we have already seen is that these depots have improved product availability and placed us closer to our stockists and farmers. In addition they have made it more efficient and less costly for our distributors to collect finished product, particularly those serviced from the Nairobi Feeds plant, who no longer need to incur delays and increased cost by sending trucks to the industrial area.

Our new **Route-to-Consumer** model has been finalised and will be rolled out during the course of 2016; to support this we have revised the structure and increased the size of our sales team, which will ensure well-coordinated and focused support to our trade partners and to farmers.

We introduced the **Fast-Gro® Advanced™** broiler diets towards the end of the financial year, targeted at the top tier of broiler farmers in the country. Going forward, we plan to develop technically superior feed diets targeted at leading

layer and dairy farmers.



Our brand presence continued to strengthen in Tanzania, with increased sales of Fugo® feeds, produced at Interchick's plant near Dar es Salaam. We will use this platform to introduce our Viminera® feed premixes during 2016.

### **People Development**

During the year we began a review of our HR policies and procedures, setting the scene for further strengthening of HR standards and practices. In mid-year we welcomed a new Head of Human Resource and Organisational Development, whose focus is to enhance the relationship between HR & line management as strategic business partners.

A key aspect of attracting, developing and retaining the best talent available is to have an effective **performance management system** in place – which many organisations find quite elusive. However I am pleased to report that the *Hoshin Kanri* process (in Japanese, *Hoshin* means "compass needle" or "direction", and *Kanri* means "management" or "control") has supported line management to embed a healthy performance management culture across the company, with focus on delivery, impact and adherence to our values. Objectives are clear and SMART, and they have identified linkages and strategies for working across functions. Weaker performance is addressed in a timely manner; we monitor, differentiate and reward high performing staff; and establish linkages between performance management and skill and competence development.

## Group Managing Director's Report (continued)

Going forward, our talent resourcing strategies will focus on growing our own people, while creating a diverse workforce. Effective succession planning will become a norm and an integrated learning & development planning process fully operationalised.

We are implementing employee engagement action plans – including a coaching and mentoring programme – and, as I mentioned earlier, embedding the PaTaMu culture of continual improvement, while developing a culture of innovation, openness, transparency, customer service, speed of decision making, action & accountability.

We worked hard during the year to fill openings in senior management positions and, by the end of the year, had individuals in place as General Manager's for Unga Farm Care (EA) Limited and Unga Limited, and filled the new position of Head of Strategic Planning and New Business Development.

In 2013, the employee engagement survey conducted by Deloitte led to us being recognised as one of the best companies to work for. We will be participating in the 2015 Deloitte 'Best Company to Work For' Survey, and this time we will also obtain the survey results by site so that our follow-up actions can be better targeted.

### Corporate Social Responsibility

Unfortunately, we lost some momentum with our novel employee-driven project approach to corporate social responsibility. This momentum will be regained in 2016 under the **UNITEe** ('Unganisha Tukue') banner.

At **Trinity College, Nabingo** (Kampala), our bakery project focused on upgrading both the baking facilities and the skills of the students, who continue to develop both their entrepreneurial and technical baking prowess.



The **Eldoret** project is in its fifth phase, and we are strengthening our connections with the Wareng community. The bakery, commissioned in August 2015, allows for the sponsoring of more than the current twenty students, by paying school fees and meeting some personal needs.

We have been ambitious in introducing some of our Kaizen disciplines into the initiative, in particular the PaTaMu 6K approach that emphasises such concepts as order, cleanliness and safety. In this latter area we have carried out first aid training to students and teachers.

We have also been very active at **Nakuru Girls School**, a national school with over 800 students. Here the project involved constructing a zero grazing unit for ten dairy cows, a feed store and a calf pen for the young calves. The school has over 30 dairy cows, which graze around the school compound; the cows selected for zero grazing have seen their milk yield increase over their 'free range' counterparts. The extra income realised is being used to educate a needy girl child.

As in Eldoret, the discipline of 6K has been introduced, again aimed at creating high standards of organisation and a clean environment. By creating awareness of safety, health and environment issues (through training on fire fighting skills, fire drills and first aid training) a safer and more conducive environment for education and the wellbeing of the students has been achieved.

## Group Managing Director's Report (continued)

### Outlook

We expect wheat prices to remain stable in US dollar terms, at least for the first half of the year. Exchange rate impact is the greatest unknown: will the Kenyan and Ugandan shilling continue to weaken against the US dollar? Unless upward shifts in world market prices suggest otherwise, we plan to take a short inventory position on imported grain, and to increase our purchases of local wheat. For maize, we expect prices to increase slowly over the course of the year as a consequence of reduced supplies, attributable to quality losses caused by an El Niño-impacted harvest in the region.

The acquisition of a 52% shareholding in Ennsvalley Bakery Limited with effect from 1st July 2015 places us back in the bakery business. We believe that this premium brand, along with its in-store bakery management expertise, complements our brand presence in the modern trade. Our planned investment in increased production capacity, the introduction of products targeted at a wider consumer base, and an increased marketing spend represent an exciting growth opportunity. We will also look at the opportunity to expand our bakery footprint outside of Kenya.



Plans are at an advanced stage to add extruded fish feed production capacity to our Nairobi feeds plant. While we expect fish feed volumes to be low in the start-up years, we believe that we must be positioned as leaders in providing nutritional advice and products to the rapidly developing aquaculture sector across the region.

### Conclusion

While the Group is well positioned to sustain and improve on its operating results, it is important to recognise that our bottom line financial performance will be impacted by the significant capital and operating expenditure required over the next few years to implement our ambitious growth strategy.

I wish to express my personal appreciation to the Board, the management team and the staff, who have again risen to the challenge of sustaining and improving our operational and financial results, embracing our journey of continual improvement. Our focus as always is to make Unga a great company and a great place to work.



**N 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 four times.

### Board Committees

Under its mandate to establish appropriate committees for technical or other specialised issues, the Board operates four standing committees but also sets up ad-hoc committees to deal with specific issues where necessary:

#### *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 are Mr Jinaro Kibet, Mr Andrew Ndegwa and Mr Vitalis Ojode.

It met four times during the year to review internal risk assessments and statutory compliance requirements.

#### *Nominations and Remuneration Committee*

The Nominations and Remuneration Committee has the mandates to review the size and structure of the board, review succession planning within the Board and that of the CEO, 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 recommends the structure and level of non-executive directors' fees subject to approval by the Board and shareholders.

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

## Corporate Governance (continued)

### *Investment and Operations Committee (continued)*

The members who served during the year were: Mr Patrick Obath (Chairman), Mr Andrew Ndegwa and Mr Alan McKittrick. It met four times 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 met six times during the year under review.

The compensation for the financial year ended 30th June 2015 is disclosed in Note 35 of the financial statements.

Name	No of 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 2015 are as follows:

Name	No of shares	% shareholding
1. Victus Limited	38,557,190	50.93
2. Moses Thara	3,808,117	5.03
3. Rakesh Prakash Gadani	3,464,380	4.58
4. CFCFS Nominees Ltd	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. Bid Portfolio Management Ltd	779,000	1.03
8. Savitaben Velji Raichand Shah	745,677	0.98
9. Broadway Bakery Limited	441,600	0.58
10. Investments & Mortgages Nominees Ltd A/c 028950	359,920	0.48
<b>Total number of shares</b>	<b>53,291,326</b>	<b>70.39</b>

### 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. The Annual General Meeting provides an opportunity for shareholder engagement; allows the Chairman to explain the Company's progress and answer questions from the shareholders. Shareholders have direct access to the company in line with conventional business practices. Information is also available on the Company's website.

### Directors' Benefits and Loans

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

### Directors' Interest

The interest of the Directors in the shares of the Company as at 30th June 2015 was as follows:

## Corporate Governance (continued)

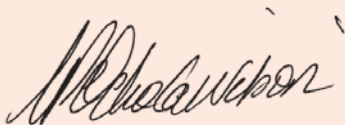
### Distribution of the shareholders

By number of shares range

Range	Shareholders	Shares	%
1-500 shares	3,908	684,868	0.91
501-5,000	2,911	5,169,090	6.83
5,001-10,000	481	3,342,084	4.41
10,001-100,000	379	9,224,134	12.18
100,001-1,000,000	31	6,323,568	8.35
1,000,001 and above	6	50,963,242	67.32
<b>Total</b>	<b>7,716</b>	<b>75,706,986</b>	<b>100.00</b>

(b) By category of shareholders

Domicile	Shareholders	Shares	%
Foreign companies	7	2,019,660	2.67
Foreign individuals	250	1,972,962	2.61
Local companies	241	44,527,465	58.81
Local individuals	7,218	27,186,899	35.91
<b>Total</b>	<b>7,716</b>	<b>75,706,986</b>	<b>100.00</b>



**I Ochoa-Wilson (Mrs)**

Director

30 September 2015



**N Hutchinson**

Director

30 September 2015

## Five Year Financial Review (Summary)

	2011	2012	2013	2014	2015
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Consolidated statement of comprehensive income</b>					
Revenue	13,214,442	15,976,763	15,142,017	17,002,302	18,723,250
Operating profit	741,512	280,645	313,284	564,233	785,035
Profit before income tax	631,070	512,569	389,458	567,735	635,695
Income tax expense	(190,027)	(164,374)	(124,685)	(184,968)	(205,914)
Profit for the year from discontinued operations	-	-	73,423	91,727	192,085
Profit for the Year	441,043	348,195	338,196	474,494	621,866
Earnings Per Share- basic & diluted	Shs 3.57	Shs 2.81	Shs 2.59	Shs 3.65	Shs 5.27
<b>Consolidated statement of financial position: At 30 June</b>					
<b>Assets</b>					
<b>Non-current assets</b>	1,622,280	1,754,938	2,272,647	2,541,402	3,219,069
<b>Current assets</b>	4,082,689	4,640,963	5,820,205	4,934,209	5,452,719
<b>Assets of disposal group classified as held for sale</b>	3,928	3,928	15,527	550,967	-
Total Assets	5,708,897	6,399,829	8,108,379	8,026,578	8,671,788
<b>Equity and liabilities</b>					
Share Capital	378,535	378,535	378,535	378,535	378,535
Reserves	2,152,100	2,283,365	2,440,145	2,675,000	3,010,814
<b>Equity attributable to equity holders of the parent</b>	2,530,635	2,661,900	2,818,680	3,053,535	3,389,349
Non controlling interests	1,214,316	1,305,988	1,472,621	1,633,708	1,965,930
<b>Total Equity</b>	3,744,951	3,967,888	4,291,301	4,687,243	5,355,279
<b>Non current liabilities</b>	345,150	463,988	650,214	987,381	1,014,344
<b>Current liabilities</b>	1,618,796	1,967,953	3,166,864	2,172,393	2,302,165
<b>Liabilities of disposal group classified as held for sale</b>	-	-	-	179,561	-
	1,963,946	2,431,941	3,817,078	3,339,335	3,316,509
<b>Total equity and liabilities</b>	5,708,897	6,399,829	8,108,379	8,026,578	8,671,788

## Corporate Information

<b>DIRECTORS</b>	I Ochola-Wilson (Mrs)	-	Chairman
	N C Hutchinson*	-	Group Managing Director
	A McKittrick		
	A S M Ndegwa	-	(Alternate –Patrick Mugambi, appointed 26/06/2015)
	V O Ojode		
	J K Kibet		
	M K M'Mukindia (Mrs)		
	P O Obath		

\*British

<b>SECRETARY</b>	<b>Ms Winniefred N Jumba</b> Certified Public Secretary (Kenya) Livingstone Associates Deloitte Place, Waiyaki Way, Muthangari P O Box 30029, 00100 Nairobi
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<b>REGISTERED OFFICE</b>	Plot No.209/6841 Ngano House, Commercial Street Industrial Area P O Box 30096, 00100 Nairobi Tel: +254(020)3933000
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<b>REGISTRAR</b>	Custody & Registrars Services Limited 6th Floor, Bruce House Standard Street P O Box 8484, 00100 Nairobi
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<b>AUDITOR</b>	PricewaterhouseCoopers Certified Public Accountants (Kenya) PwC Tower, Waiyaki Way/ Chiromo Road, Westlands P O Box 43963, 00100 Nairobi
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<b>BANKER</b>	Barclays Bank of Kenya Limited The West End, Waiyaki Way P O Box 30120, 00100 Nairobi
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<b>ADVOCATE</b>	Kaplan & Stratton Williamson House 4th Ngong Avenue P O Box 40111, 00100 Nairobi
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## Directors' Report

The directors submit their report together with the audited financial statements for the year ended 30 June 2015, 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 principal activities of the Group continue to be the milling of human nutrition products, animal nutrition products and the distribution of animal health products.

The Group owns 65% of Unga Holdings Limited through its subsidiary, Unga Investments Limited. Unga Holdings Limited acquired and disposed of subsidiaries in the year.

Details are as follows;

#### *Acquisitions and disposals*

The company disposed of its 51% shareholding in Bullpak Limited on 31 July 2014 as disclosed in note 32 to the financial statements.

On 30 June 2015, the company acquired 52% shareholding in Ennsvalley Bakery Limited. The details of the transaction are disclosed in note 31 of the financial statements.

### RESULTS AND DIVIDEND

The Group's profit for the year was Shs 621,866,000 (2014: Shs 474,494,000). The profit attributable to equity holders of Shs 399,082,000 (2014: Shs 276,040,000) has been added to retained earnings. The directors recommend payment of a first and final dividend of Shs 1.00 (2014: Shs 0.75) per share amounting to Shs 75,706,986 (2014: 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.

### DIRECTORS


The directors who served during the year and to the date of this report are set out on page 18.

### AUDITOR

The Company's auditor, PricewaterhouseCoopers, 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 30 September 2015.



By order of the Board  
**Winniefred N Jumba**  
Secretary

**30 September 2015**

## 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 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:

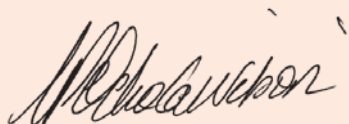
- i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

- 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 2015 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 30 September 2015 and signed on its behalf by:



**I Ochola-Wilson (Mrs)**

Director

30 September 2015



**N Hutchinson**

Director

30 September 2015



# REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNGA GROUPLIMITED

## 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 22 to 61. These financial statements comprise the consolidated statement of financial position as at 30 June 2015, 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 as at 30 June 2015 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 as at 30 June 2015 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.



**Nairobi.**

**30th September 2015**

## Consolidated Statement of Comprehensive Income

Year ended 30 June	Notes	2015 Shs'000	2014 Shs'000
Revenue	5	18,723,250	17,002,302
Cost of sales		(16,747,840)	(15,335,027)
<b>Gross profit</b>		1,975,410	1,667,275
Other income	8	30,404	39,237
Distribution costs	10	(510,522)	(472,841)
Administrative expenses	11	(710,257)	(653,688)
Other operating expenses		-	(15,750)
<b>Operating profit</b>		785,035	564,233
Finance income	12	77,304	
Finance costs	12	(226,644)	(26,003)
<b>Profit before income tax</b>		635,695	567,735
Income tax expense	15	(205,914)	(184,968)
Profit for the year from continuing operations		429,781	382,767
Profit for the year from discontinued operations	32	192,085	91,727
<b>Profit for the year</b>		621,866	474,494
<b>Attributable to:</b>			
Owners of the parent		399,082	276,040
Non-controlling interests		222,784	198,454
		621,866	474,494
Earnings per share attributable to owners of the Company (expressed in Kenya shillings).			
<b>Basic and diluted earnings per share</b>			
From continuing operations		3.70	3.03
From discontinued operations		1.57	0.62
Basic and diluted earnings per share	6	5.27	3.65
<b>Profit for the year</b>		621,866	474,494
<b>Other comprehensive income for the year</b>			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Re-measurement of retirement benefit asset			
- Continuing operations	29	306	29,242
- Discontinued operations	32	-	1,434
Deferred income tax thereon		(92)	(10,207)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences on foreign operations		(10,195)	3,033
<b>Total other comprehensive income for the year</b>		(9,981)	23,502
<b>Total comprehensive income for the year</b>		611,885	497,996
<b>Attributable to;</b>			
Owners of the parent		392,594	291,636
Non-controlling interest		219,291	206,360
		611,885	497,996

## Consolidated Statement of Financial Position

At 30 June	Notes	2015 Shs'000	2014 Shs'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	25	2,906,965	2,442,911
Prepaid operating lease rentals	26	32,107	34,464
Intangible asset	27	206,544	18,121
Retirement benefits asset	29	45,060	44,121
Deferred income tax	21	28,393	1,785
		3,219,069	2,541,402
<b>Current assets</b>			
Inventories	22	2,190,111	2,396,262
Trade and other receivables	23	2,028,388	1,717,828
Current income tax		41,515	36,658
Cash and cash equivalent	30	1,192,705	783,461
		5,452,719	4,934,209
Assets of disposal Groups classified as held-for-sale	32	-	550,967
<b>Total assets</b>		8,671,788	8,026,578
<b>Equity and liabilities</b>			
<b>Equity and liabilities</b>			
Share capital	16	378,535	378,535
Share premium		73,148	73,148
Other reserve	17	728,072	760,920
Retained earnings		2,209,594	1,840,932
		3,389,349	3,053,535
Non-controlling interests	18	1,965,930	1,633,708
<b>Total equity</b>		5,355,279	4,687,243
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Post-employment benefit obligation	20	86,729	93,271
Deferred income tax	21	566,830	461,820
Borrowings	19	360,785	432,290
		1,014,344	987,381
<b>Current liabilities</b>			
Trade and other payables	24	2,007,547	2,047,154
Current income tax		16,493	15,489
Borrowings	19	278,125	109,750
		2,302,165	2,172,393
Liabilities of disposal Group classified as held-for-sale	32	-	179,561
<b>Total liabilities</b>		3,316,509	3,339,335
<b>Total equity and liabilities</b>		8,671,788	8,026,578

The financial statements on pages 22 to 61 were approved for issue by the board of directors on 30 September 2015 and signed on its behalf by:



**I Ochola-Wilson (Mrs)**  
Director



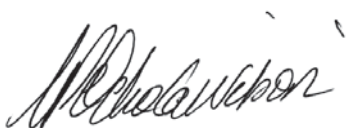
**N Hutchinson**  
Director

## Company Statement of Financial Position

At 30 June

	Note	2015 Shs '000	2014 Shs '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	28	1,297,335	1,297,335
<b>Total non-current assets</b>		<u>1,297,335</u>	<u>1,297,335</u>
<b>Current assets</b>			
Trade and other receivables	23	53,685	24,912
Current income tax		2,114	4,778
Cash and cash equivalent	30	243,887	238,307
<b>Total current assets</b>		<u>299,686</u>	<u>267,997</u>
<b>TOTAL ASSETS</b>		<u><u>1,597,021</u></u>	<u><u>1,565,332</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary shares	16	378,535	378,535
Share premium		73,148	73,148
Retained earnings		991,253	986,841
Total equity		<u>1,442,936</u>	<u>1,438,524</u>
<b>Current liabilities</b>			
Trade and other payables	24	154,085	126,808
<b>Total current liabilities</b>		<u>154,085</u>	<u>126,808</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,597,021</u></u>	<u><u>1,565,332</u></u>

The financial statements on pages 22 to 61 were approved for issue by the board of directors on 30 September 2015 and signed on its behalf by



**I Ochola-Wilson (Mrs)**

Director



**N Hutchinson**

Director

## Consolidated Statement of Changes in Equity

<b>Year ended 30 June 2014</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Equity attributable to equity holders</b>	<b>Non- controlling interests</b>	<b>Total</b>
	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
At start of year	378,535	73,148	771,274	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	-	-	15,596	-	15,596	7,906	23,502
Total comprehensive income for the year	-	-	15,596	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)	-	-	-
<b>Transactions with owners</b>							
Dividend paid to shareholders	-	-	-	(56,780)	(56,780)	-	(56,780)
Dividend paid to non - controlling interests	-	-	-	-	-	(45,274)	(45,274)
At end year	378,535	73,148	760,920	1,840,932	3,053,535	1,633,708	4,687,243
<b>Year ended 30 June 2015</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>	<b>Shs '000</b>
At start of year	378,535	73,148	760,920	1,840,932	3,053,535	1,633,708	4,687,243
Profit for the year	-	-	-	399,082	399,082	222,784	621,866
Other comprehensive income for the year	-	-	6,488	-	(6,488)	(3,493)	(9,981)
Total comprehensive income for the year	-	-	6,488	399,082	392,594	219,291	611,885
Transfer of excess depreciation	-	-	(37,657)	37,657	-	-	-
Deferred income tax on transfer	-	-	11,297	(11,297)	-	-	-
<b>Transactions with owners</b>							
Dividend paid to shareholders	-	-	-	(56,780)	(56,780)	-	(56,780)
Dividend paid to non - controlling interests	-	-	-	-	-	(30,574)	(30,574)
Disposal of subsidiary ( Note 18)	-	-	-	-	-	(183,757)	(183,757)
Acquisition of subsidiary ( Note 18)	-	-	-	-	-	327,262	327,262
At end of year	378,535	73,148	728,072	2,209,594	3,389,349	1,965,930	5,355,279

## Company Statement of Changes in Equity

	Share Capital	Share Premium	Retained earnings	Total
	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 30 June 2014</b>				
At start of year	378,535	73,148	992,495	1,444,178
Profit for the year	-	-	51,126	51,126
Total comprehensive income	-	-	51,126	51,126
<b>Transactions with owners</b>				
Dividends paid	-	-	(56,780)	(56,780)
At end of year	<u>378,535</u>	<u>73,148</u>	<u>986,841</u>	<u>1,438,524</u>
<b>Year ended 30 June 2015</b>				
At start of year	378,535	73,148	986,841	1,438,524
Profit for the year	-	-	61,192	61,192
Total comprehensive income	-	-	61,192	61,192
<b>Transactions with owners</b>				
Dividends paid	-	-	(56,780)	(56,780)
At end of year	<u>378,535</u>	<u>73,148</u>	<u>991,253</u>	<u>1,442,936</u>

## Consolidated Statement of Cash Flows

Year ended 30 June

	Notes	2015 Shs'000	2014 Shs'000
<b>Operating activities</b>			
Cash generated from operations	30	708,494	730,662
Income tax paid		(162,802)	(235,170)
Interest paid		(40,242)	(26,003)
<b>Net cash from operating activities</b>		<b>505,450</b>	<b>469,489</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	25	(323,041)	(503,185)
Purchase of intangible assets	27	(8,859)	(15,036)
Proceeds of disposal of property, plant and equipment		13,852	358
Net proceeds on disposal of subsidiary	32	300,300	-
Cash from acquisition of subsidiary	31	2,322	-
<b>Net cash used in investing activities</b>		<b>(15,426)</b>	<b>(517,863)</b>
<b>Financing activities</b>			
Dividends paid to shareholders	7	(56,780)	(56,780)
Dividends paid to non - controlling interests	18	(30,574)	(45,274)
(Repayments)/proceeds from borrowings	19	(53,130)	378,712
Net cash(used in) / from financing activities		(140,484)	276,658
<b>Net increase in cash and cash equivalents</b>		<b>349,540</b>	<b>228,284</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		846,767	619,076
Increase		349,540	228,284
Effects of exchange rate changes		(3,602)	(593)
At end of year	30	1,192,705	846,767

## 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 standards, amendments and interpretations adopted.*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 July 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This

amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

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.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 July 2014 are not material to the Group.

*(ii) New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

*(ii) New standards, amendments and interpretations not yet adopted (continued)*

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and

earlier application is permitted. The Group is assessing the impact of IFRS 15.

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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (b) Consolidation (continued)

##### (i) Subsidiaries (continued)

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 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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

#### (d) 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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (iii) Group companies (continued)

- 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.

#### (e) 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:

- 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 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.
- Interest income is recognised on a time proportion basis using the effective interest method. Interest income is recognised using the effective interest rate method.
- Dividends are recognised as income in the period in which the right to receive payment is established.

#### (f) 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:

- Buildings – open market value;
- 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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (g) Intangible assets

##### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess consideration transferred over interest in fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs) or Groups of cash generating units CGUs that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

##### (ii) Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Developments costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

#### (h) 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.

#### (i) 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.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (j) 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.

##### *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.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (j) Financial assets

##### *Available-for-sale financial assets (continued)*

#### 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 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.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (k) 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.

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.

#### (l) 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.

#### (m) 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 classified as current assets. If not, they are presented as non-current assets.

#### (n) 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.

#### (o) 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.

#### (p) 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.

#### (q) 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

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (q) Employee benefits (continued)

##### (i) Retirement benefit scheme assets (continued)

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 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 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.

#### (r) 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.

#### (s) 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.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (t) 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.

#### (u) 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.

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 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 2015, an increase/decrease by 100 basis points in interest rates would have resulted in a decrease/increase in post-tax profit of Shs 4,889,100 (2014: Shs 3,700,900).

##### (ii) Price risk

Price risk arises from fluctuations in the prices of equity investments. At 30 June 2015 and 30 June 2014, the Group did not hold investments that would be subject to price risk; hence this risk is not relevant.

##### (iii) Foreign exchange

## Notes (continued)

### 4 Financial risk management objectives and policies (continued)

#### 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 2015, if the Kenyan Shilling had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year and equity would have been Shs 61,907,396 (2014: Shs 75,167,530) 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:

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Group</b>				
<b>At 30 June 2015</b>				
Trade receivables	1,567,272	129,224	203,467	1,899,963
Bank balances (note 30)	594,096	-	-	594,096
Call deposits (note 30)	598,609	-	-	598,609
Other receivables	100,081	-	-	100,081
	<u>2,860,058</u>	<u>129,224</u>	<u>203,467</u>	<u>3,192,749</u>
<b>Group</b>				
<b>As at 30 June 2014</b>				
Trade receivables	1,465,844	-	214,608	1,680,452
Bank balance	548,223	-	-	548,223
Call deposit	298,067	-	-	298,067
Other receivables	108,760	-	-	108,760
	<u>2,420,894</u>	<u>-</u>	<u>214,608</u>	<u>2,635,502</u>
<b>Company</b>				
<b>At 30 June 2015</b>				
Other receivables	53,685	-	-	53,685
Bank balance	429	-	-	429
Call deposits	243,458	-	-	243,458
	<u>297,572</u>	<u>-</u>	<u>-</u>	<u>297,572</u>
<b>As at 30 June 2014</b>				
Other receivables	24,912	-	-	24,912
Bank balance	1,307	-	-	1,307
Call deposits	237,000	-	-	237,000
	<u>263,219</u>	<u>-</u>	<u>-</u>	<u>263,219</u>

## Notes (continued)

### 4 Financial risk management objectives and policies (continued)

#### Credit risk (continued)

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

The receivables that are past due relate to trade receivables overdue between 30 to 120 days. The receivables are not impaired and continue to be paid. The credit control department is actively following these receivables. Cash deposits of Shs 27,909,000 (2014: Shs 40,089,131) and bank guarantees amounting to Shs 838,600,000 (2014: Shs 428,450,000) 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 Limited) accounts for 10% of the revenue of the Group (2014 – 10%). This customer has a high credit rating. All other sales are to a wide unrelated customer base

Kenchic Limited  
Others

2015	%	2014	%
Shs'000		Shs'000	
1,802,310	10%	1,626,524	10%
16,920,940	90%	15,375,778	90%
<u>18,723,250</u>	<u>100%</u>	<u>17,002,302</u>	<u>100%</u>

#### 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

##### At 30 June 2015:

Liabilities:

	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
Trade payables	636,537	-	-	636,537
Due to affiliate companies (note 35)	648,166	-	-	648,166
Borrowings (note 19)	107,031	171,094	360,785	638,910
Other payables	722,844	-	-	722,844
	<u>2,114,578</u>	<u>171,094</u>	<u>360,785</u>	<u>2,646,457</u>

##### At 30 June 2014:

Liabilities:

	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
Trade payables	505,902	-	-	505,902
Due to affiliate companies	849,065	-	-	849,065
Borrowings	27,437	82,313	562,380	672,130
Other payables	670,704	-	-	670,704
	<u>2,053,108</u>	<u>82,313</u>	<u>562,380</u>	<u>2,697,801</u>

## 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 2,333,333 (2014 Shs 380,000,000 and USD 5,600,908). 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.

#### Company

##### At June 2015

##### Liabilities:

Other payables  
Due to related companies (note 34)

##### At June 2014

##### Liabilities:

Other payables  
Due to related companies

	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
Other payables	-	26,210	-	26,210
Due to related companies (note 34)	127,875	-	-	127,875
	127,875	26,210	-	154,085
Other payables	-	21,818	-	21,818
Due to related companies	104,990	-	-	104,990
	104,990	21,818	-	126,808

#### 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:

Equity  
Borrowings (Note 19)  
Less: cash and cash equivalents (Note 30)  
Net debt  
Gearing ratio

2015 Shs'000	2014 Shs'000
5,355,279	4,687,243
638,910	542,040
(1,192,705)	(783,461)
(539,795)	(241,421)
0%	0%

## Notes (continued)

### 5 Revenue

Analysis of sales by category:

Human nutrition

Animal nutrition

Animal health products

**2015**
**Shs'000**
**2014**
**Shs'000**

10,637,885

10,569,409

7,882,673

6,163,116

202,692

269,777

18,723,250
17,002,302

### 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.

Profit for the year attributable to shareholders (Shs '000')

Weighted average number of ordinary shares ('000')

Basic earnings per share

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

**2015**

399,082

**2014**

276,040

75,707
75,707
5.27
3.65

### 7 Dividends

In respect of the current financial year, the directors propose a first and final dividend of Shs 1.00 (2014: Shs 0.75) per ordinary share amounting to Shs 75,706,986 (2014: 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

Analysis of sales by category:

Sale of packing material

Gain/(loss) on disposal of property, plant and equipment

Sundry income

**2015**
**Shs'000**
**2014**
**Shs'000**

9,351

9,649

2,615

(374)

18,438
29,962
30,404
39,237

## Notes (continued)

### 9 Segmental Reporting

The principal activity of the Group continues to be the milling of wheat and maize 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 health and nutrition segment accounts for more than 10% of the revenue arising from direct sales while other operating segments have none.

Year ended 30 June 2015	Human Nutrition	Animal Nutrition & Health	Others	Elimination	Consolidation
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Continuing operations</b>					
Revenue from external customers	10,700,676	8,022,574	-	-	18,723,250
Inter-segment revenues	518,609	55,299	-	(573,908)	-
Interest income	14,783	9,771	52,750	-	77,304
Other income	29,175	14,177	-	(12,948)	30,404
Interest expense	(39,979)	(264)	-	-	(40,243)
Depreciation and amortisation	130,985	45,879	-	-	176,864
Reportable segmental profit	218,709	398,272	18,714	-	635,695

#### Other material non-cash

##### Items:

Reportable segment assets	5,384,685	2,449,500	837,603	-	8,671,788
Expenditures for reportable Segment non-current assets	236,534	86,507	-	-	323,041
Reportable segmental liabilities	3,266,643	1,471,711	-	(1,421,845)	3,316,509

## Notes (continued)

### 9 Segmental Reporting (continued)

Discontinued operations	Human Nutrition	Animal Nutrition & Health	Others	Elimination	Consolidation
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from external customers	-	-	28,938	-	28,938
Inter-segment revenues	-	-	25,500	(25,500)	-
Interest income	-	-	683	-	683
Interest expense	-	-	-	-	-
Depreciation and amortisation	-	-	8	-	8
Reportable segmental profit	-	-	192,085	-	192,085

#### Year ended 30 June 2014

##### 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	6268	-	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	-	(8,277)	567,735

##### Other material non-cash

##### Items:

Reportable segment assets	5,062,399	2,277,605	180,121	-	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

##### Discontinued 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 amortisation	-	-	14,623	-	14,623

#### Year ended 30 June 2014

##### Discontinued operations

##### 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 2015

Country	Revenue	Non-current assets
	Shs'000	Shs'000
Kenya	17,619,454	3,079,974
Uganda	1,103,796	139,095
	<u>18,723,250</u>	<u>3,219,069</u>

#### Year ended 30 June 2014

##### Country

Kenya	15,911,492	2,386,670
Uganda	1,090,810	154,732
	<u>17,002,302</u>	<u>2,541,402</u>

## Notes (continued)

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>10 Distribution Costs</b>		
Transport cost	283,693	288,105
Advertising & promotions	125,976	107,129
Staff costs	100,853	77,607
	<u>510,522</u>	<u>472,841</u>
<b>11 Administrative Expenses</b>		
Professional and consultancy fees	95,325	131,933
Staff costs	419,975	339,841
Depreciation	25,446	20,012
Insurance	52,676	36,665
Computer and general expenses	62,608	45,317
Motor vehicle, repair and other costs	54,227	79,920
	<u>710,257</u>	<u>653,688</u>
<b>12 Finance costs</b>		
Finance income:		
Interest income on short term deposits	77,304	29,505
Finance costs:		
Interest expense on bank loans	21,897	14,423
Interest expense on bank overdrafts	-	1,044
Interest expense on trade finance	18,345	10,536
Net foreign exchange losses	186,402	-
	<u>226,644</u>	<u>26,003</u>
<b>13 Profit before income tax</b>		
The profit before income tax is arrived at after charging:		
Staff costs (Note 14)	752,782	737,940
Depreciation (Note 25)	166,929	161,345
Amortisation of prepaid operating lease rentals (Note 26)	1,528	1,217
Amortisation of intangible assets (Note 27)	8,407	5,712
Directors emoluments (Note 35)	14,867	18,484
Auditors' remuneration	10,422	9,900
Provision for impairment-trade receivables	(11,141)	19,284
Profit / (Loss) on disposal of property, plant and equipment	2,615	(374)
Provision for slow moving inventory	-	3,517
	<u>752,782</u>	<u>737,940</u>
<b>14 Staff costs</b>		
Salaries and wages	760,708	704,531
Retirement benefit (Note 29)	633	(2,471)
Post-employment benefit obligation (Note 20)	(13,622)	32,579
Social security costs (NSSF) contributions	2,261	2,101
Accrued leave pay	2,802	1,200
	<u>752,782</u>	<u>737,940</u>

## Notes (continued)

### 15 Income tax expense

	2015 Shs'000	2014 Shs'000
Current income tax	166,764	133,995
Deferred income tax (Note 21)	39,150	50,973
Income tax expense	<u>205,914</u>	<u>184,968</u>

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:

Profit before income tax	<u>635,695</u>	<u>567,735</u>
Tax calculated at the statutory income tax rate of 30% (2014 - 30%)	190,709	170,321
Tax effects of:		
Expenses not deductible for tax purposes	-	11,942
Income not subject to tax	20,626	2,842
Overprovision of deferred income tax in prior year	(8,624)	(526)
Under provision of current income tax in prior year	3,203	389
Income tax expense	<u><u>205,914</u></u>	<u><u>184,968</u></u>

### 16 Share capital

	Number of Shares (Thousands)	Ordinary Shares Shs'000
<b>Authorised:</b>		
Balance at 30 June 2013, 30 June 2014 and 30 June 2015	82,760	413,800
<b>Issued and fully paid:</b>		
Balance at 30 June 2013, 30 June 2014 and 30 June 2015	<u><u>75,707</u></u>	<u><u>378,535</u></u>

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.

## Notes (continued)

### 17 Other reserves

Other reserves comprise the following:

	Property and plant revaluations	Currency translation	Remeasurement of retirement benefit asset	Total
Year ended 30 June 2014	Shs'000	Shs'000	Shs'000	Shs'000
At start of the year	797,335	(15,729)	(10,332)	771,274
Credit to other comprehensive income	-	1,971	13,625	15,596
Transfer of excess depreciation	(36,998)	-	-	(36,998)
Deferred income tax on transfer	11,048	-	-	11,048
At year end	<u>771,385</u>	<u>(13,758)</u>	<u>3,293</u>	<u>760,920</u>
Year ended 30 June 2015	Shs'000	Shs'000	Shs'000	Shs'000
At start of the year	771,385	(13,758)	3,293	760,920
Credit to other comprehensive income	-	(6,627)	139	(6,488)
Transfer of excess depreciation	(37,657)	-	-	(37,657)
Deferred income tax on transfer	11,297	-	-	11,297
At year end	<u>745,025</u>	<u>(20,385)</u>	<u>3,432</u>	<u>728,072</u>

All other reserves are non-distributable.

### 18 Non-controlling interests

Group	2015 Shs'000	2014 Shs' 000
At start of year	1,633,708	1,472,622
Dividend paid	(30,574)	(45,274)
Acquisition of Ennsvalley Bakery Limited (Note 31)	327,262	-
Disposal of Bullpak Limited (Note 32)	(183,757)	-
Share of profit for the year	222,784	198,454
Share of other comprehensive income	(3,493)	7,906
At end of year	<u>1,965,930</u>	<u>1,633,708</u>

#### Summary of Non-controlling interest:

##### Unga Holdings Limited:

Equity interest held by Seaboard Corporation in Unga Holdings Limited 35% 1,638,668 1,458,582

##### Bullpak Limited:

Equity interest held by Nampak Holdings Limited in Bullpak Limited 49% - 175,126

##### Ennsvalley Bakery Limited:

Equity interest held by NAS Holdings Limited in Ennsvalley Bakery Limited 48% 327,262 -  
1,965,930 1,633,708

## Notes (continued)

### 18 Non-controlling interests (continued)

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 32. A summary of the financial position of Ennsvalley Bakery Limited, a new subsidiary acquired in the year with 48% non-controlling interest have been disclosed in note 31. 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

#### Unga Holdings Limited summarised statement of financial position

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Current assets	5,288,570	4,756,793
Current liabilities	(2,331,160)	(2,186,753)
<b>Total current net assets</b>	<b>2,957,410</b>	<b>2,570,040</b>
Non-current assets	3,215,144	2,541,405
Non-current liabilities	(1,014,344)	(987,381)
<b>Total non-current net assets</b>	<b>2,200,800</b>	<b>1,554,024</b>
Net assets of disposal Group classified as held for sale	-	367,478
<b>Total Net Assets</b>	<b>5,158,210</b>	<b>4,491,542</b>

#### Unga Holdings Limited summarised statement of comprehensive income

Revenue	18,723,250	17,002,302
Profit before income tax	634,327	576,781
Income tax expense	(205,913)	(184,968)
Post tax profit from continuing operations	428,414	391,813
Post tax profit from discontinued operations	192,085	91,727
Other comprehensive income	(9,982)	23,502
<b>Total comprehensive income</b>	<b>610,517</b>	<b>507,042</b>

#### Unga Holdings Limited summarised cash flows

Net cash generated from operating activities	501,749	443,780
Net cash used in investing activities	(15,426)	(516,497)
Net cash generated from financing activities	(140,484)	276,657
Net increase in cash and cash equivalent	345,839	203,940
Cash and cash equivalent at start of the year	608,734	397,538
Increase	344,352	203,940
Effect of exchange rates	(4,268)	7,256
<b>At end of year</b>	<b>948,818</b>	<b>608,734</b>

## Notes (continued)

### 19 Borrowings

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Bank loans	488,910	542,040
Other loans	150,000	-
	<u>638,910</u>	<u>542,040</u>
The borrowings are repayable as follows:		
Within one year	278,125	109,750
More than one year	360,785	432,290
	<u>638,910</u>	<u>542,040</u>
Movement in principal borrowings:		
At start of year	542,040	163,328
Loans received	(53,130)	378,712
On acquisition of subsidiary	150,000	-
<b>At end of year</b>	<u>638,910</u>	<u>542,040</u>

The loan of Shs 150 million from NAS Holdings Limited is unsecured and is due for repayment in the next financial year. The weighted average effective interest rates is 15% per annum.

The rest of the borrowing facilities consist of bank loans. The borrowings are secured by an all assets debenture for Shs 1.5 billion, corporate guarantees of Shs 1.5 billion and legal charges of Shs 1.5 billion over certain properties. The Group has a term loan facility of USD 7,500,000 with its bankers acquired for purposes of financing installation of a wheat milling plant. Interest is chargeable at 4% above the 3 months LIBOR rate. The loan is expected to mature in June 2020. The outstanding loan at 30 June 2015 amounted to USD 4,923,563 (2014: 6,173,563). The effective interest rate of the loan at 30 June 2015 was 4.29% (2014: 4.27%)

### 20 Post-employment benefits obligation– Gratuity

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;

<b>Group</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	93,271	69,112
(Credit)/ charge to profit or loss	(13,622)	32,579
Paid during the year	7,080	(8,420)
<b>At end of year</b>	<u>86,729</u>	<u>93,271</u>
The provisions are based on actuarial calculations made by Alexander Forbes at year end. The principal actuarial assumptions used in the actuarial valuation was as follows:		
Discount rate	13.5%	13.2%
Rate of salary escalation	10%	10%
Rate of pension increases	0%	0%

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

## Notes (continued)

### 21 Deferred income tax

Deferred income tax is made up of the following;

<b>Group</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Deferred income tax asset	28,393	1,785
Deferred income tax liability	(566,830)	461,820
Net deferred income tax liability	<u>538,437</u>	<u>460,035</u>

Deferred income tax is calculated using the enacted income tax rate of 30% (2014: 30%).

The deferred income tax comprises the following;

#### Group

At start of year	460,035	428,699
On acquisition of subsidiary	39,160	-
Charge to profit or loss (Note 15)	39,150	50,973
Charge to other comprehensive income	92	10,032
Deferred tax from discontinued operations	-	(29,669)
	<u>538,437</u>	<u>460,035</u>

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:

<b>Year ended 30 June 2015</b>	<b>01.07.2014</b>	<b>Eliminated on disposal</b>	<b>(Charged)/ credited to P/L</b>	<b>Credit to OCI</b>	<b>30.06.2015</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
Deferred income tax liabilities					
Property plant and equipment -historical cost basis	544,474	(16,512)	11,472	-	539,434
-revaluation surplus	162,671	(15,683)	(11,297)	-	135,691
Interest receivable	(3,604)	3,604			-
Retirement benefit asset	14,052	(1,093)	-	92	13,051
	<u>717,593</u>	<u>(29,684)</u>	<u>175</u>	<u>92</u>	<u>688,176</u>
<b>Deferred income tax assets</b>					
Unrealized exchange losses	9,969	(40)	10,062	-	19,991
Other deductible differences	112,624	(3,533)	27,723	-	136,814
Interest payable	7,670	3,558	1,004	-	12,232
Tax losses carried forward	97,626	-	(77,764)	-	19,862
	<u>227,889</u>	<u>(15)</u>	<u>(38,975)</u>	<u>-</u>	<u>188,899</u>
Net deferred income tax liability	489,704	(29,669)	39,150	92	499,277
On acquisition of subsidiary	-	-	-	-	39,160
Net deferred income tax	<u>489,704</u>	<u>(29,669)</u>	<u>39,150</u>	<u>92</u>	<u>538,437</u>

## Notes (continued)

### 21 Deferred income tax (continued)

#### 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
Unrealized exchange gain	-	(3,604)	-	(3,604)
Retirement benefit asset	4,020	-	10,032	14,052
	<u>504,046</u>	<u>203,515</u>	<u>10,032</u>	<u>717,593</u>
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
	<u>75,347</u>	<u>152,542</u>	<u>-</u>	<u>227,889</u>
Net deferred income tax liability	<u>428,699</u>	<u>50,973</u>	<u>10,032</u>	<u>489,704</u>
Discontinued operations (note 32)	(30,980)	1,741	(430)	(29,669)
Net deferred income tax for continuing operations	<u>397,719</u>	<u>52,714</u>	<u>9,602</u>	<u>460,035</u>

### 22 Inventories

#### Group

	2015 Shs'000	2014 Shs'000
Raw materials	1,725,971	1,854,274
Finished products	239,226	239,637
Packing materials	69,213	56,143
Engineering stores	85,323	35,346
Goods in transit	70,378	210,862
	<u>2,190,111</u>	<u>2,396,262</u>

### 23 Trade and other receivables

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Trade receivables	1,899,963	1,680,452	-	-
Provision for impairment losses	(203,467)	(214,608)	-	-
	<u>1,696,496</u>	<u>1,465,844</u>	-	-
VAT recoverable	231,811	143,224	-	-
Other receivables	100,081	33,650	19,326	14,746
Due from related parties (Note 35)	-	-	-	10,166
Due from affiliate parties (Note 35)	-	75,110	34,359	-
	<u>2,028,388</u>	<u>1,717,828</u>	<u>53,685</u>	<u>24,912</u>
Movements on the provision for impairment of trade receivables are as follows:				
At start of year	214,608	195,324	-	-
Provision in the year	(11,141)	19,284	-	-
At end of year	<u>203,467</u>	<u>214,608</u>	<u>-</u>	<u>-</u>

## Notes (continued)

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
<b>24 Trade and other payables</b>				
Trade payables	636,537	505,902	-	-
Other payables and accrued expenses	722,844	670,704	26,210	21,818
Due to affiliates parties (Note 35)	648,166	849,065	-	45,805
Due to related parties (Note 35)	-	-	127,875	59,185
Unclaimed dividends	-	21,483	-	-
	<u>2,007,547</u>	<u>2,047,154</u>	<u>154,085</u>	<u>126,808</u>

## 25 Property, plant and equipment

	Buildings Shs'000	Plant and equipment Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
<b>At 30 June 2013</b>					
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	<u>732,789</u>	<u>1,158,827</u>	<u>22,551</u>	<u>294,907</u>	<u>2,209,074</u>
<b>Year ended 30 June 2014</b>					
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)	-
Discontinued operations (Note 32)	(110,063)	(212)	-	(5)	(110,280)
Depreciation charge	(22,424)	(124,530)	(14,391)	-	(161,345)
Closing carrying amount	<u>599,725</u>	<u>1,748,392</u>	<u>26,487</u>	<u>68,307</u>	<u>2,442,911</u>
<b>At 30 June 2014</b>					
Cost or valuation	625,135	1,995,882	192,762	68,307	2,882,086
Accumulated depreciation	(25,410)	(247,490)	(166,275)	-	(439,175)
Net carrying amount	<u>599,725</u>	<u>1,748,392</u>	<u>26,487</u>	<u>68,307</u>	<u>2,442,911</u>

## Notes (continued)

### 25 Property, plant and equipment (continued)

	<b>Land and buildings Shs'000</b>	<b>Plant and equipment Shs'000</b>	<b>Motor vehicles Shs'000</b>	<b>Work in progress Shs'000</b>	<b>Total Shs'000</b>
<b>Year ended 30 June 2015</b>					
Opening net book value	599,725	1,748,392	26,487	68,307	2,442,911
Currency translation differences	(3,629)	(6,936)	(21)	-	(10,586)
Additions	42,890	177,951	17,549	84,651	323,041
Acquisition of subsidiary ( Note 31)	-	306,493	8,107	-	314,600
Reclassified from HFS	3,928	-	-	-	3,928
Depreciation charge	(22,587)	(126,238)	(18,104)	-	(166,929)
Closing carrying amount	<u>620,327</u>	<u>2,099,662</u>	<u>34,018</u>	<u>152,958</u>	<u>2,906,965</u>
<b>At 30 June 2015</b>					
Cost or valuation	668,324	2,473,390	218,397	152,958	3,513,070
Accumulated depreciation	(47,998)	(373,728)	(184,379)	-	(606,105)
Net carrying amount	<u>620,327</u>	<u>2,099,662</u>	<u>34,018</u>	<u>152,958</u>	<u>2,906,965</u>

All buildings and the milling plant were revalued 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 204,673,000 (2014 – Shs 423,279,285). The normal annual depreciation on these assets would have been Shs 54,974,000 (2014 – Shs 57,846,822). The Group has pledged assets with net book value of Shs 370,977,000 (2014 - Shs 457,709,170) to secure its borrowings facilities (See note 18).

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

	<b>Buildings Shs' 000</b>	<b>Plant and equipment Shs' 000</b>
<b>Year ended 30 June 2015</b>		
Cost	884,578	1,947,616
Accumulated depreciation	(679,406)	(606,673)
Net book amount	<u>205,172</u>	<u>1,340,943</u>
<b>Year ended 30 June 2014</b>		
Cost	841,688	1,769,665
Accumulated depreciation	(670,381)	(504,530)
Net book amount	<u>171,307</u>	<u>1,265,135</u>

## Notes (continued)

<b>26 Prepaid operating lease rentals</b>	<b>2015</b>	<b>2014</b>
<b>Group</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Cost</b>		
At start of year	58,381	58,026
Currency translation differences	(976)	355
At end of year	<u>57,405</u>	<u>58,381</u>
<b>Amortisation</b>		
At start of year	23,917	22,338
Currency translation differences	(147)	362
Amortisation for the year	1,528	1,217
At end of year	<u>25,298</u>	<u>23,917</u>
<b>Net carrying amount</b>	<u><u>32,107</u></u>	<u><u>34,464</u></u>

The operating lease prepayment relates to leasehold land. The leasehold land was revalued 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 12,930,000 (2014 – Shs 12,994,800) to secure borrowings granted to it (See Note 19).

<b>27 Intangible assets</b>	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Computer software	19,412	18,121
Goodwill on acquisition	187,132	-
	<u>206,544</u>	<u>18,121</u>
<b>(a) Computer software</b>		
<b>Group</b>		
<b>Cost</b>		
At start of year	71,498	56,459
Additions	8,859	15,036
On acquisition of subsidiary	839	-
Currency translation differences	-	3
At end of year	<u>81,196</u>	<u>71,498</u>
<b>Amortisation</b>		
At start of year	53,377	47,665
Amortisation for the year	8,407	5,712
At end of year	<u>61,784</u>	<u>53,377</u>
Net book value	<u><u>19,412</u></u>	<u><u>18,121</u></u>

### (b) Goodwill

The goodwill of Shs 187 million arose upon acquisition of Ennsvalley Bakery Limited. For further details, see Note 31.

## Notes (continued)

### 28 Investment in subsidiaries – Company

#### Unquoted investment at cost in wholly owned subsidiary

	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Unga Investments Limited	1,297,335	1,297,335

Details of the Company's subsidiaries are as follows:

<b>Company name</b>	<b>Principal place of business</b>	<b>Principal activity</b>	<b>% Interest held</b>	<b>Share capital Shs'000</b>
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 and has the following subsidiaries:

<b>Company name</b>	<b>Principal place of business</b>	<b>Principal activity</b>	<b>% Interest held</b>	<b>Share capital Shs'000</b>
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
Unga Millers (U) Limited	Uganda	Milling of wheat and maize, and distribution of animal nutrition products	100%	7,280
Ennsvalley Bakery Limited	Kenya	Manufacture and sale of cakes, breads and pastry	52%	250

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 disposed of its entire interest in Bullpak Limited during the year. See the details in note 32.

## Notes (continued)

### 29 Retirement benefits asset

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

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

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Present value of funded obligations	172,773	191,338
Fair value of plan assets	(438,858)	(432,439)
Surplus on funded plan	(266,085)	(241,101)
Impact of asset ceiling	221,025	196,980
Retirement benefit scheme asset recognised in the statement of financial position	(45,060)	(44,121)

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

	<b>Present value of Obligation</b>	<b>Fair value of plan assets</b>	<b>Total</b>	<b>Impact of asset ceiling</b>	<b>Total</b>
<b>Year ended 30 June 2014</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
At start of year	174,243	(397,005)	(222,762)	206,710	(16,052)
Current service cost	1,804	(2,286)	(482)	-	(482)
Interest expense/ (income)	22,061	(49,889)	(27,828)	25,839	(1,989)
Charge to profit or loss	23,865	(52,175)	(28,310)	25,839	(2,471)
<i>Re measurements:</i>					
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)
<i>Contributions :</i>					
Employee	-	-	-	-	-
Employer	19,528	(19,528)	-	-	-
<i>Payments from plan:</i>					
Benefits paid	(16,849)	16,849	-	-	-
	2,679	(2,679)	-	-	-
At end of year	209,926	(454,671)	(244,745)	196,980	(47,765)
Discontinued operations (Note 32)	(18,588)	22,231	3,644	-	3,644
Continuing operations	191,338	(432,439)	(241,101)	196,980	(44,121)

## Notes (continued)

### 29 Retirement benefits asset (continued)

	Present value of Obligation	Fair value of plan assets	Total	Impact of asset ceiling	Total
Year ended 30 June 2015	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	191,338	(432,439)	(241,101)	196,980	(44,121)
Current service cost	3,532	1,337	4,869	-	4,869
Interest expense/ (income)	22,641	(54,144)	(31,503)	26,001	(5,502)
Charge to profit or loss	26,173	(52,807)	(26,634)	26,001	(633)
<i>Re measurements:</i>					
Return on plan assets	-	3,214	3,214	-	3,214
Change in assumptions	(1,564)	-	(1,564)	-	(1,564)
Change in asset ceiling	-	-	-	(1,956)	(1,956)
Charge to other comprehensive income	(1,564)	3,214	1,650	(1,956)	(306)
<i>Contributions :</i>					
Employee	20,407	(20,407)	-	-	-
Employer	-	-	-	-	-
<i>Payments from plan:</i>					
Benefit paid	(64,918)	64,918	-	-	-
	(44,511)	44,511	-	-	-
At end of year	<u>171,436</u>	<u>(437,521)</u>	<u>(266,085)</u>	<u>221,025</u>	<u>(45,060)</u>

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

#### At 30 June 2015

Discount rate	At current discount rate	1% Increase	1% Decrease
	Shs' million	Shs' million	Shs' million
Present value of obligation	<u>171.4</u>	<u>173.2</u>	<u>169.7</u>

#### At 30 June 2014

Present value of obligation	<u>191.4</u>	<u>192.7</u>	<u>189.9</u>
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The significant actuarial assumptions were as follows;

	2015	2014
Discount rate	13.50%	13.20%
Rate of salary escalation	10%	10%
Rate of pension increases	0%	0%

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.

## Notes (continued)

### 29 Retirement benefits asset (continued)

The plan assets are comprised of the following;

	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Shs'000</b>	<b>%</b>	<b>Shs'000</b>	<b>%</b>
Quoted equities	158,084	35%	151,354	35%
Offshore investments	18,809	4%	16,000	4%
Government bonds	188,984	43%	183,354	42%
Commercial paper and corporate bonds	31,796	7%	28,109	6%
Fixed and time deposits	47,022	10%	50,595	12%
Net current assets	3,135	1%	3,027	1%
<b>Total</b>	<b>447,830</b>	<b>100%</b>	<b>432,439</b>	<b>100%</b>

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.

### 30 Cash generated from operations

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

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Group</b>		
Profit before income tax	635,695	701,659
Adjustments for:		
Depreciation (Note 25)	166,929	161,345
Interest paid	40,242	26,003
Amortisation of prepaid operating lease rentals (Note 26)	1,528	1,217
Amortisation of intangible assets (Note 27)	8,407	5,712
Gain on disposal of property, plant and equipment	2,615	(358)
<b>Working capital changes;</b>		
Inventories	283,519	612,136
Trade and other receivables	(144,281)	87,419
Trade and other payables	(272,540)	(888,630)
Post-employment benefit obligation	(13,622)	24,159
<b>Cash generated from operations</b>	<b>708,494</b>	<b>730,662</b>

## Notes (continued)

### 30 Cash generated from operations (continued)

(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

	2015 Shs'000	2014 Shs'000
Bank balances	594,096	548,700
Call deposits	598,609	298,067
Total Cash and cash equivalents	<u>1,192,705</u>	<u>846,767</u>
Cash and cash equivalents from discontinued operations	-	(63,306)
Cash and cash equivalents from continuing operations	<u>1,192,705</u>	<u>783,461</u>

#### Company

Bank balances	429	1,307
Call deposits	243,458	237,000
	<u>243,887</u>	<u>238,307</u>

The effective interest rate on call deposit as 30 June 2015 was 7.1% (2014: 7%)

### 31 Business combinations

On 30 June 2015 the Company's subsidiary, Unga Holdings Limited, subscribed for 6,500 new shares of Ennsvalley Bakery Limited for a total consideration of Shs 542 million. The acquired shares provides the group 52% control of the issued share capital of Ennsvalley Bakery Limited. The acquired Company's main business is the manufacture and sale of bread, cakes and pastries.

The following table summarises the consideration paid for Ennsvalley Bakery Limited, the fair value of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	2015 Shs'000
Cash consideration payable	<u>541,667</u>
<i>Recognised amount of identifiable assets acquired and liabilities assumed:</i>	
Cash and cash equivalents	2,322
Property, plant and equipment	314,600
Intangible assets	839
Inventories	77,369
Trade and other receivables	166,278
Trade and other payables	(232,933)
Retirement benefit obligations	(7,080)
Borrowings	(150,000)
Deferred tax liability	(39,160)
Current income tax asset	7,875
Receivable from related parties	541,667
Total identifiable net assets	<u>681,777</u>
Share of fair value of separately identifiable assets (52%)	354,535
Goodwill	187,132
<b>Total</b>	<u>541,667</u>
Non-controlling interest	<u>327,262</u>

## Notes (continued)

### 31 Business combinations (continued)

All acquisition related costs have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 30 June 2015.

The goodwill of Shs 187 million arising from the acquisition is attributable to anticipated synergies such as customer relationships, increase in market share and operational cost savings. None of the goodwill recognized is expected to be deductible for income tax purposes.

Had Ennsvalley Bakery Limited been consolidated from 1 July 2014, the consolidated statement of comprehensive income would have shown pro forma revenue of Shs 19,577,779,000 and profit for the year of Shs 637,308,000.

### 32 Non-current assets held for sale and discontinued operations

The Group disposed of its entire 51% interest in Bullpak Limited on 31 July 2014 for Shs 342 million

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

	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Revenues	54,438	655,297
Expenses	(29,269)	(521,373)
Profit before tax of discontinued operations	<u>25,169</u>	<u>133,924</u>
Income tax thereon	(7,555)	(42,197)
Profit for the year from discontinued operations	<u>17,614</u>	<u>91,727</u>
Profit on disposal of discontinued operations	174,471	-
Other comprehensive income	-	1,434
Deferred income tax thereon	-	(430)
	<u>-</u>	<u>1,004</u>
Total comprehensive income from discontinued operations	<u>192,085</u>	<u>92,731</u>
Attributable to owners of parent	183,454	47,293
Attributable to non-controlling interest	8,631	45,438
	<u>192,085</u>	<u>92,731</u>
a) Cash flows from discontinued operations		
Operating cash flows	-	49,362
Investing cash flows:		
Proceeds from disposal / (acquisition)	341,573	(878)
Cash and cash equivalent in discontinued operations at disposal	(41,273)	-
Net cash flow from investing activities	300,300	(878)
Financing cash flows	-	(105,070)
Total cash flows	<u>300,300</u>	<u>(56,586)</u>

## Notes (continued)

### 32 Non-current assets held for sale and discontinued operations (continued)

	2015 Shs'000	2014 Shs'000
b) Liabilities of disposal Groups classified as held for sale		
Deferred taxation	-	29,669
Trade and other payables and other payables	-	48,022
Due to non-consol. Affiliates	-	95,212
Taxation	-	6,658
	<u>-</u>	<u>179,561</u>
b) Assets of disposal Groups classified as held for sale		
<i>i) Bullpak Limited</i>		
Property, plant and equipment	-	110,280
Retirement benefits asset	-	3,644
Inventories	-	164,081
Trade and other receivables	-	89,758
Due from consol. Affiliates	-	28,659
Due from non-consol. Affiliates	-	75,111
Short term deposit	-	61,341
Cash and bank balances	-	2,239
	<u>-</u>	<u>535,113</u>
<i>ii) Maize Milling plant in Unga Millers (U) Ltd and leasehold land</i>		
At start of year	15,853	15,527
Transfer to disposals	(11,925)	-
Foreign exchange difference	-	326
Transfer to property, plant and equipment	(3,928)	-
	<u>-</u>	<u>15,853</u>
Total assets held for sale	<u>-</u>	<u>550,967</u>

### 33 Capital commitment

#### Group

Authorised and contracted for	144,464	36,928
Authorised but not contracted for	829,142	781,122
	<u>973,606</u>	<u>818,050</u>

The bulk of the capital commitments relate to the acquisition of intangible assets  
-Enterprise resource planning software and plant and machinery.

### 34 Contingent liabilities

Guarantees on behalf of third parties	<u>57,807</u>	<u>69,131</u>
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## Notes (continued)

### 35 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:

	Group		Company	
	2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
<b>i) Sale of goods and services</b>				
Sale of finished goods – Kenchic Limited	1,802,608	1,626,524	-	-
<b>ii) Purchase of goods and services from affiliates and related parties</b>				
Raw material purchases – Seaboard Overseas Limited	3,208,739	2,227,183	-	-
Other expenses – Seaboard Overseas Management Company	73,885	32,697	-	-
– Nampak Kenya Limited	-	8,910	-	-
Purchase of equipment and spares – Seaboard Overseas Group	242,236	222,303	-	-
Purchase of packaging material – Bullpak Limited	25,500	307,311	-	-
	<u>3,550,360</u>	<u>2,798,404</u>	-	-
Seaboard is affiliated by virtue of being part of the non-controlling interest as set out in note 18				
<b>iii) Key management compensation</b>				
Salaries and other short-term employment benefits	71,922	43,648	-	-
<b>iv) Directors' remuneration</b>				
Fees	5,419	6,332	2,710	3,166
Other emoluments	9,448	12,152	-	-
	<u>14,867</u>	<u>18,484</u>	<u>2,710</u>	<u>3,166</u>
<b>v) Due from Group companies</b>				
Unga Investments Limited	-	-	27,359	3,166
Unga Group Limited	-	-	-	7,000
Unga Feeds Limited	-	-	7,000	-
	-	-	<u>34,359</u>	<u>10,166</u>
<b>vi) Due from affiliates</b>				
Nampak Kenya Limited	-	75,070	-	-
Nampak International Limited	-	40	-	-
	-	<u>75,110</u>	-	-
<b>vii) Due to Group companies</b>				
Unga Limited	-	-	40,378	17,494
Unga Investments Limited	-	-	136,886	41,384
Unga Holdings Limited	-	-	(49,696)	-
Unga Farm Care (E.A) Limited	-	-	307	307
	-	-	<u>127,875</u>	<u>59,185</u>
<b>viii) Due to affiliates</b>				
Seaboard Corporation subsidiaries	482,720	849,065	-	45,805
NAS Holdings Limited and its affiliates	165,446	-	-	-
	<u>648,166</u>	<u>849,065</u>	-	<u>45,805</u>







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## Form of Proxy

I/WE \_\_\_\_\_

of \_\_\_\_\_ being a member/members of Unga Group Limited, hereby appoint

and failing him/her

whom failing, the duly appointed Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Eighty Eighth Annual General Meeting of the Company to be held on Wednesday, 2 December 2015 at 10:30 a.m. and at any adjournment thereof.

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

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

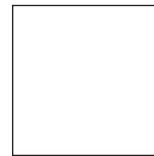
As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2015

### Signed

### Notes:

1. If you are unable to attend this meeting personally, this form should be completed and returned to the Secretary, Unga Group Limited, P O Box 30096, 00100 Nairobi, to reach her no later than 48 hours before the time appointed for the meeting.
2. A person appointed to act as a proxy need not also be a member of the Company.
3. If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or an attorney duly authorised in writing.

FOLD 2



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

FOLD 1

FOLD 3



# “Kwa mapato zaidi tumia bidhaa bora za Unga Farm Care (EA) Limited,” says Mazao

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Alama ya Ubora





