

Livingstone Associates



274/09

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28 September 2017

Mr Paul Muthaura
The Chief Executive
Capital Markets Authority
Embankment Plaza, 3rd Floor
Longonot Road, Upperhill
Nairobi

Dear Mr Muthaura,

Unga Group Plc ("the Company")

Following the meeting of the Company's Board of Directors held today, we enclose the following extracts of the Company's Financial Statements:-

- Consolidated Statement of Comprehensive Income for the year ended 30 June 2017.
- Consolidated Statement of Financial Position for the year ended 30 June 2017.
- The Company's Statement of Financial Position for the year ended 30 June 2017.
- Consolidated Statement of the Changes in Equity for the year ended 30 June 2017.
- Consolidated Cash Flows for the year ended 30 June 2017.

We also advise as follows:-

1. Dividend for the Financial Year ended 30 June 2017

The Directors recommended the payment of a first and final dividend of Kshs 1.00 per share in respect of the financial year ended 30 June 2017 payable to the shareholders appearing on the Register of Members as at the close of business on Tuesday, 5 December 2017. The dividend will be paid on or about 15 January 2018.

2. Annual General Meeting for the year 2017

The Annual General Meeting for the year 2017 will be held on Tuesday, 5 December 2017.

3. Press Release

The Directors approved a press release with respect to the Company's financial results for the financial year ended 30 June 2017, which will be published in two newspapers with nationwide circulation on 29 September 2017. Kindly find enclosed a copy of the press release for your information and records.

Please advise all stockbrokers accordingly.

Yours faithfully,

Winnie Jumba
Company Secretary

Cc Mr Geoffrey Odundo
The Chief Executive
Nairobi Securities Exchange Limited
The Exchange Building
55 Westlands Road
Nairobi

MANAGEMENT
Chief Executive
Director - MO ✓
Director - R P & S
Director - C S
Manager - S P
Manager - Derivatives
HLA / C S
HCC

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

FOR THE PERIOD ENDED	30 June 2017	30 June 2016
	Kshs'000	Kshs'000
ASSETS		
Non-current assets	3,668,100	3,380,021
Current assets	6,599,371	5,819,762
Total Assets	10,267,471	9,199,783
EQUITY AND LIABILITIES		
Share capital	378,535	378,535
Reserves	5,100,420	5,318,194
Non-current liabilities	762,564	971,166
Current liabilities	4,025,952	2,531,888
Total Equity and Liabilities	10,267,471	9,199,783

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED	30 June 2017	30 June 2016
	Kshs'000	Kshs'000
Operating profit before working capital changes	487,787	1,063,475
Changes in working capital	1,330,858	(151,558)
Net Cash Generated from operations	1,818,645	911,917
Tax paid	(175,985)	(196,477)
Interest paid	(47,341)	(49,146)
Net Cash from operating activities	1,595,319	666,294
Net Cash used in investing activities	(801,854)	(470,858)
Net Cash (used in)/from financing activities	(191,113)	(290,017)
Increase in cash & cash equivalents	602,352	(94,582)
At the start of the period	1,102,359	1,192,705
Effects of exchange rate changes	10,044	4,236
At the end of period	1,714,755	1,102,359



The Directors announce the audited financial results for the year ended 30 June 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	30 June 2017	30 June 2016
	Kshs'000	Kshs'000
Turnover	19,528,785	18,947,944
Operating profit	201,800	714,328
Finance income	67,415	80,072
Finance costs	(43,274)	(45,241)
Foreign exchange losses	(33,659)	(11,075)
Profit before taxation	192,282	738,084
Taxation	(105,617)	(226,608)
Profit for the year from continuing operations	86,665	511,476
Loss for the year from discontinuing operations	(118,951)	(2,660)
(Loss)/profit for the year	(32,286)	508,816
Attributable to :		
Owners of the parent	20,961	327,031
Non-controlling interest	(53,247)	181,785
	(32,286)	508,816
Basic and diluted earnings per share		
From continuing operations	Shs 1.85	Shs 4.35
From discontinuing operations	Shs (1.57)	Shs (0.04)
	Shs 0.28	Shs 4.31

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2017	Equity attributable to equity holders	Non-controlling interest	Total
	Kshs'000	Kshs'000	Kshs'000
At start of year	3,631,420	2,065,309	5,696,729
Profit for the year	20,961	(53,247)	(32,286)
Other comprehensive income for the year	640	344	984
Total comprehensive income for the year	21,601	(52,903)	(31,302)
Dividend paid to equity holders	(75,707)		(75,707)
Acquisition of Subsidiary	152,497	(222,497)	(70,000)
Dividend paid to non - controlling interests	-	(40,765)	(40,765)
At end of year	3,729,811	1,749,144	5,478,955

COMMENTARY

Sales volume and revenue increased by 1.8% and 3% respectively. Wheat and porridge categories grew by 10% and 6% respectively while maize declined by 2%. Operating profit declined by 71.7%.

The Kenyan business environment was characterised by maize supply challenges caused by the regional drought and crop disease impact. This necessitated government intervention through duty free importation and a subsidy program towards the end of the financial year. Wheat grain supply was stable throughout the period.

The Ugandan subsidiary continued to be faced by a challenging business environment leading to an operating loss for the third consecutive year. Bad debt provisions and local currency depreciation against the US dollar significantly worsened its performance. The Board has reached a decision to cease milling operations while it evaluates available business remodelling options going forward. This has necessitated the reporting of the entity as a discontinuing operation.

The bakery business was negatively impacted by credit challenges facing the retail sector resulting in an exit from most Nakumatt stores where it had bakery implants and counters. As a consequence, the business embarked on a strategy to grow volumes and revenue through a direct distribution channel. In spite of this, the significantly reduced operations resulted in a goodwill impairment of Shs 151 million.

The Board nevertheless remains committed to its pursuit of value-added opportunities in the bakery sector, and has reached an agreement with the minority shareholders to purchase the entire 48% non-controlling interest (NCI) in Ennsvalley Bakery Limited. The agreed consideration resulted in a gain of Shs 153m. The goodwill impairment was booked in the Statement of profit or loss while the gain on acquisition of NCI was recognised directly in retained earnings within shareholders equity.

With regard to its business development initiatives, the Company launched new Familia® packs and smaller bales aimed at increasing off-take within the general trade. A customer inventory replenishment

module was implemented to ensure optimal inventory levels at all times by matching supply to demand. The Group also increased its investment in marketing and promotion activities in the year, which has had a positive impact on the brands, from both a demand and pricing perspective.

The Group commissioned a state-of-the-art fish feed plant and commenced production under the Fugo® Fish Feed brand. This was achieved through partnership with a number of public and private entities under the FoodTech Africa consortium to assist in the development of the aquaculture market in the region. A technical partnership was also established with Skretting, a globally renowned manufacturer of aquafeed, to ensure high quality feed formulation, production and marketing. This is expected to stimulate fish farming in East Africa.

Grain storage capacity was significantly increased following successful rehabilitation of the Commercial Street silos and commissioning of new silos in Eldoret. A new grain receiving yard at Commercial Street is now in use. A new wheat mill project is on course for commissioning in Eldoret towards the end of the current financial year. These investments will solidify the Group's market position.

The financial year has started on a positive note, with adequate supply of maize through the government subsidy program and the availability of duty-free yellow maize enabling the Group to meet robust demand for maize meal and animal feed respectively. Logistical challenges at the port of Mombasa and a smaller than normal Narok harvest have resulted in wheat flour being in short supply; supply is however expected to return to normal in October.

In spite of a disappointing year but in view of the positive accumulated cash reserves, the Board is pleased to recommend the payment of a first and final dividend of Sh 1.00 per share. This is subject to approval by the shareholders at the Annual General Meeting to be held on 5 December 2017.

Subject to the shareholders' approval at the Annual General meeting, the Register of Members will be closed for one day from the close of business on 5 December 2017 to the close of business on 6 December 2017.

The dividend will be paid on or about 15 January 2018 to the shareholders registered in the books of the Company at the close of business on 5 December 2017.

By order of the Board

W Jumba
Company Secretary

29 September 2017

Company statement of profit or loss and other comprehensive income

For the year ended 30 June	Notes	2017 Shs'000	2016 Shs'000
Revenue	5	75,707	75,707
Administrative expenses		(17,571)	(13,491)
Operating profit		58,136	62,216
Finance income	10	16,277	31,505
Profit before income tax		74,413	93,721
Income tax expense		(3,595)	(651)
Profit for the year		70,818	93,070
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		70,818	93,070

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W. Kumbi
Secretary
 For Livingstone Associates
 Company Secretaries

Company statement of financial position

At 30 June	Notes	2017 Shs '000	2016 Shs '000
ASSETS			
Non-current assets			
Investments in subsidiaries	27	1,297,335	1,297,335
Total non-current assets		1,297,335	1,297,335
Current assets			
Trade and other receivables	21	134,945	115,470
Current income tax		-	3,781
Cash and cash equivalents	29	290,226	272,183
Total current assets		425,171	391,434
TOTAL ASSETS		1,722,506	1,688,769
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	14	378,535	378,535
Share premium		73,148	73,148
Retained earnings		1,003,725	1,008,614
Total equity		1,455,408	1,460,297
Current liabilities			
Trade and other payables	22	267,098	228,472
Total current liabilities		267,098	228,472
TOTAL EQUITY AND LIABILITIES		1,722,506	1,688,769

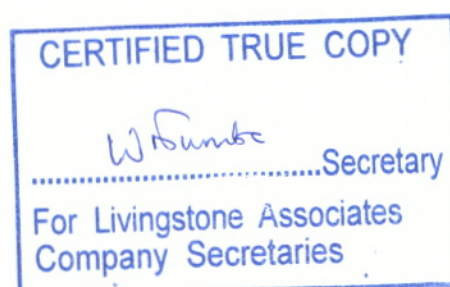
The financial statements on pages 14 to 71 were approved for issue by the Board of Directors on 28 September 2017 and signed on its behalf by:

I Ochola- Wilson (Mrs)

Director

N Hutchinson

Director



Consolidated statement of financial position

At 30 June	Notes	2017 Shs'000	2016 Shs'000
ASSETS			
Non-current assets			
Property, plant and equipment	24	3,423,727	2,918,382
Prepaid operating lease rentals	25	27,359	28,973
Intangible asset	26	166,343	359,084
Retirement benefits asset	28	17,937	41,306
Deferred income tax	19	32,734	32,276
		<u>3,668,100</u>	<u>3,380,021</u>
Current assets			
Inventories	20	2,321,807	2,562,374
Trade and other receivables	21	2,440,699	2,072,418
Current income tax		122,110	82,611
Cash and cash equivalents	29	1,714,755	1,102,359
		<u>6,599,371</u>	<u>5,819,762</u>
TOTAL ASSETS		<u><u>10,267,471</u></u>	<u><u>9,199,783</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	378,535	378,535
Share premium		73,148	73,148
Other reserve	15	674,484	698,848
Retained earnings		<u>2,603,644</u>	<u>2,480,889</u>
			<u>3,631,420</u>
Non-controlling interests	16	1,749,144	2,065,309
Total equity		<u><u>5,478,955</u></u>	<u><u>5,696,729</u></u>
LIABILITIES			
Non-current liabilities			
Post-employment benefits obligation	18	17,151	97,098
Deferred income tax	19	613,725	552,753
Borrowings	17	131,688	321,315
		<u>762,564</u>	<u>971,166</u>
Current liabilities			
Trade and other payables	22	3,807,201	2,284,368
Current income tax		5,314	103,470
Borrowings	17	213,437	144,050
		<u>4,025,952</u>	<u>2,531,888</u>
Total liabilities		<u><u>4,788,516</u></u>	<u><u>3,503,054</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>10,267,471</u></u>	<u><u>9,199,783</u></u>

The financial statements on pages 14 to 71 were approved for issue by the Board of Directors on 28 September 2017 and signed on its behalf by:

I Ochola- Wilson (Mrs)

Director

N Hutchinson

Director

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W. R. Umbo

Secretary

For Livingstone Associates
Company Secretaries

Company statement of changes in equity

	Share Capital Shs'000	Share Premium Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 30 June 2016				
At start of year	378,535	73,148	991,253	1,442,936
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
Year ended 30 June 2017				
At start of year	378,535	73,148	1,008,614	1,460,297
Total comprehensive income	-	-	70,818	70,818
Transactions with owners				
Dividends paid	-	-	(75,707)	(75,707)
At end of year	378,535	73,148	1,003,725	1,455,408

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W. S. Mubwa

.....Secretary

For Livingstone Associates
Company Secretaries

Consolidated statement of cash flows

	Notes	Year ended 30 June	
		2017 Shs'000	2016 Shs'000
Operating activities			
Cash generated from operations	29	1,818,645	911,917
Income tax paid		(175,985)	(196,477)
Interest paid		(47,341)	(49,146)
Net cash from operating activities		1,595,319	666,294
Investing activities			
Purchase of property, plant and equipment	24	(791,410)	(279,518)
Purchase of intangible assets	26	(19,706)	(192,862)
Proceeds of disposal of property, plant and equipment		9,262	1,521
Net cash used in investing activities		(801,854)	(470,859)
Financing activities			
Dividends paid to equity holders	7	(75,707)	(75,707)
Dividends paid to non - controlling interests	16	(40,765)	(40,765)
Loan repayments	17	(120,240)	(173,545)
Grants received	23	45,599	-
Net cash used in financing activities		(191,113)	(290,017)
Net increase in cash and cash equivalents		602,352	(94,582)
Movement in cash and cash equivalents			
At start of year		1,102,359	1,192,705
Increase/ (decrease)		602,352	(94,582)
Effects of exchange rate changes		10,044	4,236
At end of year	29	1,714,755	1,102,359

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W Funbe

.....Secretary

For Livingstone Associates
Company Secretaries

Company statement of cash flows