UNGA GROUP LIMITED

2016 | ANNUAL REPORT & FINANCIAL STATEMENTS

WHO WE ARE

Unga Group Limited is a Kenya-based holding company that has a majority shareholding in companies involved with the manufacture and marketing of a broad range of human nutrition, animal nutrition and animal health products.

In 2000, the company entered into a strategic investment partnership with US-based Seaboard Corporation to form Unga Holdings Limited in which Unga Group Limited owns 65% and Seaboard Corporation 35%.

Unga Holdings Limited is headquartered in Nairobi with four operating subsidiaries:

- Unga Limited prides itself on being Kenya's oldest and still one of the largest millers, with over a century of heritage in grain milling.
- Unga Millers (U) Limited mills wheat flour in Kampala and distributes a range of products from its related companies in Kenya.
- Unga Farm Care (EA) Limited is the region's leading manufacturer and marketer of a broad portfolio of quality animal nutrition and health products.
- Ennsvalley Bakery Limited, a specialty bakery producing a wide range of healthy and delicious breads, rolls and confectionary bakery products.

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OUR VISION

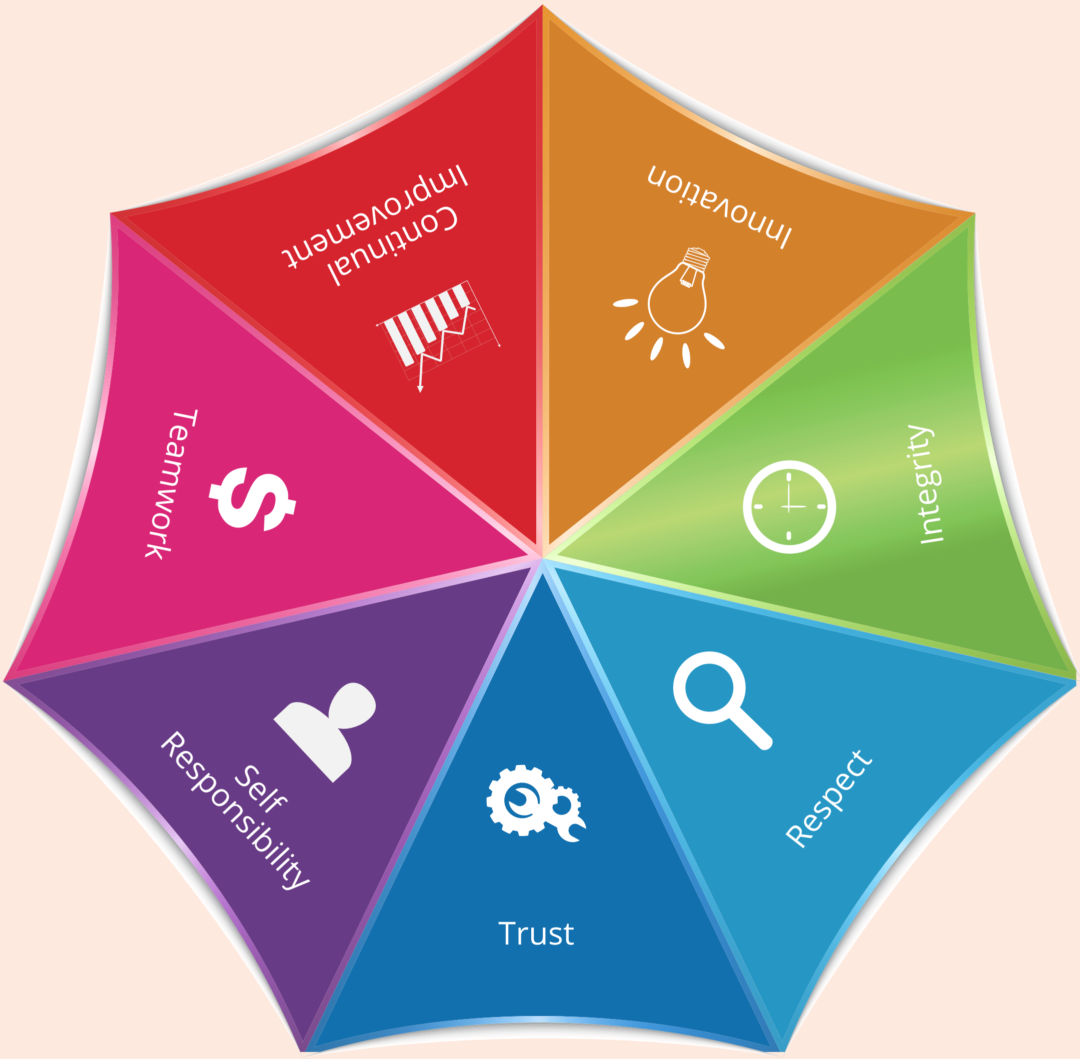
Nutrition for Life

OUR 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 East Africa.

OUR CORE VALUES

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



Strategic Pillars

Unga Group Limited (UGL) has embarked on it's Business Transformation journey built on the following strategic pillars, which will inform the specific activities that will be undertaken over the next five years.

STRATEGIC PILLARS (2015-2020)

SUPPLY CHAIN OPTIMISATION

UGL will carry out a structural review of its organisation to achieve an overall improvement in its end to end supply chain efficiency, a key measure of success.

CUSTOMER INTIMACY

UGL will innovate to meet evolving consumer needs and ensure that it's products are available on time, in full and error free.

PEOPLE

UGL will be an equal opportunity employer where diversity and inclusiveness is celebrated, contribution is valued and with a reward for performance system which attracts and retains top talent.

GEOGRAPHIC EXPANSION

UGL will develop a regional footprint by setting up new production facilities in East Africa, expanding its bakery business and developing emerging export opportunities.


AMANA®
Healthy Goodness
Taste the Healthy Goodness
THE SYMBOL OF QUALITY • PRODUCTS YOU CAN TRUST •
Make every meal delightful with our new range of **Premium Basmati and Pishori rice, Rosecoco, Njahi, Ndengu**.
amanafoods
amanafoods
amanafoodske
amanafoodske
A quality product from
UNGA LIMITED
Your Nutritional Partner

A quality product from

UNGA LIMITED
Your Nutritional Partner

THE SYMBOL OF QUALITY • PRODUCTS YOU CAN TRUST •

Touching lives through quality nutrition

Human Nutrition.

As one of the largest millers in East Africa with a heritage of over a century in grain milling, we strive to provide a variety of superior human nutrition products ranging from wheat flour products to maize meal, porridge, pulses and rice. Our range of wheat, maize and products are versatile to suit the needs of our customers. They are milled from the finest and carefully selected grains to ensure that they offer superior nutrition to our customers. Our range of pulses and rice products are well preserved to ensure that they maintain their natural richness and nutrition right from harvest to packaging. We accomplish all this by paying attention to detail and striving to ensure quality consistency so that we offer the very best to our customers.

EXE® HOSTESS® JOGOO HODARI FAMILA® NATURES FOOD AMANA®

UNGA FARM CARE (EA) LIMITED

Alama ya Ubora

THE SYMBOL OF QUALITY · PRODUCTS YOU CAN TRUST

ISO 22000 REGISTERED FIRM · KEBS · FOOD SAFETY MANAGEMENT EXCELLENCE

A heritage of consistent quality animal nutrition and health products across the East African Region

As the region's leading manufacturer and marketer of a broad portfolio of quality animal nutrition and health products, we offer a range of products to ensure that your livestock get the best in class nutrients and health care. Our range of animal feeds provide the right nutrients and offer a complete source of nutrition for poultry, cattle and pigs. We also have a range of minerals which are well balanced and formulated to derive the best results for your livestock.

For the poultry range, we have a number of premixes which can be used to make mash for chicks ranging from 1 day old to 9 weeks and even for hens. For poultry health we offer a range of vaccines for broad range of diseases protection and nutritional supplements and multivitamins. We also have dairy premixes which are used in dairy feed formulation for higher sustained milk production. On animal health, we offer a range of products for tick control, worm management and a range of antibiotics.

FUGO — Lishe bora kwa mapato zaidi

AFYA BORA® — Quality Minerals for Higher Productivity

Viminera®

ALMATIX® — NGUVU MARADUFU YA KUANGAMIZA KUPE

Nemazole® — The solution to all your livestock worm problems

Chairman's Statement

Isabella Ochola-Wilson

Shs 19.7b
Turnover
+ 5.4%

Shs 508.8m
Profit for the Year
- 18.2%

Earnings per share
Shs 4.32

Dear Shareholder,

I am pleased to present to you the Unga Group Limited (UGL) Annual Report and Financial Statements for the financial year ending 30th June, 2016.

This year, we focused on giving our customers a meaningful experience across all our channels which we achieved by implementing a number of initiatives. First and foremost, we improved on our in-store presence. Secondly, we utilised the digital space in order to target discerning customers who were looking to interact more with our brands, not only from a functional point of view but also at an emotional level.

Economic Environment

The economy remained resilient in 2015, recording real Gross Domestic Product (GDP) growth of 5.6% compared to 5.3% in 2014. This growth was mainly supported by a stable macroeconomic environment, higher public investment in the construction sector and improved performance of the agriculture, financial and insurance, as well as the logistics sectors.

According to the National Economic Survey 2016, Gross Value Added for the agricultural sector grew from 3.5% in 2014 to 6.2% in 2015. This increase may partially be attributed to the abundant rainfall characterised by the El Niño weather phenomenon. There was also a notable increase in key crop yields; maize production increased by 9%, wheat and rice increased by 18.9% and 24.1% respectively.

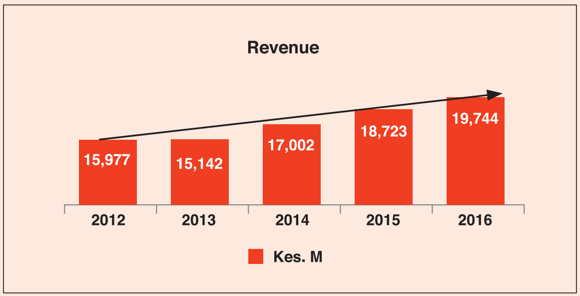
Whereas there was an increase in production, consumption continued to outweigh supply. This trend is expected to continue with the key drivers being population growth, urbanisation, increased income levels and change in dietary patterns.
As in previous years, to manage this deficit, Kenya imported maize from the neighbouring states, and wheat and rice from key central European and south Asian markets. As a result of this, cross border trade of farm produce increased. Free trade within East Africa ensured that the agricultural commodities moved to the regions where they attracted the best price; raw materials were being traded from markets as far as Zambia and Malawi. With large volumes of grains moving between the wider East Africa region, the market signified its readiness to trade and this stabilised raw material supply.

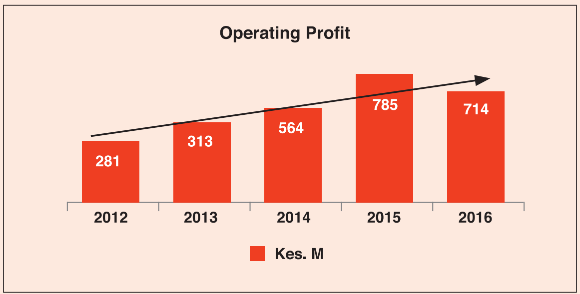
As a country, we continued to benefit from low fuel prices and good rains, along with prudent monetary policy, which ensured inflation remained contained in the first half of 2016.

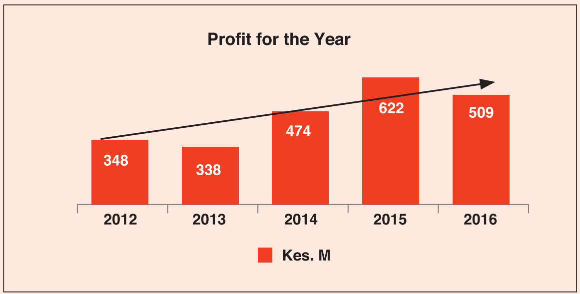
Financial Performance

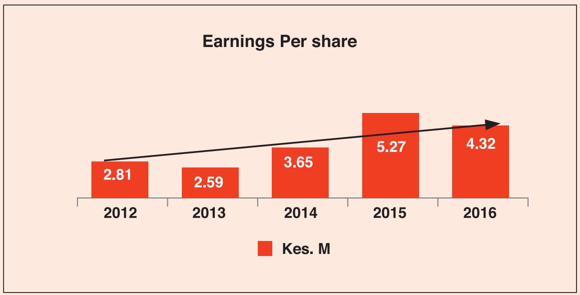
During this financial year, UGL focused on organisational development, people growth and a number of market growth initiatives in line with our strategy. Whereas this was the case, our margins were significantly affected by input VAT which, since it is directly linked to raw material prices, took a significant leap in Q4 2015, given that a majority of the company's products fall under the exempt supplies category.

Our turnover increased by 5.4% to Shs.19.7 billion in 2016 and profit from continuing operations increased by 18.4% to Shs. 509 million in comparison to 2015. The overall profit for the year however declined by 18.2% to Shs. 508.8 million in 2016 compared to Shs. 621.9 million in 2015. It is worth noting that in 2015, our profits benefited from the sale of our shareholding in Bullpak Limited. Consequently our earnings per share reduced from Shs. 5.27 to Shs. 4.32 in 2016. Despite this, the Board is pleased to recommend a dividend of Shs. 1.00 per share, same as prior year. This is subject to approval at the Annual General Meeting to be held on 1st December, 2016.









Key Milestones Achieved In The Year

UGL believes in constant innovation as a solution to meet the evolving needs of our consumers. To achieve this, we have undertaken a number of initiatives to ensure that our products are available to our consumers on time and in full. Some we undertook in 2016 were:-

a) A partnership with Frotcom, a fleet management company, which helped to improve turnaround time and reduced our fuel consumption.

b) The opening of a second sales depot in Thika for animal nutrition and health to better serve the Central Kenya market.

c) The integration of Ennsvalley Bakery, focusing first on operational efficiency, product quality and concentration risk.

d) The implementation of SAP, a new Enterprise Resource Planning (ERP) system.

Corporate Governance

We are well aware that without effective operational governance, structural inefficiencies can occur thus causing economic downturns, slow recoveries or global macroeconomic challenges. At UGL, we believe that effective operational governance will provide the foundation for lasting improvements.

On 4th March, 2016 the Capital Markets Authority (CMA) gazetted the ‘Code of Corporate Governance Practices for Issues of Securities to the Public’ which became effective from that date. I am happy to inform you that the Board was already complying with most of the proposed guidelines. For one, we have ensured that our Board is balanced, diverse and has different competencies. In addition, we had already established all the relevant board committees.

Our commitment to the highest standards of corporate governance, ensures that we are fully compliant with all requirements of a public listed company, including clarity of financial reporting and shareholder accountability. We continue to set best practice standards in product and service quality, combined with fair conduct towards our employees, suppliers and customers.

We acknowledge our responsibility of good citizenship and continually focus on issues of social welfare, environmental care and principles of integrity.

Trends Moving Foward

According to the World Bank's economic update of March 2016, Kenya's economy is projected to grow from 5.9% to 6% in 2017, with key drivers being low oil prices, good agricultural performance, supportive monetary policy and ongoing infrastructure investments. Other developments to be observed in the coming year is the potential impact of the capped banking interest rates meant to ensure affordable lending.

As we look forward to the coming year, we will ensure that all our customer touch points are aspirational, relevant and effortless every single time. We will achieve this by ensuring that we understand the consumer, create convenience for them, empower them and ensure that we offer our products at the right price. We also plan to get actionable consumable insights that foster customer engagement and retention, and drive actions aligned to business outcome objectives through consumer behavior, attitude and customer satisfaction surveys.

We anticipate that we will continue to enjoy the benefits of cross border trade in sourcing of raw materials. As product traceability becomes a key customer expectation, we will focus to ensure that we have an efficient and optimal supply chain in order to meet the specific demands of our ever changing customers.

As we are all aware, technological innovation has significantly affected and influenced how day-to-day business is undertaken. In the agricultural space, we expect to see more disruption since more and more young people are beginning to engage in farming and are driving value through internet based marketing platforms, new farming methods and cost efficiency initiatives. On our part, we believe that with SAP we will begin to further explore internet based interactions with our suppliers and partners. In addition, this system will support our supplier communication, obtain market prices, source for materials and create synergies with our partners.

All this means that as a business, we will have to make trade-offs between the various initiatives, while at the same time seeking strategic partnerships to assist in financing, technology and market expertise in various categories. The future calls for more and stronger partnerships for value and enhanced leveraging on our PaTaMu philosophy.

Directorship

Mrs. Mary Kimotho M'Mukindia resigned as a Director of Unga Group Limited with effect from 15th April, 2016. The Board takes this opportunity to thank her for her valuable contribution and wish her well in her future endeavors.

Ms. Shilpa Haria was appointed as a non-executive director with effect from 29th September, 2016. Shilpa has extensive experience in Audit and Business Advisory and is a Director at Bloom Consultancy Limited and Housing Finance Company Limited. The Board would like to express its warmest welcome to her.

Appreciation

As I reflect on the accomplishments of the year ended 30th June, 2016 I am grateful for the unwavering support of all our shareholders.

I also take this opportunity to appreciate the Board, Management and employees, who have performed above and beyond expectations to ensure that we continue to deliver "Nutrition for Life" on time, in full and in line with our core values.

Our customers have over the years continued to enjoy our array of products and for that we are grateful. We promise to continually work to address their ever evolving needs.

We also appreciate our suppliers, other business partners and regulators for their invaluable support.

Finally, I extend my gratitude to my fellow directors for their contribution and commitment to the Company.

I Ochola-Wilson (Mrs)
Chairman

Group Managing Director's Statement

Nicholas Hutchinson

Segmental Profit

Human Nutrition
Shs 392.8m

Animal Nutrition & Health
Shs 307.9m

Consolidated
Shs 734.4m

Dear Shareholder,

It is my pleasure to present the summary of our performance for the period ending 30th June, 2016 with a key focus on the operating environment, new products, operational efficiencies and our people.

As a group, we have undertaken a number of initiatives this year intended to increase our footprint in the markets we operate in. To support these initiatives, we made a number of strategic investments such as upgrading our ICT system, increasing our on-site grain storage capability, investing in our people and enhancing our brand equity. I am pleased to report that these initiatives have resulted in improved information flow, increased visibility of our brand and a more engaged work force.

In turn, as indicated in the Chairman's Statement, we recorded a notable increase in turnover and profit for the year from continuing operations. Consolidated segmental profit increased by 15.5% over prior year to Shs. 734.4 million.The human nutrition segment represented 53.5% of the total, whilst the animal nutrition and health segment contributed 41.9%. Looking ahead, we expect that our concerted focus on marketing and people development will yield positive gains across the markets in which we operate.

Operating Environment

We continued to absorb the impact of unrecoverable input VAT in both the human and the animal nutrition businesses. However, towards the end of the financial year, the government provided an exemption of VAT on certain raw materials used in the manufacture of animal feeds. This has greatly assisted in stabilising feed prices, despite inflationary pressure. Nevertheless, farmers will not enjoy the full benefit of VAT exemption until soybean meal, a significant input, is also exempted.

The production of maize meal and maize-dependent porridge variants declined when compared to prior year. This was attributable to the shortage of quality maize grain in the second half of the year; the increasing incidence of aflatoxin in maize harvested across the region is of great concern to the Company and the subject of a number of government and private initiatives to improve management throughout the value chain, and to ensure that quality food reaches the consumer. To this end, the group is a leading member of the Texas A&M University coordinated Aflatoxin Proficiency Testing and Control in Africa (APTECA) programme. The local wheat harvest increased from 190,000 tonnes in the prior year to 226,000 tonnes; the government continued with its efforts to increase the production of local wheat through duty protection and import allocations. Good harvests in Europe and the Black Sea region motivated favourable prices for imported wheat, resulting in relatively stable finished product prices. Quality finger millet was in short supply throughout the year.

Group Managing Director's Statement (continued)

New Products and Operational Efficiencies

This year we introduced Fugo® Kienyeji, a product range specifically formulated as a supplemental diet for kienyeji chicken. This addition to our portfolio of market leading poultry feeds was advised by the ever growing kienyeji poultry segment, whose challenge is the provision of well priced quality nutritional feeds to cater for each stage of their development. In support of the human nutrition segment, we introduced basmati and pishori rice under the Amana® brand in order to provide our consumers with the variety they desire to address their changing needs. These products, along with our other key brands, will benefit from significantly increased marketing and trade promotion expenditure in the current financial year.

As you recall, in 2014, we proposed to undertake a number of projects aimed are improving our operating efficiencies and reducing costs. I am pleased to report that the on-site grain storage (silos) project at Eldoret is nearing completion, as is the rehabilitation of the concrete silos at Commercial Street. We have commissioned new pelleting capacity at the Nairobi Feeds plant, and are looking forward to selling the first product from a state-of-the-art fish feed production facility at the same site in early 2017. Projects to improve the grain receiving process at Commercial Street and to increase the wheat milling capacity in Eldoret are moving forward as planned.

The Kenyan milling plants retained their ISO certification (22000-2005) as did the central laboratory (17025) in Nairobi. The ISO 22000-2005 certification process is ongoing in Uganda and plans are being developed to commence the same at Ennsvalley. We believe that these certifications give us advantage in targeting strategic customers in the region.

The Company's purchase, through its subsidiary Unga Holdings Limited, of a majority shareholding in Ennsvalley Bakery Limited is an important first step on the Group's journey towards establishing value-added businesses built upon its key raw materials. Ennsvalley's revenues grew year-on-year, whilst operating costs increased as a consequence of investment in equipment maintenance programmes, restructuring and the adoption of Unga's proven continual improvement methodologies. The signing of an agreement with Chandarana Supermarkets to operate their current and planned in-store bakeries and retail counters, met an important strategic requirement to broaden the company's customer base.

In Uganda, Unga Millers (U) Limited weathered the storm of a very aggressive price war fuelled by informal wheat flour imports from Kenya and Tanzania, and advanced its plans to introduce value-added products to its portfolio in an effort to further differentiate itself from the competition.

In support of our ICT strategy, we implemented a new Enterprise Resource Planning (ERP) system, supported by Workflow Management software, in January 2016. We expect this project to force a significant change in our operating practices, resulting in enhanced service levels to our suppliers and customers and improved efficiencies and decision-making.

Our efforts on energy conservation have not gone unnoticed. The Nakuru Feeds plant was ranked Runners-Up under the Innovation Category in the recently concluded Energy Management Awards presided over by the Kenya Association of Manufacturers. Too date, the group has saved 53.5% of the potential 'low cost measures' savings identified in the year since the last ERC energy audits were completed. On rain water harvesting, all the sites have met the threshold minimum storage capacity requirement of 10,000 litres.

People

The Group, through Unga Holdings Limited, participated (along with fifty six other companies) in the 2015 Deloitte 'Best Company to Work For' survey, ranking third behind Proctor & Gamble Services and East African Breweries in the manufacturing industry category, and fifth in the medium-sized company category. The survey noted that Unga's good results, an improvement over the 2013 survey results, placed it in the top quartile of participating companies. We are implementing the plan for further improvement developed after follow-up visits by Deloitte to all of the sites. One conclusion from the survey was that there was an immediate need to work on a culture transformation program in order for it to be aligned with our growth aspirations; work on this initiative has already begun.

During the second-half of the year we completed hiring to fill the open positions in the senior management team i.e. Head of Marketing & New Products, General Manager – Unga Millers (U) Limited and General Manager – Ennsvalley Bakery Limited. The Leadership Team has identified leadership competency development and succession planning as an area of focus for the foreseeable future.

Conclusion

In the coming year, we expect a number of the strategic initiatives which have been implemented this year to generate positive returns. Our rehabilitation and expansion thrust will ensure that we operate at optimal costs while we continue to focus on implementing our growth strategy.

On behalf of the management and the staff, I extend my sincere appreciation to our Board, you the Shareholders, our Customers and Suppliers, the Regulators and our other business partners. We look forward to your continued encouragement and support as we forge ahead to greater success.

N Hutchinson
Group Managing Director

Five Year Financial Review

	2012 Shs'000	2013 Shs'000	2014 Shs'000	2015 Shs'000	**2016** **Shs'000**
Consolidated statement of comprehensive income					
Revenue	15,976,763	15,142,017	17,002,302	18,723,250	**19,743,564**
Operating profit	280,645	313,284	564,233	785,035	**714,005**
Profit before income tax	512,569	389,458	567,735	635,695	**734,401**
Income tax expense	(164,374)	(124,685)	(184,968)	(205,914)	**(225,585)**
Profit for the year from discontinued operations	-	73,423	91,727	192,085	**-**
Profit for the Year	348,195	338,196	474,494	621,866	**508,816**
Earnings Per Share- basic & diluted	Shs 2.81	Shs 2.59	Shs 3.65	Shs 5.27	**Shs 4.32**
Consolidated statement of financial position: At 30 June					
Assets					
Non-current assets	1,754,938	2,272,647	2,541,402	3,182,410	**3,380,021**
Current assets	4,640,963	5,820,205	4,934,209	5,452,719	**5,819,762**
Assets of disposal group classified as held for sale	3,928	15,527	550,967	-	**-**
Total Assets	**6,399,829**	**8,108,379**	**8,026,578**	**8,635,129**	**9,199,783**
Equity and liabilities					
Share Capital	378,535	378,535	378,535	378,535	**378,535**
Reserves	2,283,365	2,440,145	2,675,000	3,010,814	**3,252,885**
Equity attributable to equity holders of the parent	2,661,900	2,818,680	3,053,535	3,389,349	**3,631,420**
Non controlling interests	1,305,988	1,472,621	1,633,708	1,929,271	**2,065,309**
Total Equity	3,967,888	4,291,301	4,687,243	5,318,620	**5,696,729**
Non current liabilities	463,988	650,214	987,381	1,014,344	**971,166**
Current liabilities	1,967,953	3,166,864	2,172,393	2,302,165	**2,531,888**
Liabilities of disposal group classified as held for sale	-	-	179,561	-	-
	2,431,941	3,817,078	3,339,335	3,316,509	**3,503,054**
Total equity and liabilities	**6,399,829**	**8,108,379**	**8,026,578**	**8,635,129**	**9,199,783**

Corporate Information

DIRECTORS

I Ochola-Wilson (Mrs)	-	Chairman
N C Hutchinson*	-	Group Managing Director
A McKittrick		
A S M Ndegwa	-	(Alternate P K Mugambi)
V O Ojode		
J K Kibet		
M K M'Mukindia (Mrs)	-	(Resigned on 15 April 2016)
P O Obath		
S Haria (Ms)	-	(Appointed on 29 September 2016)

*British

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

Board of Directors

FROM LEFT TO RIGHT

Patrick Obath I Jinaro Kibet I Isabella Ochola-Wilson I Winniefred Jumba

Vitalis Ojode | Nicholas Hutchinson | Shilpa Haria | Andrew Ndegwa | Alan McKittrick

Directors' Profiles

Isabella Ochola-Wilson

Non Exec

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 Hutchinson

Exec

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, Sunpower Products Limited and National Cereals and Produce Board.

Andrew Ndegwa

Non Exec

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

Alan McKittrick

Non Exec

Appointed to the Board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 21 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 Ojode

Non Exec

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 the Institute of Certified Public Accountants (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.

Directors' Profiles

Jinaro Kibet

Non Exec

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.

Patrick Obath

Non Exec

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.

Shilpa Haria

Non Exec

Appointed to the Board in September 2016. She is a Fellow of the Chartered Association of Certified Accountants (FCCA) and a member of the Institute of Certified Public Accountants (ICPAK). Ms Haria has extensive experience in Audit and Business Advisory garnered from over 14 years working with PricewaterhouseCoopers. She is Director at Bloom Consultancy Limited and Housing Finance Company Limited.

Winniefred Jumba

Company Secretary

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. She is an Associate Director at Livingstone Associates, an affiliate of Deloitte East Africa, a firm that offers Company Secretarial and Registration Services.

Leadership Team

FROM LEFT TO RIGHT

Thomas Ochola | Dominic Dimba | Robert Thieme | Caroline Auma | Kanana Ndegwa

Leadership Team

Nicholas Hutchinson I James Nyutu I Dickson Jawichre I Allen Ssebugwawo I Andanje Mwairumba

Leadership Team

Nicholas Hutchinson

Position: Group Managing Director

Joined Unga Holdings Limited in September 2000 as the Group Managing Director. 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 the Chairman of the Cereal Millers Association and a director of Kisima Farm Limited, Sunpower Products Limited and National Cereals and Produce Board (NCPB).

Andanje Mwairumba

Position: General Manager - Unga Limited

Joined Unga Holdings Limited in April 2015 as the General Manager for Unga Limited from Tetra Pak Limited. He has sales and marketing experience in Eastern and West Africa. He worked at Research International E.A. as a Research Executive and later at British American Tobacco where he handled marketing information and trade research. He spent over 12 years with Tetra Pak in different roles including General Manager, Commercial Director and Key Account Director. He holds a Bachelor of Education from Moi University, MBA and MSc (Marketing) from Edinburgh Business School, Heriot-Watt University (Scotland).

Dickson Jawichre

Position: General Manager - Unga Farm Care (EA) Limited

Joined Unga Holdings Limited as the General Manager for Unga Farm Care (EA) Limited in January 2015. He graduated from Kenyatta University with a Bachelor of Science (Hons) in Botany and Zoology. He has over 20 years' experience in Marketing, Sales, Business Development and General Management in East and West Africa. He started his career at GlaxoSmithKline where he held various senior positions in Sales and Marketing before joining Safaricom - Financial Services (M-PESA) in Business Development and later Bayer HealthCare as the Regional Manager for East Africa.

Allen Ssebugwawo

Position: General Manager - Unga Millers (U) Limited

Joined Unga Holdings Limited as the General Manager for Unga Millers (U) Limited in January 2016. Prior to this she worked for Uganda Breweries Limited during which time she held several roles in Finance, Customer Service, Strategy and lastly Route-to-Consumer Director. She has obtained finance experience in Uganda, Kenya and Australia at Deloitte & Touchè, JP Morgan and QBE Insurance Group amongst others. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) and also holds a Bachelor of Commerce Degree from Makerere University and an MBA from the University of New England (Australia).

Thomas Ochola

Position: General Manager - Ennsvalley Bakery Limited

Joined Unga Holdings Limited as the General Manager for Ennsvalley Bakery Limited in February 2016. He is a graduate of the University of Nairobi with a Bachelor of Arts degree (Economics). He has over 15 years' experience in Manufacturing, Research & Development, Sales, and General Management in the United States, Europe and Africa. He started his career at Coty Inc, before moving to Colgate Palmolive (Technical Services). He also worked for Unga Limited and for Unga Farm Care (EA) Limited before moving to Kimberly Clark EA as the General Manager for Eastern Africa.

Leadership Team

James Nyutu

Position: Group Finance Director

Joined Unga Holdings Limited in February 2013 as the Group Finance Director. He is a holder of a Bachelor of Commerce degree from the University of Nairobi, an MBA from the Edinburgh Business School (UK) and a postgraduate diploma from the Institute of Management Information Systems (UK). He is a member of the Institute of Certified Public Accountants of Kenya. He has wide experience in Finance, Management and Information Systems. Started his career in the financial services industry holding various positions at Corporate Insurance and British-American Insurance Co. Immediately prior to joining Unga, he was the head of Finance and IT at NAS Airport Services Limited.

Robert Thieme

Position: Group Operations Manager

Joined Unga Holdings Limited in 2008 as the Operations Manager for Unga Farm Care (EA) Limited, later becoming the Group Operations Manager in Unga Holdings Limited in August 2012. He holds a BSc (Hons) degree in Agriculture - Major in Companion Animal Biology and a Minor in Genetics from the University of Illinois, USA. He has many years' experience of building and managing mills, working with Continental Grain Company and Smithfield Foods, both in the U.S.A. and China. He is currently the Chair of the Association of Kenya Feed Manufactures (AKEFEMA).

Dominic Dimba

Position: Head of Strategy, Procurement & New Business Development

Joined Unga Holdings Limited in January 2015 as the Head of Strategy & New Business Development. He is a graduate of the University of Nairobi with a Bachelor of Commerce degree (Accounting Major), and has attended the Advanced Management Program at the IESE Business School and Strathmore Business School. He started his career in Audit and Assurance with PricewaterhouseCoopers before moving into Finance with Lafarge in East Africa and GlaxoSmithKline in the United Kingdom and Sub Saharan Africa.

Caroline Auma

Position: Head of Human Resource and Organisational Development

Joined Unga Holdings Limited in December 2014 as the Head of HR and Organisational Development. An HR specialist, with particular interest in business excellence through Talent Management and Leadership Development. Graduated from De Montfort University, England, with a Masters degree in Human Resources. Started her career in the teaching profession, before moving into the corporate world with British American Tobacco, Standard Chartered Bank and Shell Africa. Carol has vast cross border work experience across Africa, having worked in different roles covering various countries based in Johannesburg.

Kanana Ndegwa

Position: Head of Marketing & New Products

Joined Unga Holdings Limited in January 2016 as the Head of Marketing & New Products. A Brand & Consumer behaviour specialist, she is a graduate of the United States International University-Nairobi (U.S.I.U.) with a Masters of Business Administration (Business Strategy major) and is a Chartered Marketer with a postgraduate diploma from the Chartered Institute of Marketing (UK). She has vast experience in the Fast Moving Consumer Goods Industry, starting her career in brand management with Beiersdorf East Africa (Nivea) and then moving to brand and customer acquisition roles with Celtel, Zain & Airtel Kenya. Prior to joining Unga she was the General Manager, Marketing for Kenafric Industries (EA) Limited.

Statement of Corporate Governance

Committed to the highest standard of corporate governance, Unga Group Limited 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 non 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 (18 and 19) 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 eight 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, the majority of whom are independent non-executive directors. It was chaired by Mrs. Mary M'Mukindia up to 15th April, 2016; thereafter Mr Patrick Obath acted as chair. The other members were 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 and Board Committee 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 met twice 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.

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. Up to 15th April, 2016, it was composed of Mr Alan McKittrick (Chairman), Mrs Mary M'Mukindia, and Mrs Isabella Ochola- Wilson.

It met four times during the year under review.

The key management compensation for the financial year ended 30th June, 2016 is disclosed in Note 34 of the financial statements.

Communication

The Board receives management reports in advance of all scheduled meetings and as necessary at other times. It issues an Annual Report and Financial Statements to all shareholders and other interested parties, and keeps the public advised through half-yearly and annual press notices of results and any significant developments. The Annual General Meeting provides an opportunity for shareholder engagement; allows the Chairman to explain the Company's progress and answer questions. 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, 2016 was as follows:

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, 2016 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	3,467,480	4.58
4. CFCF Nominees Ltd	2,210,400	2.92
5. Standard Chartered(K) Nominees Ltd A/C KE 20510	1,877,700	2.48
6. Bid Portfolio Management Ltd	1,156,000	1.53
7. Alimohamed Adam	1,047,342	1.38
8. Savitaben Velji Raichand Shah	745,677	0.98
9. Broadway Bakery Limited	580,200	0.77
10. Investments & Mortgages Nominees Ltd A/c 028950	359,920	0.48
Total number of shares	53,810,026	71.08

Distribution of the shareholders

(a) By number of shares range

Range	Shareholders	Shares	%
1- 500 shares	3,911	685,502	0.91
501- 5,000	2,873	5,079,101	6.71
5,001-10,000	470	3,274,595	4.32
10,001-100,000	372	9,040,570	11.94
100,001-1,000,000	29	5,502,989	7,27
1,000,001 and above	7	52,124,229	68.85
Total	7,662	75,706,986	100.00

(b) By category of shareholders

Domicile	Shareholders	Shares	%
Foreign companies	8	2,056,560	2.72
Foreign individuals	259	2,105,246	2.78
Local companies	232	44,765,180	59.13
Local individuals	7,163	26,780,000	35.37
Total	7,662	75,706,986	100.00

I Ochola-Wilson (Mrs)
Director

29 September 2016

N Hutchinson
Director

29 September 2016

Corporate Social Responsibility & Sustainability

The Group firmly believes in social investments that support economic empowerment, and has continued to engage positively and in a mutually beneficial way with the environment from which it draws the resources that enable it to successfully carry out its operations across the different sites. With this engagement, the Group has been able to make a positive impact on its external environment by enabling the communities around it to develop income generating projects as well as expose them to fundamental Kaizen principles.

Education

1) Trinity College Nabingo - Kampala

Through its subsidiary Unga Millers (U) Limited (UMUL), the Group has set up a bakery at Trinity College Nabingo, a Girls only Secondary school located within Kampala Metropolis. This bakery consists of a mixer, proofer and oven which were installed in the previous financial year with the aim of generating income to support the education of bright, needy children from the commuinity.

This initiative has started bearing fruit and is proudly sponsoring an orphan who had been identified in previous years from Naguru Childrens Home and taken through primary education at Good Choice Primary School. The girl is currently in Senior Form 2 at Trinity College. UMUL continues to work with the School's management team to build this bakery business to generate much needed income that will go a long way towards supporting other needy girls in coming years.

2) Nakuru Girls High School

With staff drawn from Unga Farm Care (EA) Limited (UFCEA), the Group has engaged with Nakuru Girl's High School to set up a zero-grazing dairy project that promotes income generation, as well as to increase Safety, Health and Environment (SHE) awareness, and to add value to their processes by living the Kaizen principles of sorting, separating, cleaning, standardising, sustaining and safety.

The objective of the zero-grazing project is to increase milk yields and generate income for the education of selected children. Through the SHE program, the UFCEA staff seek to expose the school girls to skills and information in fire safety and fire fighting, first aid administration, basic hygiene, HIV and AIDS awareness as well as environmental conservation through planting trees. The exposure to Kaizen principles will enable the school to operate in a cleaner and safer environment.

3) Our Lady of Mercy Secondary School

Drawing from its Unga Limited staff (UL), the Group has undertaken to empower the girl child at Our Lady of Mercy Secondary School in Shauri Moyo, by helping the school to set up a bakery unit that produces buns and cakes for sale to students and the neighboring communities, as well as a briquette making business that manufactures product made from charcoal dust and saw dust and other recyclable wastes for sale to the community and for use by the school for preparation of meals.

Students being trained on fire fighting.

As the Group continues with its social investments and engagements with its communities, it has encountered a number of challenges primarily around the current issues in the education system in Kenya. While these challenges have prevented the Group from achieving all the objectives of the social responsibility initiatives it has as key enablers to its strategic intent, the challenges have strengthened the Group's resolve to invest more and give back to the communities that sustain its business objectives.

Environmental Impact

Unga Group Limited and its operating subsidiaries, is committed to environmental conservation as a key aspect of its business operations and the overall business strategy. We manage our environmental impact through:

- Monitoring the energy demands of all our plants through assigned Key Performance Indicators and conducting periodic assessment.
- Engaging a certified e-waste collector to manage the resultant E-waste from usage of our electrical equipment.
- Carrying out Environment Impact Assessments for all our projects.
- Conducting Effluent discharge analysis and forwarding the result to NEMA.
- Conducting air quality analyses i.e. dust levels, emissions, boiler flue gases.
- Conducting annual noise level surveys from which we develop hearing conservation programs.
- Undertaking waste management initiatives such as waste segregation and rain water harvesting.

Energy Conservation

All of our plants are audited every three years in compliance with the Energy Regulation Commission guidelines. We continue to monitor all areas of our facilities for improvement. Some of the initiatives which have been undertaken include:

a) Installation of energy efficient motors.
b) Use of LED lights.
c) Implementation of operational controls such as switching off equipment power when not operational or not under load.
d) Installation of bucket elevators in place of pneumatic lifts.

In the future, we plan to:

- Implement metering of 5 key sub-systems including raw material handling, packing lines, grinding system, pelleting and batching.
- Install Variable Speed Drive intake fans.
- Install online oxygen analyser on boiler chimney.

Health

We remain committed to health promotion and awareness programs for all of our staff and stakeholders. All of our sites hold monthly health talks and our employees in production areas have valid food workers permits.

We also conduct the following medical tests and examinations:

- Food handlers' tests which are carried out quarterly for all staff working within the production area.
- Annual occupational medical examination.

Industrial Safety

We undertake a number of programmes so as to develop competency and skills in safety. These include:

- Unsafe acts reporting.
- Hazard spotting initiatives.
- Near misses, incident & accident reporting.
- First Aid cases reports.

In addition we also conduct the following exercises with our employees and contractors:

- Standard safety induction procedure.
- Safety Awareness meeting conducted on a weekly basis for all plants.
- Bi-monthly safety meetings and internal audits.
- Half year corporate safety audits.

We do have an active First Aiders and Fire Marshals programme that caters for all shifts. Trainings are done yearly while maintaining ratios of 1: 20 First Aider to employees and 1:15 Fire Marshal to employees.

We comply with the legal requirements through various statutory inspections and audits conducted by licensed inspectors from the Directorate of Occupational Health and Safety. Among these we have:

- Statutory Occupational Health and Safety Audit conducted once annually.
- Hydrostatic Tests for pressurised liquid and gas vessels done once per year.
- Hydraulic test for portable pressurised cylinders.

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 30 June 2016, which disclose the state of affairs of Unga Group Limited (the “Company”). The annual report and financial statements have been prepared in accordance with sections 147 to 163 of the repealed Companies Act - Cap 486, which remain in force under the transition rules contained in the Sixth Schedule, the Transitional and Saving Provisions of the Companies Act 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Group continue to be the manufacturing of human nutrition products, animal nutrition products and the distribution of animal health products.

RESULTS AND DIVIDEND

The Group’s profit for the year was Shs 508,816,000 (2015: Shs 621,866,000). The profit attributable to equity holders of Shs 327,031,000 (2015: Shs 399,082,000) has been added to retained earnings. The directors recommend payment of a first and final dividend of Shs 1.00 (2015: Shs 1.00) per share amounting to Shs 75,706,986 (2015: Shs 75,706,986) 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 15.

AUDITOR

The company’s auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the repealed Companies Act - Cap 486.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 29 September 2016.

By order of the Board

W Jumba

Winniefred N Jumba

Secretary
29 September 2016

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 at 30 June 2016 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 29 September 2016 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Director
29 September 2016

N Hutchinson
Director
29 September 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNGA GROUP LIMITED

Report on the audit of the consolidated financial statements

Our opinion

In our opinion the accompanying consolidated financial statements of Unga Group Limited give a true and fair view of the financial position of the Group and the Company at 30 June 2016, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

What we have audited

The consolidated financial statements of Unga Group Limited (the "Company") and its subsidiaries (together, the "Group") are set out on pages 36 to 83 and comprise:

- the consolidated statement of financial position at 30 June 2016;
- the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended;
- the statement of financial position of the Company standing alone at 30 June 2016; statement of changes in equity for the Company standing alone for the year then ended; and
- notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNGA GROUP LIMITED (CONTINUED)

Key audit matter	*How our audit addressed the key audit matter*
Information Technology (IT) systems and controls During the year, the company implemented SAP, a new Enterprise Resource Planning (ERP) system. The new system is a fully integrated financial accounting and reporting system. The implementation of a new system has an inherent risk of loss of integrity of key financial data being migrated, and the breakdown in operation or monitoring of IT dependent controls within critical business processes such as purchasing selling and recording of transactions, which could lead to financial errors or misstatements and inaccurate financial reporting. The group's financial accounting and reporting systems are heavily dependent on the new system and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.	We examined the framework of governance over the Group's IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. We assessed and tested the design and operating effectiveness of the controls over the continued integrity of both the old and the new systems that were relevant to financial accounting and reporting during the year. Where necessary we also carried out direct tests of certain aspects of the security of the Group's IT systems including access management and segregation of duties. We re-performed selected automated computations and compared our results with those from the system and the general ledger. We tested the significant system interfaces to ensure the accuracy and completeness of the data transfer. Our procedures included assessment and testing of the General IT control environment, including IT access and segregation of duties, as well as IT dependent controls within critical business processes. In relation to systems migration, we assessed and tested the controls specifically established over the implementation process and migration of key financial data from the legacy to the new single operating system, and we performed walk through to collaborate this. The combination of these tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continued and proper operation of the Group's IT systems for the purpose of the audit of the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNGA GROUP LIMITED (CONTINUED)

Key audit matter	*How our audit addressed the key audit matter*
Goodwill Impairment assessment As shown in Note 27(b) of the financial statements, the directors assess the impairment of goodwill arising from acquisitions at the cash generating unit level using value-in-use calculations. We focused on the Goodwill impairment assessment because the value-in-use calculations involves significant judgements about the future results of the business and the discount rates applied to the future cash flow forecasts.	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating unit. We independently assessed the reasonableness of the five year forecast cash flows based on recent actual performance and the short-term financial approved budgets of the business. We also challenged management's assumptions in relation to the: - Long term growth rates by comparing them to economic and industry forecasts - Pre-tax discount rate by assessing the cost of capital for the company and comparable organisations, as well as considering country specific factors We found the assumptions to be consistent and in line with our expectations. We challenged management on the adequacy of their sensitivity calculations. We determined that the calculations were most sensitive to assumptions for gross margin and the pre-tax discount rates as disclosed in Note 27(b) of the financial statements. We discussed the likelihood of such a movement with management and satisfied ourselves that this has been appropriately disclosed in the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNGA GROUP LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprise the directors' reports, business review reports, corporate governance reports and other statements included within the annual report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the Kenyan Companies Act, and for such internal control as the directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF UNGA GROUP LIMITED (CONTINUED)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

- 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;
- in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the Company's statement of financial position and statement of profit or loss are in agreement with the books of account.

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

Certified Public Accountants
Nairobi.

29 September 2016

Consolidated Statement of Profit or Loss

Year ended 30 June	Notes	2016 Shs'000	2015 Shs'000
Revenue	5	19,743,564	18,723,250
Cost of sales		(17,463,129)	(16,747,840)
Gross profit		2,280,435	1,975,410
Other income	8	39,971	30,404
Distribution costs	10	(700,763)	(510,522)
Administrative expenses	11	(905,638)	(710,257)
Operating profit		714,005	785,035
Finance income	12	80,617	77,304
Finance costs	12	(60,221)	(226,644)
Profit before income tax		734,401	635,695
Income tax expense	15	(225,585)	(205,914)
Profit for the year from continuing operations		508,816	429,781
Profit for the year from discontinued operations	32	-	192,085
Profit for the year		508,816	621,866
Attributable to:			
Owners of the parent		327,031	399,082
Non-controlling interests		181,785	222,784
		508,816	621,866

Earnings per share attributable to owners of the Company (expressed in Kenya shilling).

Basic and diluted earnings per share		2016	2015
From continuing operations		4.32	3.70
From discontinued operations		-	1.57
Basic and diluted earnings per share	6	4.32	5.27

Consolidated Statement of other Comprehensive Income

Year ended 30 June	Notes	2016 Shs'000	2015 Shs'000
Profit for the year		508,816	621,866
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss			
Re-measurement of retirement benefit asset	29	(9,800)	306
Deferred income tax thereon		2,940	(92)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences on foreign operations		(7,375)	(10,195)
Total other comprehensive income for the year		(14,235)	(9,981)
Total comprehensive income for the year		494,581	611,885
Attributable to;			
Owners of the parent		317,778	392,594
Non-controlling interest		176,803	219,291
		494,581	611,885

Consolidated Statement of Financial Position

At 30 June	Notes	2016 Shs'000	Restated 2015 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	25	2,918,382	2,906,965
Prepaid operating lease rentals	26	28,973	32,107
Intangible asset	27	359,084	169,885
Retirement benefits asset	29	41,306	45,060
Deferred income tax	21	32,276	28,393
		3,380,021	3,182,410
Current assets			
Inventories	22	2,562,374	2,190,111
Trade and other receivables	23	2,072,418	2,028,388
Current income tax		82,611	41,515
Cash and cash equivalents	30	1,102,359	1,192,705
		5,819,762	5,452,719
TOTAL ASSETS		9,199,783	8,635,129
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	378,535	378,535
Share premium		73,148	73,148
Other reserve	17	698,848	728,072
Retained earnings		2,480,889	2,209,594
		3,631,420	3,389,349
Non-controlling interests	18	2,065,309	1,929,271
Total equity		5,696,729	5,318,620
LIABILITIES			
Non-current liabilities			
Post-employment benefits obligation	20	97,098	86,729
Deferred income tax	21	552,753	566,830
Borrowings	19	321,315	360,785
		971,166	1,014,344
Current liabilities			
Trade and other payables	24	2,284,368	2,007,547
Current income tax		103,470	16,493
Borrowings	19	144,050	278,125
		2,531,888	2,302,165
Total liabilities		3,503,054	3,316,509
TOTAL EQUITY AND LIABILITIES		9,199,783	8,635,129

The financial statements on pages 36 to 83 were approved for issue by the board of directors on 29 September 2016 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Director

N Hutchinson
Director

Company Statement of Financial Position

At 30 June	Note	2016 Shs '000	2015 Shs '000
ASSETS			
Non-current assets			
Investments in subsidiaries	28	1,297,335	1,297,335
Total non-current assets		1,297,335	1,297,335
Current assets			
Trade and other receivables	23	115,470	103,381
Current income tax		3,781	2,114
Cash and cash equivalentS	30	272,183	243,887
Total current assets		391,434	349,382
TOTAL ASSETS		1,688,769	1,646,717
EQUITY AND LIABILITES			
Capital and reserves			
Ordinary shares	16	378,535	378,535
Share premium		73,148	73,148
Retained earnings		1,008,614	991,253
Total equity		1,460,297	1,442,936
Current liabilities			
Trade and other payables	24	228,472	203,781
Total current liabilities		228,472	203,781
TOTAL EQUITY AND LIABILITIES		1,688,769	1,646,717

The financial statements on pages 36 to 83 were approved for issue by the board of directors on 29 September 2016 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Director

N Hutchinson
Director

Consolidated statement of changes in equity

	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to equity holders	Non-controlling interest	Total
Year ended 30 June 2015	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
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)	-	-	-
Transactions with owners							
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 (restated , Note 31)	-	-	-	-	-	290,603	290,603
At end of year	378,535	73,148	728,072	2,209,594	3,389,349	1,929,271	5,318,620

Consolidated statement of changes in equity (continued)

Year ended 30 June 2016	Share capital Shs '000	Share premium Shs '000	Other reserves Shs '000	Retained earnings Shs '000	Equity attributable to equity holders Shs '000	Non-controlling interests Shs '000	Total Shs '000
At start of the year							
-As previously stated	378,535	73,148	728,072	2,209,594	3,389,349	1,965,930	5,355,279
-measurement period adjustment (Note 31)	-	-	-	-	-	(36,659)	(36,659)
-as restated	378,535	73,148	728,072	2,209,594	3,389,349	1,929,271	5,318,620
Profit for the year	-	-	-	327,031	327,031	181,785	508,816
Other comprehensive income for the year	-	-	(9,253)	-	(9,253)	(4,982)	(14,235)
Total comprehensive income for the year	-	-	(9,253)	327,031	317,778	176,803	494,581
Transfer of excess depreciation	-	-	(28,530)	28,530	-	-	-
Deferred income tax on transfer	-	-	8,559	(8,559)	-	-	-
Transactions with owners							
Dividend paid to shareholders	-	-	-	(75,707)	(75,707)	-	(75,707)
Dividend paid to non - controlling interests	-	-	-	-	-	(40,765)	(40,765)
At end year	378,535	73,148	698,848	2,480,889	3,631,420	2,065,309	5,696,729

Company statement of changes in equity

Year ended 30 June 2015	Share Capital Shs'000	Share Premium Shs'000	Retained earnings Shs'000	Total Shs'000
At start of year	378,535	73,148	986,841	1,438,524
Profit for the year	-	-	61,192	61,192
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	61,192	61,192
Transactions with owners				
Dividends paid	-	-	(56,780)	(56,780)
At end of year	378,535	73,148	991,253	1,442,936
Year ended 30 June 2016				
At start of year	378,535	73,148	991,253	1,442,936
Profit for the year	-	-	93,068	93,068
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	93,068	93,068
Transactions with owners				
Dividends paid	-	-	(75,707)	(75,707)
At end of year	378,535	73,148	1,008,614	1,460,297

Consolidated statement of cash flows

Year ended 30 June	**Notes**	**2016 Shs'000**	**2015 Shs'000**
Operating activities			
Cash generated from operations	30	911,917	708,492
Income tax paid		(196,477)	(162,800)
Interest paid		(49,146)	(40,242)
Net cash from operating activities		666,294	505,450
Investing activities			
Purchase of property, plant and equipment	25	(279,518)	(323,041)
Purchase of intangible assets	27	(192,862)	(8,859)
Proceeds of disposal of property, plant and equipment		1,521	13,852
Net proceeds on disposal of subsidiary	32	-	300,300
Cash from acquisition of subsidiary	31	-	2,322
Net cash used in investing activities		(470,859)	(15,426)
Financing activities			
Dividends paid to shareholders	7	(75,707)	(56,780)
Dividends paid to non - controlling interests	18	(40,765)	(30,574)
Loan repayments	19	(173,545)	(53,130)
Net cash used in financing activities		(290,017)	(140,484)
Net (decrease) increase in cash and cash equivalents		(94,582)	349,540
Movement in cash and cash equivalents			
At start of year		1,192,705	846,767
(Decrease) / Increase		(94,582)	349,540
Effects of exchange rate changes		4,236	(3,602)
At end of year	30	1,102,359	1,192,705

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 not yet effective and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Group.

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.
- According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurements model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's 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 changes in fair value in OCI without 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

Notes (Continued)

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

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New standards, amendments and interpretations not yet effective and not early adopted (continued)

are no changes to the 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 the full impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers', which replaces IAS 11, IAS 18 and their interpretations (SIC 13 and IFRIC 13, 15,and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and markets. It is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing concept of risks and rewards. 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 new standard is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact of the amendment on its financial statements.

IFRS 11, 'Joint arrangements'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 27, 'Separate financial statements'. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective for annual periods beginning on or after 1 January 2016.

IFRS 16, "Leases". After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The new standard is effective for annual periods beginning on or after 1 January 2019.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New standards, amendments and interpretations not yet effective and not early adopted (continued)

Annual improvements 2014. These set of amendments, effective 1 January 2016, impacts 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates and IAS 34, 'Interim financial reporting' regarding disclosure of information.

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

(b) Consolidation

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets

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

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

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

(ii) Transactions and non-controlling interests

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

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

2 Summary of significant accounting policies (continued)

(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
- 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:

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

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Group does not operate any loyalty programmes.

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

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

(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.

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

The basis of valuation is as follows:

(a) Buildings – open market value;
(b) Other assets – depreciated replacement cost.

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

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

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

Leasehold buildings	Shorter of 40 year or over the lease period
Computer equipment	33.30%
Plant and machinery	5 - 7.5%
Furniture and fittings	12.50%
Motor vehicles	25%
Silos	Shorter of 50 years or the unexpired period of the lease in respect of the land on which they are built

(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 cots 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.

2 Summary of significant accounting policies (continued)

(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.

(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.

ii) 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.

a) 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.

2 Summary of significant accounting policies (continued)

b) 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.

(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

2 Summary of significant accounting policies (continued)

(k) Accounting for leases (continued)

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 a 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 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

Notes (Continued)

2 Summary of significant accounting policies

(q) Employee benefits (continued)

(ii) Other post-employment obligations (continued)

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.

(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.

3 Critical accounting estimates and judgements(continued)

(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 2016, an increase/decrease by 100 basis points in interest rates would have resulted in a decrease/increase in post-tax profit of Shs 4,653,650 (2015: Shs 4,889,100).

(ii) Price risk

Price risk arises from fluctuations in the prices of equity investments. At 30 June 2016 and 30 June 2015, the Group did not hold investments that would be subject to price risk; hence this risk is not relevant.

(iii) Foreign exchange

Group

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

At 30 June 2016, 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 69,454,576(2015: Shs 61,907,396) 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:

4 Financial risk management objectives and policies(continued)

Credit risk (continued)

	Fully performing Shs'000	Past due Shs'000	Impaired Shs'000	Total Shs'000
Group				
At 30 June 2016				
Trade receivables (Note 23)	733,447	459,300	211,165	1,403,912
Bank balances (Note 30)	365,458	-	-	365,458
Call deposits (Note 30)	736,901	-	-	736,901
Other receivables (Note 23)	225,940	-	-	225,940
Due from related parties (Note 34)	420,752	-	-	420,752
	2,482,498	459,300	211,165	3,152,963
Group				
As at 30 June 2015				
Trade receivables (Note 23)	1,171,271	129,224	203,467	1,503,962
Bank balance (Note 30)	594,096	-	-	594,096
Call deposit (Note 30)	598,609	-	-	598,609
Other receivables (Note 23)	100,081	-	-	100,081
Due from related parties (Note 34)	396,001	-	-	396,001
	2,860,058	129,224	203,467	3,192,749
Company				
At 30 June 2016				
Other receivables (Note 23)	25,615	-	-	25,615
Bank balance (Note 30)	574	-	-	574
Call deposits (Note 30)	271,609	-	-	271,609
Due from related parties (Note 34)	89,855	-	-	89,855
	387,653	-	-	387,653
Company				
As at 30 June 2015				
Other receivables (Note 23)	19,326	-	-	19,326
Bank balance (Note 30)	429	-	-	429
Call deposits (Note 30)	243,458	-	-	243,458
Due from related parties (Note 34)	84,055	-	-	84,055
	347,268	-	-	347,268

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 34,709,131 (2015: Shs 27,909,000) and bank guarantees amounting to Shs 1,157,900,000 (2015: Shs 838,600,000) are held as collateral for trade receivables.

4 Financial risk management objectives and policies(continued)

Credit risk (continued)

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 is analysed as follows: One customer (Kenchic Limited) accounts for 10% of the revenue of the Group (2015 – 10%). This customer has a high credit rating. All other sales are to a wide unrelated customer base

	2016 Shs'000	%	2015 Shs'000	%
Kenchic Limited	2,033,242	10%	1,802,310	10%
Others	17,710,322	90%	16,920,940	90%
	19,743,564	100%	18,723,250	100%

Liquidity risk

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

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity Groupings based on the remaining period at end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes (Continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Group	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
At 30 June 2016				
Liabilities:				
Trade payables (Note 24)	1,044,010	-	-	1,044,010
Due to affiliate companies (Note 34)	778,708	-	-	778,708
Borrowings	55,434	88,616	386,663	530,713
Other payables (Note 24)	461,650	-	-	461,650
	2,339,802	88,616	386,663	2,815,081
At 30 June 2015				
Liabilities:				
Trade payables (Note 24)	636,537	-	-	636,537
Due to affiliate companies (Note 34)	648,166	-	-	648,166
Borrowings	107,031	171,094	470,265	748,390
Other payables (Note 24)	722,844	-	-	722,844
	2,114,578	171,094	470,265	2,755,937

The Group has undrawn committed borrowing facilities amounting to Shs 322,048,000 and USD 1,679,147 (2015: Shs 380,000,000 and USD 2,333,333). 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	1-3 months Shs'000	4-12 months Shs'000	Over one year Shs'000	Totals Shs'000
At June 2016				
Liabilities:				
Other payables (Note 24)	20,356	-	-	20,356
Due to related companies (Note 34)	208,116	-	-	208,116
	228,472	-	-	228,472
At June 2015				
Liabilities:				
Other payables (Note 24)	26,210	-	-	26,210
Due to related companies (Note 34)	177,571	-	-	177,571
	203,781	-	-	203,781

4 Financial risk management objectives and policies (continued)

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:

	2016 Shs'000	2015 Shs'000
Equity	5,696,729	5,318,620
Borrowings (Note 19)	465,365	638,910
Less: cash and cash equivalents (Note 30 (b))	(1,102,359)	(1,192,705)
Net debt	(636,994)	(553,795)
Gearing ratio	0%	0%

5 Revenue

	2016 Shs'000	2015 Shs'000
Analysis of sales by category:		
Human nutrition	11,046,861	10,637,885
Animal nutrition	8,506,341	7,882,673
Animal health products	190,362	202,692
	19,743,564	18,723,250

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.

	2016	2015
Profit for the year attributable to shareholders (Shs '000')	327,031	399,082
Weighted average number of ordinary shares ('000')	75,707	75,707
Basic earnings per share	4.32	5.27

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

7 Dividends

In respect of the current financial year, the directors propose a first and final dividend of Shs 1.00 (2015: Shs 1.00) per ordinary share amounting to Shs 75,706,986 (2015: Shs 75,706,986). 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

	2016 Shs'000	2015 Shs'000
Sale of packing material	6,826	9,351
Gain/(loss) on disposal of property, plant and equipment	363	2,615
Sundry income	32,782	18,438
	39,971	30,404

9 Segmental Reporting

The principal activity of the Group continues to be the milling of wheat and maize, baking 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.

9 Segmental Reporting (continued)

Year ended 30 June 2016

	Human Nutrition	Animal Nutrition & Health	Others	Elimination	Consolidation
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Revenue from external customers	11,046,861	8,696,703	-	-	19,743,564
Inter-segment revenues	986,584	-	-	(986,584)	-
Interest income	13,930	11,720	54,967	-	80,617
Other income	22,495	17,476	-	-	39,971
Interest expense	50,594	9,627	-	-	60,221
Depreciation and amortisation	173,364	84,049	-	-	257,413
Reportable segmental profit	392,833	307,853	33,715	-	734,401
Other material non-cash Items:					
Reportable segment assets	6,967,025	2,930,661	-	(697,903)	9,199,783
Expenditures for reportable segment non-current assets	345,880	126,500	-	-	472,380
Reportable segmental liabilities	3,982,826	1,831,452	894,616	(3,205,840)	3,503,054
Continuing operations					
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	800,944	-	8,635,129
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
Discontinued operations					
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

9 Segmental Reporting (continued)

Year ended 30 June 2015

Discontinued operations	Human Nutrition	Animal Nutrition & Health	Others	Elimination	Consolidation
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Other material non-cash Items:					
Reportable segment assets	-	-	506,455	-	506,455
Expenditures for reportable Segment non-current assets	-	-	878	-	878
Reportable segmental liabilities	-	-	179,561	-	179,561

Year ended 30 June 2016	Revenue	Non-current assets
Country		
Kenya	18,947,944	3,241,774
Uganda	795,620	138,247
	19,743,564	3,380,021

Year ended 30 June 2015	Revenue	Non-current assets
Country	Shs'000	Shs'000
Kenya	17,619,454	3,043,315
Uganda	1,103,796	139,095
	18,723,250	3,182,410

10 Distribution costs

	2016	2015
	Shs'000	Shs'000
Transport costs	370,777	283,693
Advertising & promotions	178,688	125,976
Staff costs	151,298	100,853
	700,763	510,522

11 Administrative expenses

Professional and consultancy fees	205,097	95,325
Staff costs	445,016	419,975
Depreciation of property, plant and equipment	49,908	25,446
Insurance costs	48,187	52,676
Computer and general expenses	91,712	62,608
Motor vehicle, repair and other costs	65,718	54,227
	905,638	710,257

Notes (Continued)

		2016	2015
12	**Finance costs**	**Shs'000**	**Shs'000**
	Finance income:		
	Interest income on short term deposits	80,617	77,304
	Finance costs:		
	Interest expense on bank loans	23,887	21,897
	Interest expense on bank overdrafts	2,069	-
	Interest expense on trade finance	23,190	18,345
	Net foreign exchange losses	11,075	186,402
		60,221	226,644
13	**Profit before income tax**		
	The profit before income tax is arrived at after charging:		
	Staff costs (Note 14)	1,143,161	752,782
	Depreciation of property, plant and equipment (Note 25)	214,667	166,929
	Amortisation of prepaid operating lease rentals (Note 26)	4,421	1,528
	Amortisation of intangible assets (Note 27)	38,235	8,407
	Directors emoluments (Note 34)	21,440	14,867
	Auditors' remuneration	12,047	10,422
	Provision for impairment-trade receivables	7,698	(11,141)
	Profit / (Loss) on disposal of property, plant and equipment	150	2,615
14	**Staff costs**		
	Salaries and wages	1,117,598	756,637
	Retirement benefit (Note 29)	(6,046)	633
	Post-employment benefit obligation (Note 20)	20,853	(13,622)
	Social security costs (NSSF) contributions	2,137	2,261
	Accrued leave pay	8,619	6,873
		1,143,161	752,782

15 Income tax expense

	2016 Shs'000	2015 Shs'000
Current income tax	240,605	166,764
Deferred income tax (Note 21)	(15,020)	39,150
Income tax expense	225,585	205,914

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:

	2016 Shs'000	2015 Shs'000
Profit before income tax	734,401	635,695
Tax calculated at the statutory income tax rate of 30% (2015 - 30%)	220,320	190,709
Tax effects of:		
Expenses not deductible for tax purposes	15,004	-
Income not subject to tax	-	20,626
Overprovision of deferred income tax in prior year	(9,739)	(8,624)
Under provision of current income tax in prior year	-	3,203
Income tax expense	225,585	205,914

16 Share capital

	Number of Shares (Thousands)	Ordinary Shares Shs'000
Authorised:		
Balance at 1 July 2014, 30 June 2015 and 30 June 2016	82,760	413,800
Issued and fully paid:		
Balance at 1 July 2014, 30 June 2015 and 30 June 2016	75,707	378,535

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

17 Other reserves

Other reserves comprise the following:

Year ended 30 June 2015	Property and plant revaluations	Currency translation	Remeasurement of retirement benefit asset	Total
	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	745,025	(20,385)	3,432	728,072
Year ended 30 June 2016				
At start of the year	745,025	(20,385)	3,432	728,072
Credit to other comprehensive income	-	(4,794)	(4,459)	(9,253)
Transfer of excess depreciation	(28,530)	-	-	(28,530)
Deferred income tax on transfer	8,559	-	-	8,559
At year end	725,054	(25,179)	(1,027)	698,848

Other reserves as included above are non-distributable.

18 Non-controlling interests

Group	2016 Shs'000	Restated 2015 Shs' 000
At start of year	1,929,271	1,633,708
Dividend paid	(40,765)	(30,574)
Acquisition of Ennsvalley Bakery Limited (Note 31)	-	290,603
Disposal of Bullpak Limited	-	(183,757)
Share of profit for the year	181,785	222,784
Share of other comprehensive income	(4,982)	(3,493)
At end of year	2,065,309	1,929,271

Summary of Non-controlling interest:

Unga Holdings Limited:		
35% Equity interest held by Seaboard Corporation in Unga Holdings Limited	1,770,959	1,638,668
Ennsvalley Bakery Limited:		
48% Equity interest held by NAS Holdings Limited in Ennsvalley Bakery Limited	294,350	290,603
	2,065,309	1,929,271

Notes (Continued)

18 Non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling Interests

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

	2016 Shs'000	2015 Shs'000
Current assets	5,659,296	5,288,570
Current liabilities	(2,582,808)	(2,331,160)
Total current net assets	3,076,488	2,957,410
Non-current assets	3,376,094	3,215,144
Non-current liabilities	(949,314)	(1,014,344)
Total non-current net assets	2,426,780	2,200,800
Total net assets	5,503,268	5,158,210
Unga Holdings Limited summarised statement of comprehensive income		
Revenue	19,743,564	18,723,250
Profit before income tax	722,494	634,327
Income tax expense	(210,068)	(205,913)
Post tax profit from continuing operations	512,426	428,414
Post tax profit from discontinued operations	-	192,085
Other comprehensive income	(14,236)	(9,982)
Total comprehensive income	498,190	610,517
Unga Holdings Limited summarised cash flows		
Net cash generated from operating activities	642,875	501,749
Net cash used in investing activities	(470,859)	(15,426)
Net cash generated from financing activities	(290,017)	(140,484)
Net increase in cash and cash equivalent	(118,001)	345,839
Cash and cash equivalent at start of the year	948,818	608,734
Increase	(118,001)	344,352
Effect of exchange rates	(641)	(4,268)
At end of year	830,176	948,818

19 Borrowings

	Group	
	2016	**2015**
	Shs'000	Shs'000
Bank loans	371,765	488,910
Other loans	93,600	150,000
	465,365	638,910
The borrowings are repayable as follows:		
Within one year	144,050	278,125
More than one year	321,315	360,785
	465,365	638,910
Movement in principal borrowings:		
At start of year	638,910	542,040
Repayments	(173,545)	(53,130)
On acquisition of subsidiary	-	150,000
At end of year	465,365	638,910

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 2016 amounted to USD 3,673,563 (2015:4,923,563).The effective interest rate of the loan at 30 June 2016 was 4.36% (2015: 4.29%)

Other borrowings relates to a loan from NAS Holdings Limited which is unsecured and is due for repayment in the next financial year. The weighted average effective interest rates is 13% per annum (2015: 15%).

20 Post-employment benefits obligation– Gratuity

	Group	
	2016	**2015**
	Shs'000	**Shs'000**
At start of year	86,729	93,271
Charge/ (credit) to profit or loss	20,853	(13,622)
Payments in the year	(10,484)	7,080
At end of year	97,098	86,729

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:

	2016	**2015**
	Shs'000	**Shs'000**
Discount rate	14.5%	13.5%
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.

21 Deferred income tax

Deferred income tax is made up of the following;

	Group	
	2016	**2015**
	Shs'000	**Shs'000**
Deferred income tax asset	32,276	28,393
Deferred income tax liability	(552,753)	(566,830)
Net deferred income tax liabilities	(520,477)	(538,437)

Deferred income tax is calculated using the enacted income tax rate of 30% (2015: 30%). The deferred income tax comprises the following;

	Group	
	2016	**2015**
	Shs'000	**Shs'000**
At start of year	538,437	489,704
On disposal of subsidiary	-	(29,669)
On acquisition of subsidiary	-	39,160
(Credit) / charge to profit or loss (Note 15)	(15,020)	39,150
(Credit) / charge to other comprehensive income	(2,940)	92
	520,477	538,437

21 Deferred income tax (continued)

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:

Year ended 30 June 2015	01.07.2014	Eliminated on disposal	Charged/ (credited) to P/L	(Credit) to OCI	30.06.2015
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
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
	717,593	(29,684)	175	92	688,176
Deferred income tax assets					
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
	227,889	(15)	(38,975)	-	188,899
Net deferred income tax liability	489,704	(29,669)	39,150	92	499,277
On acquisition of subsidiary	-	-	-	-	39,160
Net deferred income tax	489,704	(29,669)	39,150	92	538,437

Notes (Continued)

21 Deferred income tax (continued)

Year ended 30 June 2016

	01.7.2015	Charged/ (credited) to P/L	Charged/ (credited) to OCI	30.6.2016
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities				
Property, plant and equipment on -historical cost basis	625,237	(24,393)	-	600,844
-revaluation surplus	135,691	(8,559)	-	127,132
Unrealized exchange gain	-	-	-	-
Retirement benefit asset	13,051	-	(2,940)	10,111
	773,979	(32,952)	(2,940)	738,087
Deferred income tax assets				
Other deductible differences	141,421	22,008	-	163,429
Unrealised exchange losses	19,991	(5,943)	-	14,048
Interest payable	12,232	(12,232)	-	-
Tax losses carried forward	61,898	(21,765)	-	40,133
	235,542	(17,932)	-	217,610
Net deferred income tax	538,437	(15,020)	(2,940)	520,477

22 Inventories

	2016	2015
Group	**Shs'000**	**Shs'000**
Raw materials	1,933,136	1,725,971
Finished products	356,755	239,226
Packing materials	133,504	69,213
Engineering stores	66,569	85,323
Goods in transit	72,410	70,378
	2,562,374	2,190,111

23 Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Trade receivables	1,403,912	1,503,962	-	-
Provision for impairment losses	(211,165)	(203,467)	-	-
	1,192,747	1,300,495	-	-
VAT recoverable	232,979	231,811	-	-
Other receivables	225,940	100,081	25,615	19,326
Due from related parties (Note 34)	420,752	396,001	89,855	84,055
	2,072,418	2,028,388	115,470	103,381
Movements on the provision for impairment of trade receivables are as follows:				
At start of year	203,467	214,608	-	-
Provision in the year	7,698	(11,141)	-	-
At end of year	211,165	203,467	-	-

24 Trade and other payables

	Group 2016 Shs'000	Group 2015 Shs'000	Company 2016 Shs'000	Company 2015 Shs'000
Trade payables	1,044,010	636,537	-	-
Other payables and accrued expenses	461,650	722,844	20,356	26,210
Due to related parties (Note 34)	778,708	648,166	208,116	177,571
	2,284,368	2,007,547	228,472	203,781

Notes (Continued)

25 Property, plant and equipment

	Buildings	Plant and equipment	Motor vehicles	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 30 June 2014					
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 Book Value	599,725	1,748,392	26,487	68,307	2,442,911
Year ended 30 June 2015					
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	620,327	2,099,662	34,018	152,958	2,906,965
At 30 June 2015					
Cost or valuation	668,324	2,473,390	218,397	152,958	3,513,069
Accumulated depreciation	(47,997)	(373,728)	(184,379)	-	(606,104)
Net carrying amount	620,327	2,099,662	34,018	152,958	2,906,965
At 30 June 2015					
Cost or valuation	668,324	2,473,390	218,397	152,958	3,513,069
Accumulated depreciation	(47,997)	(373,728)	(184,379)	-	(606,104)
Net Book Value	620,327	2,099,662	34,018	152,958	2,906,965
Year ended 30 June 2016					
Opening net book value	620,327	2,099,662	34,018	152,958	2,906,965
Currency translation differences	(1,217)	(3,261)	-	(882)	(5,360)
Additions	4,611	82,096	35,183	157,628	279,518
Write-offs	-	(12,086)	-	-	(12,086)
Disposal	-	-	(991)	-	(991)
Transfer to Intangible assets	-	-	-	(34,997)	(34,997)
Depreciation charge	(23,883)	(172,568)	(18,216)	-	(214,667)
Closing carrying amount	599,838	1,993,843	49,994	274,707	2,918,382
At 30 June 2016					
Cost or valuation	672,935	2,543,400	252,589	275,589	3,744,513
Accumulated depreciation	(73,097)	(549,557)	(202,595)	(882)	(826,131)
Net carrying amount	599,838	1,993,843	49,994	274,707	2,918,382

25 Property, plant and equipment (continued)

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 282,982,539 (2015 – Shs 204,673,000). The normal annual depreciation on these assets would have been Shs 107,266,999 (2015 – Shs 54,974,000).The Group has pledged assets with net book value of Shs 370,977,000 (2015 - Shs 370,977,000) to secure its borrowings facilities (See note 19).

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

Year ended 30 June 2016

	Buildings	Plant and equipment
	Shs' 000	Shs' 000
Cost	889,189	2,029,712
Accumulated depreciation	(691,992)	(752,881)
Net book amount	197,197	1,276,831

Year ended 30 June 2015

	Buildings	Plant and equipment
Cost	884,578	1,947,616
Accumulated depreciation	(679,406)	(606,673)
Net book amount	205,172	1,340,943

26 Prepaid operating lease rentals

	2016	2015
	Shs' 000	Shs' 000
Group		
Cost		
At start of year	57,405	58,381
Currency translation differences	(593)	(976)
At end of year	56,812	57,405
Amortisation		
At start of year	25,298	23,917
Currency translation differences	(1,880)	(147)
Amortisation for the year	4,421	1,528
At end of year	27,839	25,298
Net carrying amount	28,973	32,107

Notes (Continued)

26 Prepaid operating lease rentals (continued)

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 12,127,174 (2015: – Shs 12,930,000) to secure borrowings granted to it (See Note 19).

27 Intangible assets

	2016 Shs'000	2015 Shs'000
Computer software	208,611	19,412
Goodwill on acquisition (Note 31)	150,473	150,473
	359,084	169,885

(a) Computer software

	2016 Shs'000	2015 Shs'000
Group		
Cost		
At start of year	81,196	71,498
Additions	192,862	8,859
Transfer from WIP	34,997	-
On acquisition of subsidiary	-	839
At end of year	309,055	81,196
Amortisation		
At start of year	61,784	53,377
Amortisation for the year	38,235	8,407
Currency translation difference	425	-
At end of year	100,444	61,784
Net book value	208,611	19,412

(b) Goodwill

The goodwill relates to the acquisition of Ennsvalley Bakery Limited as set out in Note 31. The directors monitor goodwill impairment at the level of the acquired entity, being the cash generating unit (CGU) without taking into account the commercial benefit of the vertical intergration of Ennsvalley Bakery Limited to the wheat milling business of Unga Limited. The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

27 Intangible assets (continued)

(b) Goodwill (continued)

Management has determined the values assigned to each of the key assumptions used as follows:

Assumption	**Approach used to determine values:**
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term country inflation forecast.
Budgeted average gross margin	Based on past performance and management expectations of the future.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, the planned refurbishment, or sustaining expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is based on long term growth rate forecasts for the industry.
Pre-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 30 June 2016 by Shs 2,442,000. However, the impairement testing does not take into account the commercial benefits of the vertical intergration of Ennsvalley Bakery to Unga Group Limited. The directors believe that the acquisition of Ennsvalley Bakery has significant commercial benefit to the wheat milling division of Unga Group Limited that are not reflected in the projected cash flows.

Significant estimate: Impact of possible changes in key assumptions

If the budgeted gross margin used in the value-in-use calculation had been 1% lower than the management estimates at 30 June 2016 with all other assumptions in the table above unchanged, the recoverable value of the CGU would decrease by Shs 54,756,000. If the budgeted gross margin used in the value-in-use calculation had been 1% higher than the management estimates at 30 June 2016 with all other assumptions in the table above unchanged, the recoverable value would have increased by Shs 54,755,000.

The 1% change in forecast gross margins represents a reasonably possible reduction in sales prices and/or increase in production and other costs over the 5 year forecast period which would yield the same average gross margin as achieved on average over the last 4 years to 30 June 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% higher than management have estimated and all other assumptions in the table above unchanged, the recoverable value of the CGU would decrease by Shs 17,884,000 at 30 June 2016.

If the pre-tax discount rate applied to the cash flow projection of the CGU had been 1% lower than management estimates and all other assumptions unchanged, the recoverable value would have exceeded the carrying net asset amount (including goodwill) of the CGU at 30 June 2016 by Shs. 26,889,000.

(b) Goodwill (continued)

The recoverable amount of the CGU would equal its carrying amount (including goodwill) if the key assumptions, individually and independently from other assumptions, changed as follows:

	Percentage change
Sales volume (% annual average growth rate)	- 0.230%
Budgeted average gross margin (%)	- 0.003%
Long term growth rate (%)	- 0.160%
Pre-tax discount rate (%)	+ 0.110%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

28 Investment in subsidiaries – Company

Unquoted investment at cost in wholly owned subsidiary

	2016 Shs'000	2015 Shs'000
Unga Investments Limited	1,297,335	1,297,335

Details of the Company's subsidiaries are as follows:

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

28 Investment in subsidiaries – Company (continued)

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:

Company name	Principal place of business	Principal activity	% Interest held	Share capital
Unga Limited	Kenya	Milling of wheat and maize	100%	220,000
Unga Farm Care (EA) 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

The Group disposed off its entire interest in Bullpak Limited during the year ended 30 June 2015. See the details in note 32.

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	**2016**	**2015**
	Shs'000	**Shs'000**
Present value of funded obligations	194,776	172,773
Fair value of plan assets	(449,357)	(438,858)
Surplus on funded plan	(254,581)	(266,085)
Impact of asset ceiling	213,275	221,025
Retirement benefit scheme asset recognised in the statement of financial position	(41,306)	(45,060)

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

Year ended 30 June 2015	**Present value of Obligation**	**Fair value of plan assets**	**Total**	**Impact of asset ceiling**	**Total**
	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)
Re measurements:					
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)
Contributions :					
Employee	20,407	(20,407)	-	-	-
Employer	-	-	-	-	-
Payments from plan:					
Benefits paid	(64,918)	64,918	-	-	-
	(44,511)	44,511	-	-	-
At end of year	171,436	(437,521)	(266,085)	221,025	(45,060)

Notes (Continued)

29 Retirement benefits asset (continued)

Year ended 30 June 2016	**Present value of Obligation**	**Fair value of plan assets**	**Total**	**Impact of asset ceiling**	**Total**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	171,436	(437,521)	(266,085)	221,025	(45,060)
Current service cost	34	-	34	-	34
Interest expense/ (income)	23,507	(59,426)	(35,919)	29,839	(6,080)
Charge to profit or loss	23,541	(59,426)	(35,885)	29,839	(6,046)
Re measurements:					
Return on plan assets	-	51,588	51,588	-	51,588
Change in assumptions	(4,199)	-	(4,199)	-	(4,199)
Change in asset ceiling	-	-	-	(37,589)	(37,589)
Charge to other comprehensive income	(4,199)	51,588	47,389	(37,589)	9,800
Contributions :					
Employee	21,703	(21,703)	-	-	-
Employer	-	-	-	-	-
Payments from plan:					
Benefit paid	(15,435)	15,435	-	-	-
	6,268	(6,268)	-	-	-
At end of year	197,046	(451,627)	(254,581)	213,275	(41,306)

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

At 30 June 2016

Discount rate	**At current discount rate**	**1% Increase**	**1% Decrease**
	Shs ' million	**Shs ' million**	**Shs ' million**
Present value of obligation	197.0	212.1	207.9
At 30 June 2015			
Present value of obligation	171.4	173.2	169.7

29 Retirement benefits asset (continued)

The significant actuarial assumptions were as follows;

	2016	2015
Discount rate	14.50%	13.50%
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.

The plan assets are comprised of the following;

	2016 Shs'0000	2016 %	2015 Shs'0000	2015 %
Quoted equities	126,456	28%	153,132	35%
Offshore investments	18,065	4%	17,501	4%
Government bonds	248,395	55%	183,759	43%
Commercial paper and corporate bonds	27,098	6%	30,626	7%
Fixed and time deposits	36,130	8%	43,752	10%
Net current assets/ (liabilities)	(4,516)	(1%)	4,375	1%
Total	451,628	100%	433,145	100%

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

Asset volatility

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

Changes in bond yields

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

Notes (Continued)

30 Cash generated from operations

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

Group	**2016 Shs'000**	**2015 Shs'000**
Profit before income tax	734,401	635,695
Adjustments for:		
Depreciation (Note 25)	214,667	166,929
Interest paid	49,146	40,242
Amortisation of prepaid operating lease rentals (Note 26)	4,421	1,528
Amortisation of intangible assets (Note 27)	38,235	8,407
Gain on disposal of property, plant and equipment	150	2,615
Post-employment benefit obligation	10,369	(13,622)
Working capital changes:		
-inventories	(372,263)	283,519
-trade and other receivables	(44,030)	(144,281)
-trade and other payables	276,821	(272,540)
Cash generated from operations	911,917	708,492

(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.

Bank balances	365,458	594,096
Call deposits	736,901	598,609
Cash and cash equivalents	1,102,359	1,192,705
Company		
Bank balances	574	429
Call deposits	271,609	243,458
	272,183	243,887

The effective interest rate on call deposit at 30 June 2016 was 11.5% (2015: 7.1%)

Notes (Continued)

31 Business combinations

On 30 June 2015, Unga Holdings Limited acquired 52% shareholding of Ennsvalley Bakery Limited ("Ennsvalley") by subscribing for 6,500 new shares of Ennsvalley for a provisional consideration of Shs 541,667,000. The transactions was reported in accordance with IFRS 3, Business Combinations, in the financial statements for the year ended 30 June 2015. Subsequently, as a result of changes in the Value Added Tax Act, the consideration for the share subscription was revised to Shs 465,292,000. The revision in the consideration amounts to a measurement period adjustment under IFRS 3, Business combinations as follows:

	As provisionally reported Shs'000	Measurement period adjustment Shs'000	Final restated Shs'000
Cash consideration	541,667	(76,375)	465,292
Recognised amount of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	2,342	-	2,342
Plant and equipment	314,600	-	314,600
Intangible assets	840	-	840
Inventories	77,368	-	77,368
Trade and other receivables	166,278	-	166,278
Trade and other payables	(232,933)	-	(232,933)
Retirement benefit obligations	(7,080)	-	(7,080)
Borrowings	(150,000)	-	(150,000)
Deferred tax liability	(39,160)	-	(39,160)
Current income tax asset	7,875	-	7,875
Receivable from related parties	541,667	(76,375)	465,292
Total identifiable net assets	681,797	(76,375)	605,422
Share of fair value of separately identifiable assets (52%)	354,535	(39,716)	314,819
Goodwill	187,132	(36,659)	150,473
Total	541,667	(76,375)	465,292
Non-controlling interest (48%)	327,262	(36,659)	290,603

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

The goodwill arising from the acquisition is attributable to anticipated synergies arising from the vertical integration of Ennsvalley Bakery Limited to the wheat milling division of the group, 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 proforma revenue of Shs 19,577,779,000 and profit for the year from continuing operations of Shs 445,223,000.

32 Non-current assets held for sale and discontinued operations

The Group disposed off 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:

	2015
	Shs'000
Revenues	54,438
Expenses	(29,269)
Profit before tax of discontinued operations	25,169
Income tax thereon	(7,555)
Profit for the year from discontinued operations	17,614
Profit on disposal of discontinued operations	174,471
Other comprehensive income	-
Deferred income tax thereon	-
Total comprehensive income from discontinued operations	192,085
Attributable to owners of parent	183,454
Attributable to non-controlling interest	8,631
	192,085

a) Cash flows from discontinued operations

Operating cash flows	-
Investing cash flows:	
- Proceeds from disposal / (acquisition)	341,573
- Cash and cash equivalent in discontinued operations at disposal	(41,273)
Net cash flow from investing activities	300,300
Financing cash flows	-
Total cash flows	300,300

33 Capital commitment

	2016	2015
Group	**Shs'000**	**Shs'000**
Authorised and contracted for	560,653	144,464
Authorised but not contracted for	547,976	829,142
	1,108,629	973,606

The bulk of the capital commitments relate to infrastructure improvements, silos refurbishments and acquisition of plant and machinery.

34 Related party transactions

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

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

i) Sale of goods and services

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Sale of finished goods – Kenchic Limited	2,033,242	1,802,608	-	-

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Raw material purchases – Seaboard Overseas Limited	4,071,284	3,208,739	-	-
Other expenses – Seaboard Overseas Management Company	63,165	73,885	-	-
Purchase of equipment and spares – Seaboard Overseas Group	441,235	242,236	-	-
Interest charged on trade finance – Seaboard Overseas Limited	23,190	18,345		
Purchase of packaging material – Bullpak Limited	-	25,500	-	-
	4,598,874	3,568,705	-	-

Seaboard is affiliated by virtue of being part of the non-controlling interest as set out in note 18. Seaboard Corporation is a company with significant shareholding in the parent company. Seaboard Overseas Limited, Seaboard Overseas Group and Seaboard Overseas Management Company are subsidiaries of Seaboard Corporation.

The group is also related to some of its customers by virtue of common shareholding. These are Kenchic Limited and NAS Holdings Limited and its affiliates.

The company is also related to one of its bankers, NIC Bank Limited by virtue of common directorships.

34 Related party transactions (continued)

iii) Key management compensation

	Group		Company	
	2016	2015	2016	2015
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and other short-term employment benefits	128,683	71,922	-	-
iv) Directors' remuneration				
Fees	11,600	5,419	5,800	2,710
Other emoluments	9,840	9,448	-	-
	21,440	14,867	5,800	2,710
v) Due from related companies				
Unga Investments Limited	-	-	33,159	27,359
Unga Group Limited	-	-	-	-
Unga Feeds Limited	-	-	7,000	7,000
Unga Holdings Limited	-	-	49,696	49,696
NAS Holdings Limited and its affiliates	655	-	-	-
Kenchic Limited	420,097	396,001	-	-
	420,752	396,001	89,855	84,055
vi) Due to related companies				
Unga Limited	-	-	70,897	40,378
Unga Investments Limited	-	-	136,886	136,886
Unga Farm Care (E.A) Limited	-	-	333	307
Seaboard Corporation subsidiaries	764,209	482,720	-	-
NAS Holdings Limited and its affiliates	14,499	165,446	-	-
	778,708	648,166	208,116	177,571

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty Ninth Annual General Meeting of the Company will be held at the Intercontinental Hotel, Mara Ball Room, Nairobi, on Thursday, 1 December 2016 at 10.30 a.m. for the following purposes:-

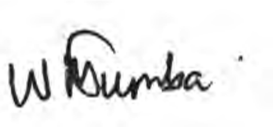
ORDINARY BUSINESS

1. To read the notice convening the meeting.
2. To confirm the minutes of the Eighty Eighth Annual General Meeting held on 2 December 2015.
3. To receive the Chairman's report.
4. To receive and adopt the Consolidated Audited Financial Statements for the financial year ended 30 June 2016 together with the reports of the Directors and the Auditors thereon.
5. To consider and approve a first and final dividend of Shs 1.00 per share for the year ended 30 June 2016 payable on or about 11 January 2017 to the shareholders on the Register of Members at the close of business on 1 December 2016, and to approve the closure of the Register of Members for one day from the close of business on Thursday, 1 December 2016 to close of business on Friday, 2 December 2016 for the purpose of processing the dividend.
6. Election of Directors:-
   a) In accordance with the provisions of Articles 88 and 89 of the Company's Articles of Association:-
      i) Mr Jinaro K Kibet retires at this meeting and being eligible, offers himself for re-election.
      ii) Mr Patrick O Obath retires at this meeting and being eligible, offers himself for re-election.
   b) In accordance with the provisions of Articles 93 of the Company's Articles of Association, Ms Shilpa Haria retires at this meeting and being eligible, offers herself for re-election.
   c) In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit & Risk Committee be elected to continue to serve as members of the said committee:-
      i) Ms Shilpa Haria;
      ii) Mr Jinaro K Kibet;
      iii) Mr Andrew S M Ndegwa; and
      iv) Mr Vitalis O Ojode
7. To approve the Directors' remuneration as shown in the Financial Statements for the year ended 30 June 2016.
8. To appoint Messrs PricewaterhouseCoopers (PwC) as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (2) of the Companies Act 2015.

SPECIAL BUSINESS

9. Change of Name of the Company:-
   To consider and if thought fit, to pass the following resolution which will be proposed as a Special Resolution:-
   "That the name of the Company be and is hereby changed from "Unga Group Limited" to "Unga Group Plc" with effect from the date set out in the Certificate of Change of Name issued in that regard by the Registrar of Companies"
10. Amendment of the Company's Articles of Association:-
   To consider and, if thought fit, pass the following resolution as a Special Resolution:-
   To amend Article 78 to increase the maximum number of Directors from Eight (8) to Ten (10) such that the revised article reads as follows-
   "unless and until otherwise determined by the Company in general meeting, the Directors shall not be less than Five (5) nor more than Ten (10) in number"
11. Any Other Business of which due notice has been received.

BY ORDER OF THE BOARD



WINNIEFRED N JUMBA
COMPANY SECRETARY
9 November 2016

Notes

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her 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. The proxy form can be obtained from the Company's website (www.ungagroup.com), at the registered office of the Company, Ngano House, Commercial Street, Industrial Area, Nairobi or from the Registrars - Custody & Registrars, 6th Floor Bruce House, Standard Street, Nairobi.
4. To be valid, a form of proxy, 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 be received not later than 10.30 a.m. on Tuesday, 29 November 2016, in an envelope marked "AGM". Duly signed proxy forms may also be emailed to proxy@candrgroup.co.ke in PDF format.
5. In accordance with Article 139 of the Company's Articles of Association, a copy of the entire Annual Report and Financial Statements may be viewed and/or obtained from the Company's website (www.ungagroup.com). Hard copies of the Annual Report and Financial Statements may also be obtained from the registered office of the Company, Ngano House, Commercial Street, Industrial Area, Nairobi or from the Registrars - Custody & Registrars, 6th Floor Bruce House, Standard Street, Nairobi. An abridged set of the Statement of Financial Position, Comprehensive Income Statement, Statement of Changes in Equity and Cashflow Statement for the year ended 30 June 2016 have been published in two daily newspapers with nationwide circulation.
6. Subject to the shareholders' approval, the Register of Members will be closed from the close of business on Thursday, 1 December 2016 at 4.30 p.m. for one day for the purpose of processing the dividend.
7. 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 risk 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
8. 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.

Notes

Proxy Form

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 Ninth Annual General meeting of the Company to be held on Thursday, 1 December 2016 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 (a)	☐	☐
(b)	☐	☐
(c)	☐	☐
7	☐	☐
8	☐	☐
9	☐	☐
10	☐	☐

As witness my/our hand this ___________________day of __________________________2016

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


UGANDA
KENYA
Eldoret
Nakuru
NAIROBI

1908 - 2016

Nutrition for Life