MANAGING THE PATH AHEAD

UNGA GROUP Plc

2020 INTEGRATED REPORT

MANAGING THE PATH AHEAD

Dear Stakeholder,

This year has been characterised by massive disruption of markets across all sectors of the economy due to the Covid-19 pandemic. Across the globe, businesses, governments, different sectors of the economy and society have had to adjust to fit into what has become the new normal.

In most instances, companies have had to restructure their internal operating models, while also readjusting their go-to-market strategies to continue to serve their customers whilst, at the same time, ensuring their employees, customers and suppliers remain protected from the risk of contracting the virus.

At Unga Group Plc, in spite of all the disruptions resulting from the pandemic, we have remained focused on implementing our strategy in support of our vision ‘Nutrition for Life’

Being classified as providers of essential products and services has required us to demonstrate our agility and creativity in the way we have responded and continued to avail our products, especially when the country was placed under partial lockdown.

There has been a silver-lining to the situation though. While movements were restricted, families have had more time to share meals, learn and share new skills like baking and cooking and, for some, turn passions into career paths. We take great pride because some of our market leading products have made this possible.

But even more importantly, more than any other time before, the Covid-19 pandemic has taught all of us – individuals, as well as political, social and business leaders - to operate and navigate in what is undoubtedly now a volatile, uncertain, complex and ambiguous world. At Unga, we are adapting to this new normal and have put in place a well considered strategy to navigate the challenging path ahead of us. We are confident that better days lie ahead.

Welcome to the 2020 Integrated Report.

Pages 49-52

CHAIRMAN'S STATEMENT

Reflect on the achievements of the year, opportunities to improve and the focus ahead.

Pages 9

FIRST BAG OF FLOUR PRODUCED IN 1909

Unga Group Plc is a Kenyan based holding company with investments in businesses involved in manufacturing and distribution of a broad range of human nutrition, animal nutrition and animal health products.

18.2	111
Company Revenues for 2020 in Shs. Billions	Years in operation

OUTCOMES 2020

1.27B Employee Benefits & Remuneration	**+2%** Sales Revenue
961M Government Taxes	**-88%** Profit for the Year

TABLE OF CONTENTS

CORPORATE INFORMATION

DIRECTORS	**I Ochola-Wilson (Mrs)**	- Chairman
	N C Hutchinson*	- Group Managing Director
	A McKittrick	
	A S M Ndegwa	
	P K Mugambi	- Alternate to A S M Ndegwa
	V O Ojode	
	J K Kibet	
	P O Obath	
	S Haria (Ms)	
	C Miring'u (Ms)	- Appointed on 27 February 2020
	W Murugu (Ms)	- Appointed on 27 February 2020
	*British	

SECRETARY

Ms Winniefred N Jumba
Stamford Corporate Services LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road,
P O Box 10643-00100,
Nairobi

REGISTERED OFFICE

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Nairobi
Tel: +254(020)3933000

REGISTRARS

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

AUDITORS

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

BANKERS

Absa Bank Kenya Plc
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P O Box 30120, 00100
Nairobi

ADVOCATES

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

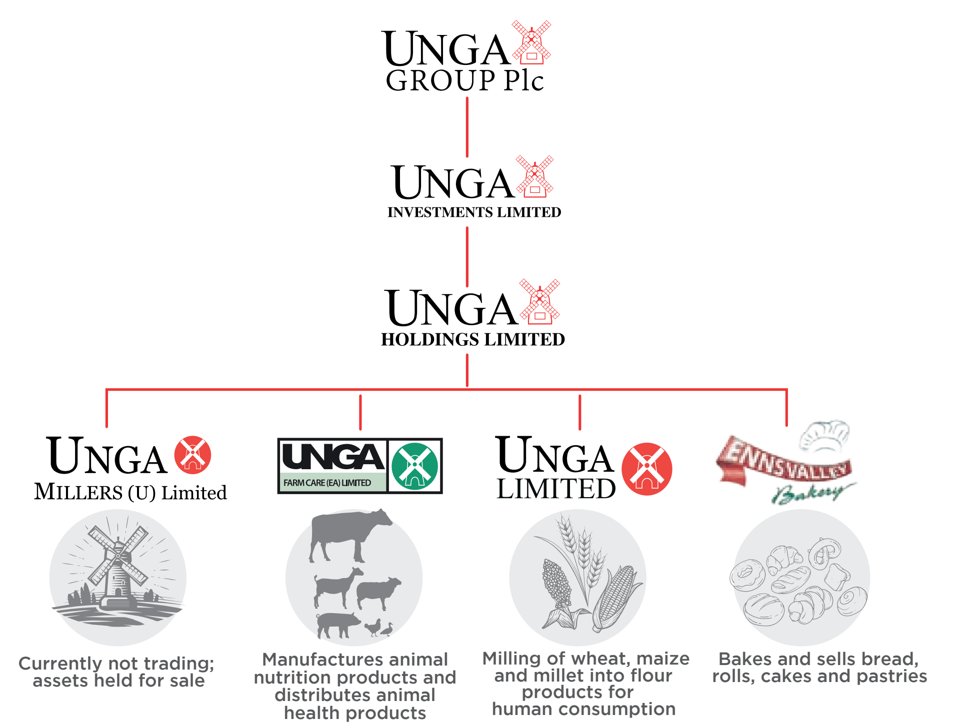
ABOUT THIS REPORT

Reporting period and forward looking statements
The 2020 Integrated Report has been prepared for the period 1 July 2019 to 30 June 2020 and covers the business activities of Unga. Any notable or material events after this date and up until the release of our Integrated Report are also included. All future focused statements relating to performance are not guaranteed.

Our journey towards Integrated Reporting
Unga is committed to best corporate governance practices. To further enhance accountability and transparency, we have made improvements on this year's Integrated Report, including enhancing our corporate governance statement and drawing more clarity on board committees and their leadership. The position of each non-executive director is also clearly defined. We believe this report covers key issues in which stakeholders are interested, while providing an overview of the Group's financial and non-financial performance and how it relates to our society and the value we create as defined in the six capitals model.

Materiality
This report regards material aspects as those which are likely to impact the Group's ability to achieve its strategy, while remaining commercially viable and environmentally and socially relevant. They are also issues that substantively influence the assessment and decisions of our stakeholders.

This report presents a balanced and succinct analysis of the Group's strategy, performance, governance and prospects. Potential material matters were identified through a range of processes, including engagement with our stakeholders and our own internal processes such as Board and management, risk assessments and consideration of international trends.



GROUP STRUCTURE
Unga Group Plc is a Kenyan based holding company with investments in businesses involved in milling and distribution of a broad range of human nutrition, animal nutrition and animal health products.

Over
95%
of the company's revenue is derived from Kenya

STAKEHOLDER ENGAGEMENT

Engagement with our stakeholders is our primary avenue for evaluating the Group's progress, performance and development needs. We believe that engaging frequently, both formally and informally, with our stakeholders is a critical component to our current and future success.

CUSTOMERS / CONSUMERS

Our consumers are our most important stakeholders. Through our commitment to food safety, we have established a relationship with our consumers built upon trust. As a result, today, the Unga brand is synonymous with premium and quality products. We engage formally and informally with our customers through surveys, focus groups, social media and other digital platforms.

MEDIA

Our media, both print and digital, is a critical platform for information and communication with consumers and other stakeholders. Unga strives to provide media channels with accurate and timely information and ensure an open and honest relationship with the media.

SHAREHOLDERS AND INVESTORS

We provide our shareholders and investors with timely and reliable information so that they can be well versed with our business operations and performance. We communicate to them through our annual report, publication of our half yearly results, news releases, website and presentations to investors and other stakeholders upon request. The website provides extensive information about the Board of Directors, Board committees and their mandates. In addition, our Board of Directors encourages shareholder participation at the Company's annual shareholder meeting.

SUPPLIERS & CONTRACTORS

Our commitment to providing superior human and animal nutrition products is dependent on how well we relate with our vendors. We have fostered an environment which encourages them to collaborate with us, aligning with our vision and core values.

COMMUNITIES

We appreciate the need to ensure we not only exist in harmony with communities in our areas of operation, but also focus on uplifting and supporting them as they seek to better their lives. We have provided opportunities in our day-to-day operations to accommodate community-focused initiatives which seek to empower the communities and assist them in protecting their environment.

GOVERNMENT & REGULATORY BODIES

We contribute towards the appropriate regulation of our industry through constant engagement with relevant government institutions and regulatory bodies. We also engage with authorities at county level to ensure that our operations run smoothly. We showcase their overall benefit to the communities with which we interact. We pay applicable taxes and statutory contributions in a timely manner.

EMPLOYEES

In addition to recruiting 'best in class' talent, we have availed resources to ensure our employees can grow and fulfill their potential. We provide accessible and credible channels through which they can communicate and give feedback to management, peers and subordinates.

INDUSTRY BODIES

Through active membership and/or participation, we advise the relevant authorities and contribute to industry associations. Through this engagement, we are able to support and collaborate in industry-led initiatives which have both direct and indirect impact on our operations, as well as matters of economic, social and environmental concern.

ABOUT THE GROUP

Unga is amongst the leading flour milling and animal feed producing companies in Kenya and has been in operation for over 100 years. Unga operates as a strategic alliance between the Unga Group and Seaboard Corporation, a US-based multinational whose diversified business has operations in North America, Central & South America, the Caribbean, Sub-Saharan Africa, South-East Asia, and Australia. Seaboard provides technical support to Unga's production operations. Through its trading division, it also provides a platform through which Unga can optimise its procurement of internationally sourced raw materials.

OUR MISSION

To achieve and maintain market share leadership in the provision of superior human nutrition, animal nutrition and animal health products and services for the benefit of all stakeholders within East Africa.

OUR VISION

Nutrition for Life

OUR CORE VALUES

- SELF-RESPONSIBILITY
- TRUST
- RESPECT
- INTEGRITY
- INNOVATION
- CONTINUAL IMPROVEMENT
- TEAMWORK

OUR CULTURE

Our organisational culture defines who we are and how we work to ensure that we deliver on the expectations of our customers and other stakeholders, whilst living our STRIICT core values to achieve our vision and mission.

OUR HISTORY (IN BRIEF)

Unga's history in Kenya dates back over 100 years. Our presence and success attests to a heritage of consistent quality human and animal nutrition and health products across the East Africa region.

1904-1910

1904: Lord Delamare planted his first crop of wheat on his Equator Ranch/Njoro - he was the first to grow wheat on a commercial scale in Kenya - first wheat grown in Kenya was at CMS (Church Missionary Society) Station in Machakos.

1908: Unga Limited incorporated on 28th December.

1909: First bag of wheat flour produced at the mill situated on Sadler Street (now Koinange Street) on 5th April - packed under the brand 'Kenia's Mist'. The mill was close to where Chester House is now located.

1911-1929

1921: New wheat mill commissioned in Njoro.

1924: Sadler Street mill sold - primarily because it was unable to compete with cheap wheat being imported from India - it was milling significantly more expensive local wheat.

1927: All shares in Unga Limited sold to the Wheat Growers Association, who then amalgamated with the Kenya Farmers Association in the same year.

1928: Unga (1928) Limited incorporated.

1929: Purchased Kenya Grain Mills (who had a mill commissioned in 1925 on Commercial Street).

1930-1939

1932: Njoro mill burnt down - new wheat mill commissioned in Eldoret.

1937: Acquired Sun Flour Mills in Eldoret - renamed White Star Milling Company Limited.

1939: Leased wheat mill in Iringa, Tanzania.

1940-1949

1945: Commissioned wheat mill in Arusha, Tanzania; purchased Iringa mill .

1948: Doubled capacity of Eldoret mill.

1950-1959

1953: Proctor & Allan purchased.

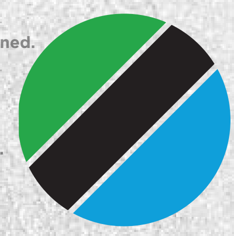
1955: Uganda Grain Milling Company established; wheat milling commenced at Jinja in 1956.

1956: Public listing as Unga Limited, trading on Nairobi Stock Exchange.

1956: Nakuru Feeds plant opened.

1957: Nakuru wheat mill commissioned; new Eldoret wheat mill commenced production.

1960-1969



1961: Assumed ownership of Elliot's Bakeries Ltd. (had been in operation since 1947).

1965: Acquired Maida Limited, Jogoo brand.

1967: Tanzania entity nationalised.

1970-1979

1970: Unga Millers Ltd renamed Mercat Ltd.

1973: Partnered with Elianto AG and Agricultural Development to set -up new company called Elianto Kenya Ltd based in Nakuru - factory opened by HE President Jomo Kenyatta on 2nd December.

1976: Ugandan entity nationalised.

1980-1989

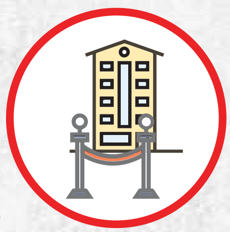
1981: Unga Feeds established.

1984: Chester House opened.

1986: Ufuta Ltd established.

1987: Mercat Ltd renamed Unga Group Ltd.

1990-1999



1991: Unga House opened.

1994: Elliot's Bakeries sold.

1998: Bullpak Limited commenced operations (JV with Nampak SA from South Africa); Proctor & Allan sold.

1999: Unga Farm Care (EA) Ltd established.

2000-2009

2000: Seaboard Corporation Investment via Unga Holdings Ltd (65% Unga Investments Ltd. 35% Seaboard Corporation).

2002: Unga Millers (U) Ltd commenced wheat milling operations in Kampala.

2009: 100 year anniversary.

2010-2020

2013: New wheat mill commissioned at Commercial Street.

2014: Interest in Bullpak Limited divested.

2015: Controlling interest acquired in Ennsvalley Bakery Ltd.

2017: Unga Millers (U) Ltd ceased milling operations; extruded fish feed plant comissioned at Dakar Road.

2018: New wheat mill commissioned in Eldoret

2019: Soybean meal plant commissioned in Nairobi

STRATEGIC PILLARS

PEOPLE
To be an equal opportunity employer where diversity and inclusiveness is sought, contribution is valued and reward-for-performance programs attract and retain top talent.

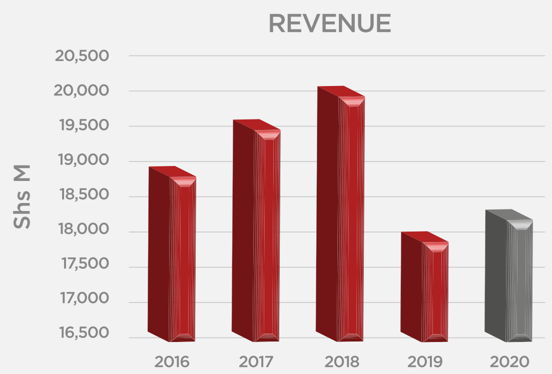
CUSTOMER & CONSUMER INTIMACY
To be innovative in meeting evolving consumer needs and ensure our products are available on time, in full, and error free.

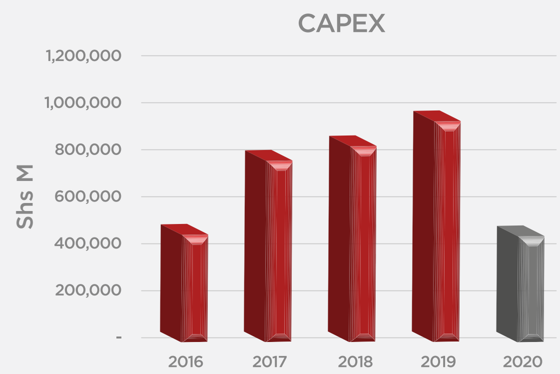
PORTFOLIO DIVERSIFICATION
To invest in new products or value added extensions of existing products in line with the changing consumer needs and to develop new partnerships with players in a diversified foods space.

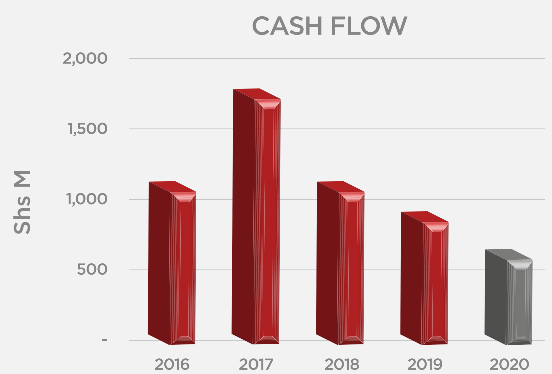
SUPPLY CHAIN OPTIMISATION
To achieve end-to-end efficiency in our supply chain.

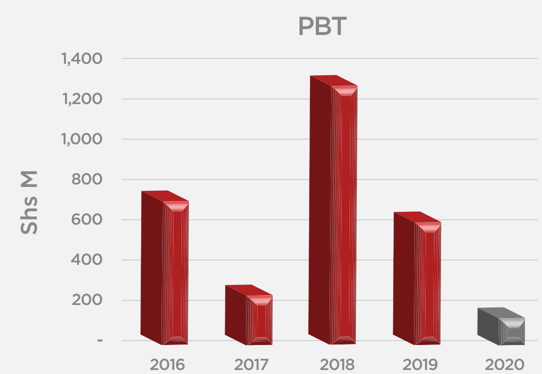
GEOGRAPHIC EXPANSION
To develop and maintain a regional footprint with increased and diversified representation of nutrition and animal health businesses across Eastern Africa.

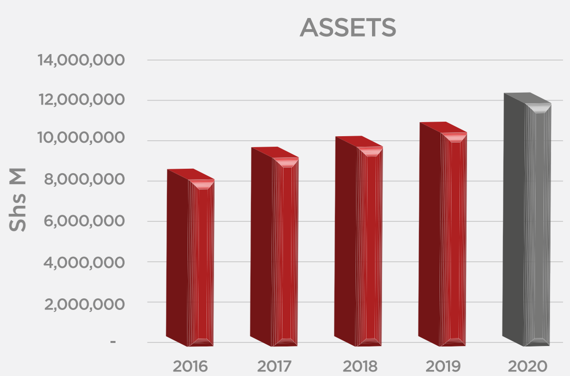
FINANCIAL PERFORMANCE TRENDS

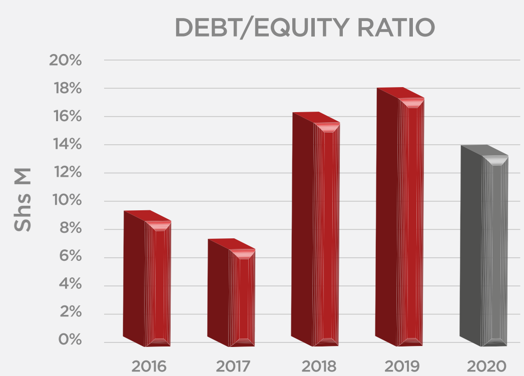












2020 HIGHLIGHTS

WHAT WE DO

- Milling of wheat, maize and millet for human consumption
- Distribution of animal health products
- Manufacture of animal nutrition products
- Production of baked goods

OUTPUTS

- Total Wealth Created: **Shs 1.6 Billion**
- **Invested Shs 480 million** in property, plant and equipment
- **Shs 7 million** allocated for corporate governance training and learning workshops for leaders, managers and supervisors
- **Shs 51 million** allocated for employee welfare
- **Shs 65 million** allocated for medical care and insurance

OUTCOMES

Shs. 1.27B
EMPLOYEE BENEFITS & REMUNERATION

Shs. 961M
GOVERNMENT TAXES

Shs. 18.2B
SALES REVENUE

-88%
PROFIT FOR THE YEAR

TALENT

73% : 27%
Male versus female employees

8.8%
Group labour turnover

1250
Total number of employees
346 permanent
128 contract
776 outsourced

SIX CAPITALS MODEL

FINANCIAL CAPITAL

We endeavor to ensure that our funds (from shareholders, operations and banking facilities) are optimally utilised to generate a sound return to our primary stakeholders

- Total Assets: Shs 12.0 Billion
- Total Equity: Shs 6 Billion
- Cash & Cash Equivalent: Shs 0.4 Billion

HUMAN CAPITAL

We are cognisant that to support our growth we need a team that is qualified, experienced and given adequate resources to develop their talent in an environment which embraces diversity and fosters continual improvement

- Labour Force: 474 Permanent & Contract.
- 776 Outsourced

MANUFACTURED CAPITAL

We continually undertake investments aimed at improving our operating efficiencies and reducing costs

- Six production centres (Nairobi, Nakuru and Eldoret)
- **15 manufacturing units;**
  Nairobi Feeds – Mash and pellet lines + soya cake and fish feed plants
  Nakuru Feeds – Mash and pellet lines
  Nakuru Mineral – pre-mix, powdered mineral and mineral block plants
  Eldoret – Maize and wheat mills
  Commercial Street – Maize (Jogoo and Hostess) and wheat mills, Famila plant.
  Ennsvalley central bakery

SOCIAL AND RELATIONSHIP CAPITAL

Our interaction with our stakeholders is anchored on trust and the need for mutual cooperation to drive value creation

- CSR Initiatives
- Stakeholder Engagement

INTELLECTUAL CAPITAL

We continue to invest in key focus areas

- SAP & Microsoft Dynamics (Navision)
- Cyber Security
- Customer Relationship Management (CRM)
- Weighbridge software
- Digital document processing

NATURAL CAPITAL

We continually engage in eco-friendly management programs which include

- Energy conservation
- Water conservation

THE SYMBOL OF QUALITY • PRODUCTS YOU CAN TRUST •

UNGA LIMITED
Your Nutrition Partner

OUR BRANDS: HUMAN NUTRITION

Touching lives through quality 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 made from the finest and carefully selected grains to ensure 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 constistency so that we offer the very best to our customers.

EXE HOSTESS JOGOO HODARI FAMILA AMANA

OUR BRANDS:
ANIMAL NUTRITION & ANIMAL HEALTH

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

Unga Farm Care (EA) Limited is the regions' largest animal feed manufacturer, primarily producing a broad range of quality feed products. This portfolio includes livestock feeds, cattle minerals, feed premixes, customer-specific formulations, feed concentrates, acaricides, dewormers, vaccines, antibiotics and analytical services.

VALUE CREATION USING OUR CAPITALS

FINANCIAL CAPITAL

As we navigated through the year, liquidity remained a top risk. We made a deliberate effort to delay non-essential CAPEX, along with capital intensive repairs and maintenance projects. As reported in note 17 of the financial statements, our financiers approved loan repayment holidays of between 9 and 12 months. This is helping to ease pressure on our cashflow in the current tough economic environment.

VALUE CREATION USING OUR CAPITALS (continued)

FINANCIAL CAPITAL

Capital Allocation Priorities

In 2020, we delivered growth and unlocked value by continuing to focus on execution of our strategy. We recorded an encouraging increase in group revenue of 2%, although we did not reach our target due to the challenging macro-economic conditions throughout the year.

Our capital allocation areas are mainly:

1. Organic growth: Invest in capex to improve production, drive EBITDA and cash flow generation.
2. Stabilise leverage: Debt/equity alignment
3. New business initiatives: New products and business opportunities
4. Return cash to shareholders

Value Added Statement

"Value added" is the worth we have added to purchased materials and goods by process of manufacture and conversion, and the sale of its products and services. Value added is the difference between the value that the customers are willing to pay for the finished goods and the cost of materials. In this statement, we show how the value so added has been distributed.

	2020 Shs'000	%	2019 Shs'000	%
Revenue	18,260,544	-	17,895,670	-
Wealth created by trading operations	1,575,196	-	1,955,176	-
Finance income	19,248	-	62,990	-
Total wealth created	**1,594,444**	**-**	**2,018,166**	**-**
Distributed as follows				
Employee benefits and remuneration	1,274,533	79.9	1,236,216	61.3
Government taxation	50,748	3.2	70,388	3.5
Providers of capital	203,002	12.7	242,455	12.0
Finance charges	203,002	12.8	166,748	8.3
Distributions to shareholders	-	0.0	75,707	3.8
Retained for growth	66,161	4.1	469,107	23.2
Depreciation and amortisation	281,876	17.7	406,219	20.1
Profit for the year attributable to shareholders of the Company	(215,715)	-13.5	62,888	3.1
Total wealth distributed	**1,594,444**		**2,018,166**	

Contribution to Public Finances

We continue to be committed to acting with integrity and transparency in all tax matters. This is important given that our contribution to public finances represents a major part of our positive impact in the society in which we operate. To demonstrate this transparency as in the previous years, we have made public a statement of the amount of cash transferred from the Group to the Government. This year, we paid taxes to the Government of Kenya amounting to Shs 961,483,000 in cash as follows:

VALUE CREATION USING OUR CAPITALS (continued)

FINANCIAL CAPITAL (continued)

	2020 Shs'000	2019 Shs'000
Employee taxes	188,401	209,410
Company taxes	72,696	540,841
Value added tax and sales tax	49,908	10,819
Customs and excise duty	516,301	630,142
Tax collected on behalf of government	134,122	249,374
Other	55	325
Total	**961,483**	**1,640,911**

The Group's tax charge for 2020 of Shs 50,748,000 was 28% lower than the prior year (2019: Shs 70,388,000) on account of the decline in profitability and the reduction in income tax from 30% to 25% as part of the Government's Covid-19 economic stimulus initiative.

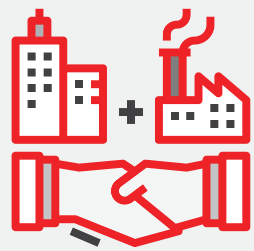
This report is presented on an actual cash-paid basis, in addition to our statutory reporting, to provide the clearest possible insight into the scale of cash flowing from the Group to the Government.

The Group faced a liquidity risk attributable to the significant amount owed by the Government of Kenya as follows:

	2020 Shs'000	2019 Shs'000
VAT Refunds	471,496	574,641
Sale of maize grain under the Government subsidy program of 2017	286,464	286,464
Total	**757,960**	**861,105**

The prolonged non-payment of these funds continues to hamper the ability to optimise business performance.

VALUE CREATION USING OUR CAPITALS (continued)



MANUFACTURED CAPITAL

As a Group, we remain resolute in actively investing in projects that support and enhance employee safety, product quality and operational efficiency. This financial year, our focus has been on exploring new product technologies that support expansion into new nutrition and product categories while also maintaining a safe workplace that is environmentally responsible.

VALUE CREATION USING OUR CAPITALS (continued)

MANUFACTURED CAPITAL

The Group regards people as the most important resource that contributes to the success of its business and products. We support Human Capital by providing a safe place to work with policies to protect our employees, customers, suppliers and contractors.

We have an integrated PaTaMu (Pamoja Tuangamize Muda), 6K (work place organisation and safety) and Total Productive Maintenance (TPM) approach to ensure that we get operator participation and buy-in at the lowest level to deliver sustainable results in Safety, Quality, Delivery and Cost. We have a proud heritage of delivering safe and premium quality products to our consumers.

We actively invest in projects that support and enhance employee safety, product quality and operation efficiency. We are continually exploring new product technologies that support expansion into new nutrition and product categories.

a) Quality

The quality of our products is a key point of difference between them and those of our competitors and remains a priority driver for the organisation.

During the year, there was an expose on national television that implicated Unga Limited and other competitors in the market in an alleged aflatoxin scandal. As a company, we collected samples from the market and re-tested our product and did not find any instance where Unga Limited exceeded the regulatory limit of aflatoxin. As a further precautionary measure, we increased the frequency of sampling and testing for aflatoxin.

In an year that was characterised by concerns around the quality of the availabe raw material, we continued to take the necessary measures, including enhancement of our regular standards checks.

Other highlights:

- Achieved recertification for ISO 22000:2018 for all Unga Limited and Unga Farm Care production sites.
- Achieved recertification for ISO/IEC 17025:2017 for our central laboratory in Nairobi.
- Passed the Aflatoxin Proficiency Testing and Control in Africa (APTECA) proficiency testing.
- Total consumer complaints reduced by 8%.
- Commissioning of new equipment at the central laboratory which has improved testing TAT to 31hrs, outperforming the 48hr target.

b) Safety

The safety of our employees remains our priority and our ambition is to reduce injuries to zero. At Unga, we use the number of first aid cases as a benchmark to determine the level of safety behavior across the organisation. First aid cases, together with incidents and near misses, serve as an early warning of potential serious accidents.

The outbreak of the novel Corona Virus, Covid-19, in December 2019 in China was declared a global pandemic by the World Health Organisation on 30 January 2020. To respond to this, we promptly created a robust Business Continuity Plan (BCP) and implemented the WHO (World Health Organisation) guidelines for combating and preventing the transmission of the virus. The BCP is continuously updated as the Covid-19 pandemic progresses and as new information about prevention and containment becomes available.

VALUE CREATION USING OUR CAPITALS (continued)

MANUFACTURED CAPITAL (continued)

Other highlights:

- Almost perfect compliance with National Environment Management Authority (NEMA) and Directorate of Occupational Safety & Health Services (DOSHS) requirements.
- The number of first aid cases have decreased by 11% compared to prior year.
- Unfortunately, the injury frequency rate increased due to unsafe behavior or non adherence to standard operating procedures. Corrective action has been taken.

c) Capital Projects

The objective of our projects is to support the group in providing an operationally efficient and safe workplace, to maintain and improve product quality, and to enter new product categories, whilst further enhancing our environmental responsibility.

However, due to the Group's need to preserve healthy liquidity levels, projects with a longer term result were placed on hold. The majority of our investments are focused on automation of the Nairobi Feeds plant to further reduce operating costs whilst limiting the risk of workplace transmission of Covid-19. The other area of investment is at the Commercial Street plant to increase safety and improve product quality.

Other highlights:

- Installed a Vertical Form Fill Seal machine and a high-speed packing line at our mineral plant.
- Completed the Nairobi Feeds yard rehabilitation.
- Installed a bulk truck receiving facility at the soyabean plant.

VALUE CREATION USING OUR CAPITALS (continued)

INTELLECTUAL CAPITAL

In continuing with our digital transformation agenda, the Group enhanced its control environment in the wake of the new normal of working from home and increase in use of mobile devices. We are also working on improving the utilisation of our ICT investments and Centre of Excellence (CoE).

VALUE CREATION USING OUR CAPITALS (continued)

INTELLECTUAL CAPITAL

Our key areas of focus in the year were and continue to be:

- Cyber Security & Service Delivery
- Digital Transformation

CYBERSECURITY AND SERVICE DELIVERY

Kenya has experienced cyber-attacks in the past year and the loss to Kenyan companies is estimated at over USD 200 million, according to reports by a leading cyber security company in the region.

We have invested in key interventions to ensure data confidentiality & integrity and availability of key business systems.

The interventions include:

- Cyber Security Awareness
- End Point Security Management
- Service management software and internal Service Level Agreements.
- Multi Factor Authentication (MFA) Systems
- Enhanced monitoring and continuous surveillance of all ICT assets
- Investment in a cloud mail platform
- Collaborative tools

DIGITAL TRANSFORMATION

The company continues to work on improving the utilisation of its systems. There has been investment in developing talent through e-learning to increase proficiency and explore better ways of delivering business performance.

Manual processes and documents were automated through an online document review and approval system. This has reduced paper printing by over 50% and sets the company on the path to being ‘paperless’ in the next two years, except where there must be paper documents.

Going forward, Unga is considering investing in the following areas:

- Robotic Process Automation – This is to automate the mundane and time-consuming processes.
- Electronic Document Management System (EDMS) – To increase efficiency in document management, retrieval and retention.
- Route to Consumer (RTC) improvement – This is to help improve end customer intimacy and address any bottlenecks in the customer value chain.
- Cloud adoption - This have proved more reliable than deploying solutions in-house by cutting on development time and guarantees higher up-time.

VALUE CREATION USING OUR CAPITALS (continued)

INTELLECTUAL CAPITAL (continued)

Various ICT Awards

VALUE CREATION USING OUR CAPITALS (continued)

HUMAN CAPITAL

At Unga, we believe strongly that our greatest assets are our people. This financial year, we have continued to advance our culture change initiative along with a learning and development program for leadership, management, supervisory and technical disciplines across the organisation. As part of this endeavour, we have developed our new culture code titled, 'The Unga Way' which is being subjected to extensive internal review before it is adopted in the new financial year.

VALUE CREATION USING OUR CAPITALS (continued)

HUMAN CAPITAL

Presentation of values and culture code

At Unga, we pride ourselves in a rich culture that brings people together, one that fosters teamwork and productivity. Culture is the bedrock of how we do things. Our culture journey is embedded in our values:

- **S – Self Responsibility**
- **T – Trust**
- **R – Respect**
- **I – Integrity**
- **I – Innovation**
- **C – Continual Improvement**
- **T – Teamwork**

Our Culture Code, which further defines our way of life is described by the following statements:

1. **We value our People**
2. **We offer solutions to our Consumers**
3. **We take pride in our Brands and Heritage**
4. **We are Transparent and Honest**
5. **We are Disruptive; catch us if you can!**
6. **We contribute in making our Planet better**
7. **WOLO – We Only Live Once**

We continue to enhance our culture through working closely with our team of culture champions who manage various culture and engagement initiatives at all our sites.

Performance management

We continue to ensure that our individual goals are aligned to the overall objectives of the business. It is critical for us to ensure that individual performance reflects that of the team. We have embedded performance management to support enhanced employee productivity.

Performance Improvement Plans (PIPs) have continued to be used to support employees' performance improvement and enrich the employee-manager relationship. In the year, improved performance has continued to be sustained. Overall, this process has contributed in enhancing employee productivity across the board.

Leadership development

In the year, we incorporated the 360 feedback process for all our people managers. This being an all-round feedback process, managers were able to receive feedback from their direct reports, peers and supervisors. They were able to receive both positive and constructive feedback which has been incorporated in their development plans. This supports our leadership talent in line with our Unga leadership competencies.

VALUE CREATION USING OUR CAPITALS (continued)

HUMAN CAPITAL (continued)

Talent management

The ability to attract, develop and retain a highly skilled workforce is core to sustained organisation performance. We have incorporated e-learning in the development of skills and competencies of our talent through our learning portal, Learn n' Grow. Our employees are able to learn on the go.

Having the right talent is the backbone of our performance. Through succession planning, we strive to have a pool of well prepared employees to take up more challenging roles when opportunities arise. We also support skills enhancement through initiatives such as job rotations and secondment within the Unga businesses. These provide more exposure and growth opportunities, thus enhancing employees retention.

VALUE CREATION USING OUR CAPITALS (continued)

HUMAN CAPITAL (continued)

WELLNESS

Employee wellness is an important aspect of managing people thus their well-being needs to be addressed continually. We provide a comprehensive medical cover that supports employees and their families. In support of employee wellness, we implemented an Employee Wellness Programme in partnership with ICAS, one of the top five providers of employee assistance programmes in the world. This programme supports employees and their families to achieve physical, mental and social wellbeing and has been very useful especially during the ongoing Covid-19 pandemic. Employee wellness helps in ensuring that they remain engaged and productive in the workplace.

Labour productivity against benchmarks

BUSINESS	YEAR 2020		PRODUCTIVITY STATUS*
	TARGET	ACHIEVED	
Unga Limited	5.7%	5.4%	Employee productivity was at an average of 5.4% in the year compared to a target of 5.7%. Good performance was experienced in the first half of the year and steadily declined in the second half of the year due to decline in market sales.
Unga Farm Care (EA) Limited	6.2%	6.7%	Employee productivity was at an average of 6.7%, which was above target of 6.2% by 0.5%. The business had a good steady performance in the first half of the year but experienced a decline in the second half of the year.
Ennsvalley Bakery Limited	26%	29%	Productivity was above budget at 29% against a target of 26% due to a decline in volumes, especially in the last quarter of the year.

*We express labour productivity as a ratio of labour cost to revenue generated. The lower the percentage, the higher the productivity.

VALUE CREATION USING OUR CAPITALS (continued)

STAFF TEAM BUILDING ACTIVITIES












VALUE CREATION USING OUR CAPITALS(continued)

STAFF TEAM BUILDING ACTIVITIES











VALUE CREATION USING OUR CAPITALS (continued)

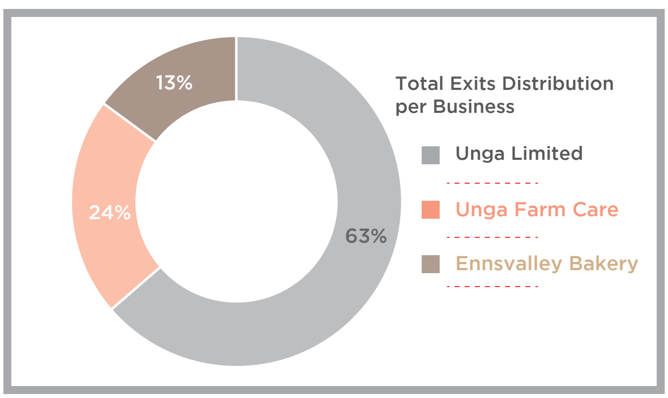
HUMAN CAPITAL (continued)

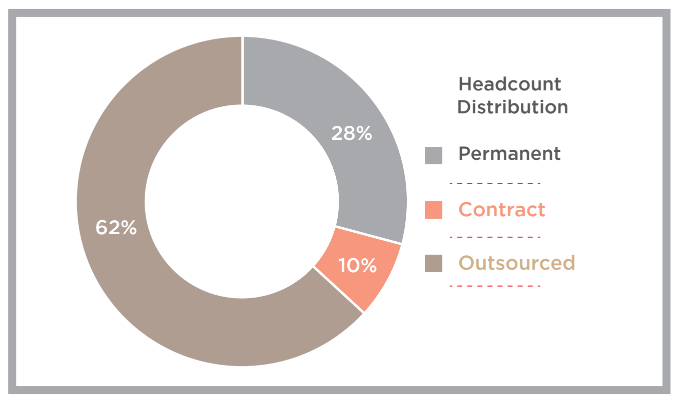
Labour turnover

Our labour turnover was at 8.8% for the Group, an improvement of 3.8% from the previous year. Turnover was driven by the performance improvement plans. Terminations contributed 0.8% of turnover.

BUSINESS	TOTAL LABOUR TURNOVER
Unga Limited	10.0%
Unga Farm Care (EA) Limited	6.6%
Ennsvalley Bakery Limited	10.6%
Overall	**8.8%**

Turnover Distribution





Diversity

i) Average headcount for the year

	Permanent	Contract	Outsourced	TOTAL
Unga Limited	172	35	285	**492**
Unga Farm Care (EA) Limited	169	11	383	**563**
Ennsvalley Bakery Limited	5	81	108	**194**
Unga Millers (Uganda) Limited	0	1	0	**1**
Total	**346**	**128**	**776**	**1250**

VALUE CREATION USING OUR CAPITALS (continued)

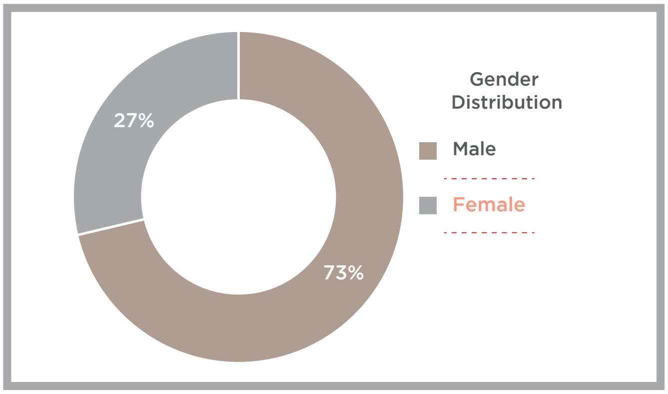
HUMAN CAPITAL (continued)

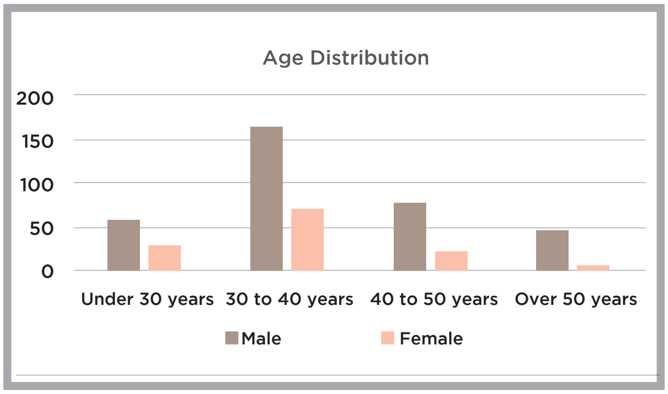
ii) Gender Distribution

Gender	UL	UF	EBL	TOTAL
Male	159	138	51	**348**
Female	49	42	35	**126**
Total	**208**	**180**	**86**	**474**

iii) Age Distribution

	Numbers		
	Male	Female	Total
Under 30 years	58	30	**88**
30 to 40 years	167	71	**237**
40 to 50 years	77	21	**98**
Over 50 years	46	4	**50**
Total	**348**	**126**	**474**





VALUE CREATION USING OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL

Through our social and relationship capital, we aim to create meaningful relationships and build trust with our different stakeholders including our consumers and customers, our staff, suppliers and contractors, regulators, government, shareholders, and other stakeholders. This helps to position the organisation as a responsible corporate citizen through different corporate social investment initiatives. We also realise that for our business to thrive, we must maintain these important relationships.

VALUE CREATION USING OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL

UNIVERSITY STUDENT SPONSORSHIP & MENTORING PROGRAM

Through our student sponsorship and mentoring program, Unga Limited Eldoret, Unga Millers (U) Limited (UMUL) and Unga Farm Care (EA) Limited Nakuru have continued to support students from various institutions. The program was initiated in Eldoret with Ruth Wambui Munyari from Wareng High School who was supported through high school. She is now a third-year student at Masinde Muliro University of Science and Technology (MMUSO), pursuing an undergraduate degree in Biochemistry. Her performance is excellent, having scored 'As' in 9 units and 'Bs' in 3 units during her first academic year.

Ruth Wambui (3rd left), a student of MMUSO, is one of the beneficiaries of our students sponsorship programme.

During the university long holiday between June 2020 and September 2020, she worked at the Eldoret Plant as a temporary employee, gaining experience in a work set up and at the same time earning some money for upkeep in campus. This arrangement is maintained during her school holidays.

Jacqueline Adhiambo (Engineering Stores Clerk) and Peris Wabere (Plant Manager) have been her able mentors.

In a similar initiative, in Uganda, Trinity College's Sharon Ngoroko has been a beneficiary of UMUL sponsorship from form one to form six. She completed high school in December 2019 and is waiting to join campus.

Her high school performance was good, having scored 12 out of 20 points in her form six exams (UACE). Sharon is set to join Kampala International University (KIU) for an undergraduate programe.

During the long vacation, she has offered voluntary service at Naguru Reception Center where she lives. Currently, UMUL offers guidance and moral support for this ambitious student as and when required. Unga will continue to support Sharon in her efforts to realise her dreams.

Another example of student sponsorship is that of Stella Wangui Wangaku, who did her Kenya Certificate of Secondary Education in 2016 at Nakuru Girls High School and scored an impressive mean grade of A-. She is now pursuing a Bachelor of Commerce degree at Kenyatta University, where she is in the final year. The organisation pays her annual tuition fees. During holidays, she provides support at Unga Farm Care's Nakuru sites.

Stella Wangui Wangaku is another beneficiary of our university students sponsorship programme.

VALUE CREATION USING OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

NAKURU HOSPICE VISIT

In February 2020, Unga Farm Care partnered with Nakuru Hospice and provided material and emotional support to cancer patients who visit the facility. Through our CSR program, UFCEA staff contributed foodstuff and spent a day with the patients.

Nakuru Hospice, a palliative care centre, is a charitable organisation started in June 2009 with a vision to alleviate the physical and psycho-social suffering associated with progressive incurable illnesses.

Staff were enormously touched and encouraged by their moving testimonies.

The total contribution from employees was KSh 25,000 which was given to the patients as transport back home and for other personal needs.

We will strive to take this generosity and show of love and selflessness to the next level.

Our colleagues during the visit to the Nakuru Hospice

VALUE CREATION USING OUR CAPITALS (continued)

FREE BREAD CSR PROJECT

In May 2020, Unga Limited partnered with Naivas (the baker), Puratos (pre-mix provider) and Reuben Centre (non-profit, faith-based organisation striving for an empowered and just Mukuru community) to feed over 8,000 underprivileged families in Mukuru slums severely affected by the Covid-19 pandemic.

Unga Limited donated 70 bags of Kenya's Pride Bakers flour that was used to produce more than 12,000 loaves donated to Mukuru residents through the Reuben Centre.

Some photos from the event

VALUE CREATION USING OUR CAPITALS (continued)

NATURE CAPITAL

Guided by our sustainability principles, we remain cognizant of our impact on natural resources through our operations and business activities and are therefore committed to operate in a sustainable manner that will safeguard and protect the environment.

VALUE CREATION USING OUR CAPITALS (continued)

NATURE CAPITAL

We are committed to operate in a sustainable manner that will safeguard and protect the environment.

At our two plants in Nakuru County, we established rainwater collection systems that greatly improved water consumption during the year. This resulted in a saving of **769,528** litres of water.

Other highlights:

- We achieved almost perfect environmental regulatory compliance across all sites; remedial action is underway to address one citation at the bakery.
- We use NEMA-certified waste collectors across all sites.
- Hazardous and electronic waste is disposed of responsibly.
- Asbestos assessments were carried out across all sites and a NEMA-certified contractor carried out collection and disposal as per regulatory requirements.

769,528

litres of water saved

SUSTAINABILITY AGENDA

Our Sustainability agenda is centered around four key areas; Social, Environmental, Economic and Financial which are intrinsically linked to a long-term sustainable business.

Social Sustainability
Food safety and consumer health is our core focus. Unga's mission is meeting and exceeding customers' expectations for consistent quality and food-safe products through the diligent application of quality assurance and compliance.

Economic Sustainability
Unga's agile and diversified business enables it to absorb and manage market changes and shocks to the greatest extent possible.

Financial Governance
Unga is committted to adhering to the highest standards of ethics and financial governance and acts with integrity and transparency in all financial, including tax, matters and has zero tolerance for bribery and corruption.

Environmental Sustainability
Climate change, resource scarcity, soil degradation and our own environmental footprint are areas of concern. Unga is well positioned to lead and is committed to continue expanding its sustainability commitment to all parts of its supply chain.

MATERIALITY REVIEW

Definition: Material issues are those that have an impact on the ability of the business to carry out its operations and maintain commercial success in the short, medium and long terms. On an annual basis, Unga undertakes a stakeholder engagement exercise to review and update the most pressing industry trends and challenges that affect its business today, tomorrow and in the years to come. The outcome of these deliberations are integrated into our risk registers and shared with the Board for further consideration.

In Kenya and across the world, key industry and consumer trends in the nutrition and health sectors are increasingly impacting our business. In line with our sustainability agenda, we have classified these trends into four main categories: food safety and consumer health; climate change and resource scarcity; market transparency and supply availability; and finally, financial governance.

Food safety and consumer health is our number one priority. At the same time, consumers are increasingly sourcing their products from companies that are socially and environmentally conscious. Unga has embraced these trends as new opportunities to differentiate itself from the competition and remain steadfast in its position as an industry leader.

Food Safety and Consumer Health

	Customer expectation	Our positioning	Our response
Social Sustainability	• Consumers are increasingly demanding quality, health-promoting, energy boosting and/or disease preventing ingredients. • Health has emerged as a dominant purchasing criteria as concerns over the increase in diseases, obesity and food sensitivities mount. • Aflatoxin, a carcinogen, remains a major challenge facing the agricultural supply chain and consumers in Kenya and the region at large. • Today's successful brands must consider the entire customer experience to provide value before, during and after purchase.	• Unga's mission is meeting and exceeding customers' expectations for consistent quality and food-safe products through diligent application of quality assurance and compliance. • Unga can capture value and secure pricing premiums by differentiating offerings with value-added solutions that reflect these important consumer trends.	• By adhering to the highest food quality and safety standards throughout our supply chain, we ensure our raw materials, whether wheat, millet, sorghum, pulses, rice or oilseed cake for both human and animal consumption, meet the highest safety standards. • Through our Integrated Reporting and direct engagements, we aim for transparency with our customers as well as other stakeholders, addressing issues as they arise, while also seeking to improve wider understanding of issues related to health. • Our consumer awareness campaigns contain relevant health information and tips, as well as specific case studies that help paint the story of our brand. • Increasing connectivity allows consumers to experience and interact on digital platforms such as social media where Unga is increasing its presence.

MATERIALITY REVIEW (continued)

Climate Change and Resource Scarcity

	Industry expectations	Our positioning	Our response
Environmental Sustainability	• Climate change and other environmental degradation will increasingly impact the supply of raw materials, both regionally and globally. • Companies will increasingly be scrutinized by consumers regarding their sustainability impacts and how these are mitigated.	• With its long-standing commitment to sustainability, Unga is an industry leader in terms of resource efficiency and pollution control in its processes. Unga is well positioned to lead and to continue to expand its sustainability commitment to all parts of its supply chain.	• Our in-house commitment to sustainable practices is continually being progressed and extends to our supply chain. In the down-stream supply chain, we engage with customers to increase awareness of sustainable practices, including in fish and poultry farming. • We take our producer responsibility to heart when it comes to waste and are therefore monitoring and evaluating the developing use if biodegradable packaging materials in line with the ban on plastics. • Through partnerships and relevant initiatives, Unga will continue to engage in the up-stream supply chain on sustainable farming practices, including the use of organic inputs, as well as agro-forestry and large scale tree planting.

Market Transparency and Supply Availability

	Industry challenges	Our positioning	Our response
	• As per the trend above, environmental degradation and population growth trends indicate our industry will need to produce more with fewer resources. • In addition, lack of transparency in terms of availability of supply and import programs, makes it a challenge to forecast production.	Unga is one of the largest food processing companies in Kenya. Its agile and diversified business enables it to absorb and manage market changes and shocks to the greatest extent possible.	We will continue our focus on diversification and value addition in our portfolio to meet customer expectations of convenient and high-quality products at competitive prices.

MATERIALITY REVIEW (continued)

Adhering to Highest Standards of Ethics and Financial Governance

	Industry concerns	Our positioning	Our response
Financial Governance	• In the past few years in Kenya, examples abound of companies going out of business due to governance breaches.	• Unga acts with integrity and transparency in all matters concerning tax. • Unga maintains zero tolerance to bribery and corruption. • Although fundamental to compliance and business management, universal adherence to such standards is not yet common place across the region, positioning Unga as a preferred partner by international and local businesses.	• As a listed company, Unga has publicly disclosed its audited accounts. We will remain steadfast in our commitment to sound governance and transparency. • Our commitment to sound governance, ethics and financial transparency will be an advantage as Unga continues to develop its portfolio and form new strategic partnerships.

SALES AND MARKETING ACTIVITIES

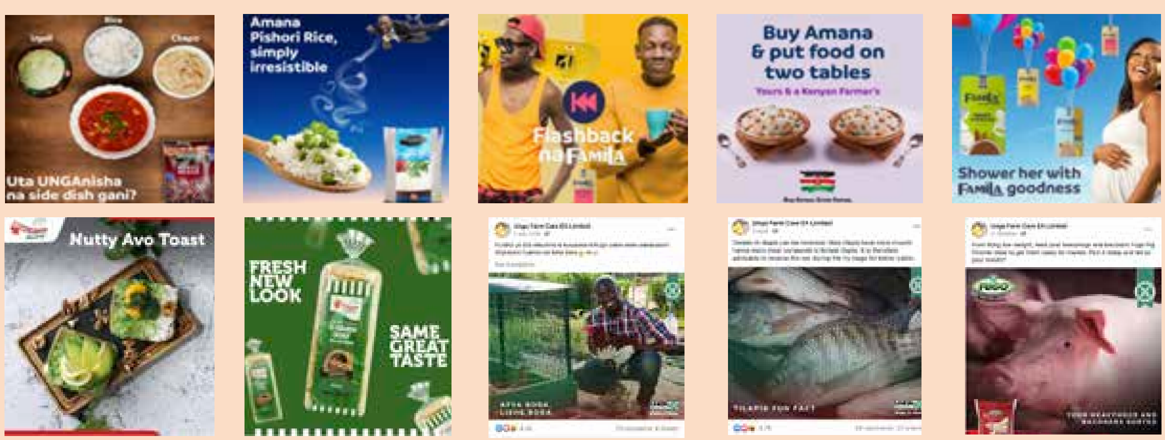
Great Kenyan Bake Off

The Great Kenyan Bake Off Season 1 was a great success. Despite the challenges brought about by Covid-19, Unga Limited, has partnered with Showstopper Media Ltd and Standard Media Group Plc to bring Kenyans Season 2 of TGKBO, currently being aired on KTN Home.

Bidhaa Mlangoni

Bidhaa Mlangoni is an Unga Limited program to ensure consumers get their favourite products at their doorstep, a needed initiative during the Covid-19 period.

Digital Engagement



We have revamped our engagement with our customers through digital platforms as part of our focus on our consumer journey. We aim to ensure our target market consume our brands through our interactive digital pages. This has enabled us to engage and interact with our customers who follow, like, comment or even critique our digital media activities on platforms like Facebook, Instagram & Twitter.

General Trade Door to Door execution

As part of Unga Limited's product penetration project, we rolled out the General Trade Campaign for door-to-door delivery of our products. This initiative enabled consumers to buy products which are then delivered to their door step.

General Trade execution to traders

As part of our general trade execution, we have reached out to over 900 retailers with delivery of our products.

CHAIRMAN'S STATEMENT

Isabella Ochola-Wilson
Chairman

MANAGING THE PATH AHEAD AMIDST THE COVID-19 PANDEMIC

Despite the challenging business environment, we have not lost sight of the strategies we have put in place over recent years, namely our core values, our investment in people through training and career development, our focus on improving production and distribution processes and our ongoing search for value-added partnerships to enhance geographic coverage, distribution leverage and product range.

Without a doubt, 2020 has proven to be a difficult year marked by significant global and local financial and economic developments that have negatively impacted our business. The Kenyan economy pre-Covid-19 was already depressed and this was made worse when in March, the first case of Covid-19 was reported.

It is therefore appropriate to keep in mind the economic, social and financial environment within which the company has operated during the period under review.

The Economy

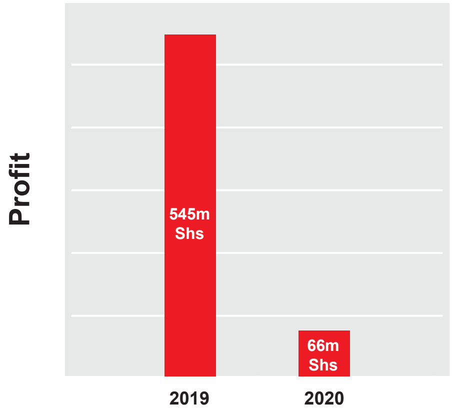
The actions taken both globally and locally to prevent the spread of the virus only accelerated Kenya's economic woes. The Covid-19 period was characterised by loss of or reduced income for many, resulting in reduced consumer demand for consumer goods while supply chains experienced disruptions and the Kenya shilling depreciated against major trading currencies. Despite the Government's efforts to stimulate the economy by making adjustments to both monetary and fiscal policies, the situation only worsened as the pandemic continued to put more pressure on the entire economy.

Thankfully, the group's operating entities were all classified as providing essential services during the lockdown period. This allowed the company to maintain deliveries to our customers in Kenya, Uganda and Tanzania. However, like others, we experienced border-crossing delays in receiving raw materials from Tanzania and in exporting animal nutrition products to Uganda.

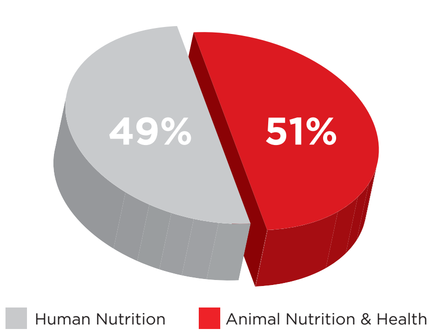
Financial Results in Summary

Due to the unfavorable local and global conditions already mentioned, 2020 therefore proved to be more challenging than anticipated. The group's profit for the year of Kes 66.1 million was down 88% from the previous year. Apart from the unfavorable economic conditions occasioned by the Covid-19 pandemic, the company experienced stiff competition from cheaper brands forcing it to suffer reduced margins resulting into lower profitability.

CHAIRMAN'S STATEMENT (continued)



The human nutrition business, which accounted for 49% of the group's revenues, faced relentless competitive pressure throughout the year, impacting volumes, but more importantly, margins. The excess milling capacity situation which now exists in Kenya was further exacerbated by a notable reduction in demand for wheat flour and, more recently, maize flour in the post-lockdown period. The sector players responded to the situation with a combination of price reductions to the consumer and increased margins to the traders. Whilst our Unga brand strength continues to hold us in good stead, this is no longer enough to protect our share of market. Ongoing efforts to further improve production efficiencies will be energized in order to reduce costs while also introducing new products. Meanwhile, the bakery business in its current form has proved to be unsustainable and efforts to identify suitable partnerships that will facilitate it's growth and expansion into new markets are already underway.



The animal nutrition business, which accounted for 51% of Group revenues, worked hard to deliver the volumes it did in a market where demand was significantly down compared to the previous year. High feed prices (attributable to high raw material costs) and low farm produce prices (attributable to reduced consumer demand and the impact of imports from Uganda), negatively impacted farm profitability with the consequence that farmers either scaled-down their operations and/or adopted low-input cost strategies such as on-farm preparation of their own feed. The Group imported yellow maize towards the end of the financial year which will facilitate formulation consistency, thereby motivating increased demand for poultry feeds going into the new financial year. The soybean cake plant (commissioned at the onset of the financial year) operated at full capacity in most months. The company plans to process beans sourced regionally at lower cost rather than those imported from the Black Sea region.

Covid-19 and our New Normal

The company was well prepared for the Covid-19 pandemic. Our business continuity team moved into action immediately, developing robust plans to integrate best management practice as it was established globally, to quickly move to lean teams (to reduce exposure), to enable working from home and to accommodate various lockdown scenarios. Our risk awareness culture and management protocols have greatly assisted the organisation in managing its way successfully through the impact of the pandemic. For example, the earlier adoption of many best practice cybersecurity risk mitigation strategies facilitated the immediate move to home officing and virtual meetings. More recently, we have made an online wellness platform available to employees and their families, which is intended to give them a confidential place to discuss any issues arising

CHAIRMAN'S STATEMENT (continued)

from the anticipated mental challenges associated with pandemics.

The management has spent a significant amount of time planning for our 'new normal'. The further adoption of both plant and office automation is a high priority and will receive funding over the short to medium term. Unfortunately, lay-off's will be necessary but since a significant proportion of our production-related labour force is outsourced, we will be able to make headcount adjustments quickly. We expect to declare some redundancies amongst our permanent staff early in the new financial year. Going forward, we will facilitate a work culture which allows for a combination of working from home and from the office. We believe that time spent together is a necessary key ingredient to ensuring aligned teamwork and innovation, amongst others.

The Future

Despite the challenging business environment, we have not lost sight of the strategies we have put in place over recent years, namely our core values, our investment in people through training and career development, our focus on improving production and distribution processes and our ongoing search for value-added partnerships to enhance geographic coverage, distribution leverage and product range.

We continued to move forward with our culture change initiative and learning and development program for leadership, management, supervisory and technical disciplines across the organisation. The Board Human Resource Committee has worked with management to develop our new culture code titled, 'The Unga Way', which is currently being shared across the organisation for feedback before the final document is produced for adoption.

In addition to our human capital development, and equally important to our future business, is the sustainable supply of well-priced quality raw materials. The Warehouse Receipt System Act No. 8 of 2019 was assented to by His Excellency the President on 12 June 2019. Together with the Kenya National Multi-Commodity Exchange (KOMEX), when finally effected, the two initiatives should bring much needed transparency to the market place, providing benefits to both farmers and processors. As a result, our company will source quality raw materials without having to hold high inventories and make inefficient gate purchases. Furthermore, our supply chain team is working to develop partnerships with local and regional farmer groups to grow specialty pulse crops, including soybeans. Through the Association of Kenya Feed Manufacturers (AKEFEMA), our company will continue to lobby the government to allow the importation of yellow maize under a variable duty regime as this would improve the profitability of our animal feeds products. Aflatoxin is the ever worsening scourge of the maize industry and we will continue to actively support the Cereal Millers Association (CMA) in its efforts to ensure regional ownership of the issue at farmer and aggregator/trader level, and compliance to the standards by all millers and not only members of the CMA.

The Group's investment in aqua feed production and sales capability has borne fruit with capacity expansion under consideration. We continue to be focused on the identification and development of new product offerings in both the human and animal nutrition sectors and to bring these to market with speed.

To support the ongoing initiatives, an effective and adaptable route-to-consumer, supported by a well delivered marketing program will be required to realise our volume targets. To this end, we will work to improve our service delivery and margins to our trade partners, establish sales depots wherever it makes business sense, and digitalise the sales process. Additionally, innovative packaging enhancements will be undertaken to enhance our products' visibility in the trade.

CHAIRMAN'S STATEMENT (continued)

As Fred Rogers once said, "Often when you think you're at the end of something, you're at the beginning of something else." We believe that exciting times lie ahead.

The Board of Directors

During the year, we welcomed these new directors to the Board, Ms. Ciru Miring'u and Ms. Wangari Murugu. These new directors bring broad commercial experience with them, particularly in the area of marketing, new product development and route-to-consumer. We look forward to benefiting from their contributions in years to come. Additionally, their presence has allowed us to address a Capital Markets Authority governance requirement with regards to the number of independent directors on the board and board committees. Board committee terms of reference have also been revised to bring increased focus to the areas of Information Communication Technology (ICT) and Sustainability.

The Board continues to deliberate over and act on the recommendations of the external governance audit carried out during the 2019 financial year and are looking forward to reviewing the results of the ongoing external legal & compliance audit.

The Group adopted a new Code of Ethics & Conduct for Board members and employees of the company with effect from July 2019.

Dividend

Unga Group remains committed to delivering healthy returns to our shareholders. However, in view of the difficult economic and market conditions that the group has faced and the need for investment in new opportunities, the company will not be paying out any dividends this year and we ask for your understanding.

Appreciation

In conclusion, 2020 has been an interesting and challenging year for us all. I wish to convey my appreciation to our shareholders for their continued confidence in their company. Secondly to our consumers, who despite being faced with many other choices in the market have stayed with their trusted Unga brand. Thirdly to management; your concerted effort made it possible for the company to smoothly continue with operations, sometimes under very difficult conditions and especially following the onset of the Covid-19 pandemic. You did everything you could to ensure that we maintained our presence and remained a major player in both the human and animal nutrition segments of the market during this difficult year.

Finally, to my fellow colleagues of the Board. I thank you for your unflinching and continued support and cooperation throughout the year under review; please accept my appreciation.

I. Ochola-Wilson (Mrs)
Chairman of the Board

GROUP MANAGING DIRECTOR'S REPORT

Nick Hutchinson
Group Managing Director

MAINTAINING A RESILIENT BUSINESS MODEL FOR FUTURE GROWTH

Among other strategies, we are ensuring business continuity through preservation of healthy cash flows during these uncertain times. Investments are being made on technology deployment to make work easier to perform and less labour intensive. There is deliberate action to scale down major capital expenditure as well as large maintenance projects. Furthermore, capacity utilisation and staff rationalisation remains a key focus area to ensure that productivity remains optimal.

Year in Review

The 2020 financial year was characterised by a mix of factors, some ongoing from the previous year and some new ones, that had far reaching impact on our business. Overall, the nutrition industry remains an attractive sector, more now than ever before. It is entering a period of significant change bringing both challenges and opportunities as the world's population seeks healthy lifestyles as a way of boosting immunity.

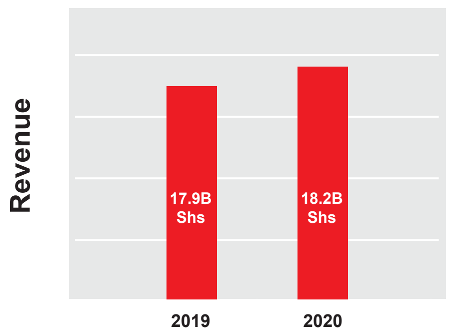
The year recorded a significant drop in financial performance, a consequence of a depressed economy and unrelenting competitive pressure that was further aggravated by the Covid-19 pandemic. Consumer purchasing power has declined across the globe due to the loss of livelihoods. Since the outbreak, there has been reduced demand, disruption of international supply chains, significant depreciation of the local currency, closure of international borders, shutting of airline operations, closure of hotels and eateries, change in consumer habits, among others. These have had a direct impact on the Group's businesses.

The Group's revenue was Shs 18.2 billion, up 2% from the prior year. The increase is attributable to higher selling prices to partly offset raw material cost increases. Volume and profit for the year declined 4% and 88% respectively.

In a significantly oversupplied flour market, we experienced a marginal improvement in our volumes. Our Famila® brand extensions have registered steady growth. We continued to make investments to better our sales force effectiveness, whilst reviewing trading terms to allow for increased risk taking with targeted trade partners. The change, in mid year, of flour's VAT tax status to exempt increased input costs, which could not be fully passed on to the consumer.

GROUP MANAGING DIRECTOR'S REPORT (continued)

The bakery business performed below expectation. Volume offtake was impacted by the focus given by key retail customers to baked goods produced in-house, and by the significant reduction in sales to the pandemic-affected hospitality and airline sectors. Strategies are being actioned to deliver improved results.



The animal nutrition business declined in volume terms. This is attributable to depressed farmer demand exacerbated by the Covid-19 pandemic. Key markets for animal products such as the hospitality industry, at all levels, were significantly impacted. Farmer profitability, and consequently feed demand, was impacted throughout the year by the growing threat of lower priced imports of milk, poultry meat and eggs from Uganda. However, improved trade incentives, targeted marketing and recovering milk and egg selling prices boosted performance towards the end of the period. Whilst we put our planned new product launches on hold, we made packaging improvements along with portfolio enhancements to the pig category. Our Fugo® brand remains strong and a market leader in the animal feeds category.

Selling, distribution and administrative costs reduced by 18% in line with the decline in business as we renewed our emphasis on cost and cash management. We maintained tight discipline on overhead costs and improved our underlying gross margins, whilst improving liquidity in the second half of the year.

Impact of the Covid-19 Pandemic

The major effect of the pandemic is a decline in volumes and an increase in credit risk. Although travel was disrupted due to curfews and closure of certain county borders, our staff are able to work remotely wherever possible. We have taken appropriate steps to safeguard the safety and health of our employees. These measures continue to be reviewed as the pandemic situation unfolds and as the government issues various safety directives. The initial disruption of regional and international supply chains improved as we approached the end of the financial year. The Group is therefore able to access imported key raw materials without experiencing delays that negatively impacted the business.

Among other strategies, we are ensuring business continuity through preservation of healthy cash flows during these uncertain times. Investments are being made on technology deployment to make work easier to perform and less labour intensive. There is deliberate action to scale down major capital expenditure as well as large maintenance projects. Furthermore, capacity utilisation and staff rationalisation remains a key focus area to ensure that productivity remains optimal.

Although these concerted efforts are expected to yield positive results in the new financial year, we acknowledge that the depressed economic environment had an impact on the Group's business and financial results in the second half of the financial year ended 30 June 2020. The Group's financial position remains healthy and strong enough to deal with business challenges that may be experienced in the new year.

Moving Ahead

Despite the challenges, it is clear there are several areas that need to be strengthened.

We will therefore continue to place focus on our strategic pillars of customer intimacy, people, geographic expansion, product diversification and supply chain optimisation. I believe these priorities enable us to focus on areas we can improve and allow us to respond more effectively to our operating environment. This will focus us on delivering improved performance and better returns for shareholders over both the short and long term, as well as a broader societal contribution.

GROUP MANAGING DIRECTOR'S REPORT (continued)

Customer Intimacy

We are firmly positioned as a consumer-centred business, strong in the animal and human nutrition sectors. Our focus on consumers, core to our future growth, has intensified over the last 12 months. Unga Limited continues to sponsor "The Great Kenyan Bake-Off" challenge on KTN TV; Season 2 aired in October 2020.

People

We continued with our talent identification and development initiatives. Significant progress was made in our learning and development initiative for senior leadership, business experts, team leaders and technology teams.

Organisations that focus on aligning culture with strategic aspirations and emerging trends have a better chance to consistently outperform their peers and to thrive in more regulated environments. Culture will enable us to address workforce generational challenges and drive enhanced staff productivity. In very lean industry times. We have embarked on a cultural transformation program that will culminate in the creation of our employee value proposition.

Geographic Expansion

We continue to remain attentive and on the lookout for opportunities to venture outside our existing markets. Discussions with potential partners are constantly being held; and clear alignment of strategy and values will continue to be a pre-requisite for determining which partnerships to pursue.

Product Diversification

Our fish feed products continue to gain traction in the market. We introduced catfish feed during the year to complement the existing tilapia portfolio. New human and animal nutrition products in the development pipeline are scheduled for introduction during the new financial year.

Supply Chain Optimisation

We have reconfigured the grain receiving process into our plants to enhance logistical efficiencies. Working in partnership with farmers, we are developing a farm-to-mill supply model that ensures sustained raw material quality and consistency.

Finally, though there are grounds for cautious optimism, the improved performance at the start of the new financial year gives us confidence of better results. We look forward to writing the next chapter of Unga's rich history.

Appreciation

To our employees who selflessly give themselves to the company and remained focused on delivering customer value throughout the Covid-19 pandemic, thank you.

To our customers, consumers and supply chain business partners who have either remained loyal to our product offerings or kept our supply chain alive, thank you.

To our Board and other stakeholders who have been pivotal for our continued success, thank you.

Nick Hutchinson
Group Managing Director

OUR LEADERSHIP

BOARD OF DIRECTORS' PROFILES

Isabella Ochola-Wilson (71)
Non Executive Director

Appointed to the board in June 2006, Mrs Isabella Ochola – Wilson holds a Bachelor of Arts degree from the University of Dar-es-Salaam and a Masters in Business Administration from the University of British Columbia, Canada. Previously, she served as General Manager, Johnson & Johnson Kenya, as project manager with DFID and consultant with UNDP. Aside from being chairman of Unga Group Plc, she also served as a non-executive Director of NIC Bank Plc before the merger with CBA Bank, and continues to serve on the boards of a few other companies and institutions.

Nick Hutchinson (64)
Executive Director

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 immediate past chairman of the Cereal Millers Association, chairman of Kisima Farm Limited and an advisory director of Sunpower Products Limited.

Andrew Ndegwa (52)
Non Executive Director

Appointed to the board in September 2001. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from University of Oxford. Andrew started his career in the banking industry, working with Citibank and then the Africa Mercantile Banking Company before moving to First Chartered Securities, an investment holding company. In addition to being an executive director of First Chartered Securities, he is a non-executive board member of several other companies, including NCBA Group Plc.

OUR LEADERSHIP (continued)

Jinaro Kibet (55)
Non Executive Director

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, Commissioner of Oaths and Notary Public and a partner at the law firm of Tripleoklaw LLP. He holds other directorships including Telkom Kenya and Prime Bank Limited.

Shilpa Haria (60)
Independent Non Executive Director

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 employment with PricewaterhouseCoopers. She is director at Housing Finance Company and consultant CFO of Flame Tree Group. She chairs the Financial Evaluation Committee of Faraja Medical Fund.

Vitalis Ojode (75)
Non Executive Director

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 and 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 finance management.

OUR LEADERSHIP (continued)

BOARD OF DIRECTORS' PROFILES

Alan McKittrick (65)
Non Executive Director

Appointed to the board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 22 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.

Ciru Miring'u (49)
Independent Non Executive Director

Appointed to the board in February 2020. She holds a Bachelor of Science degree from the University of Nairobi and a Master of Business Administration degree from USIU-Africa. Ciru has extensive experience in the Pharmaceutical, Consumer Healthcare and Food & Beverage sectors across sub-Saharan Africa and is the immediate past managing director, Nestle East Africa. She previously served on the boards of GlaxoSmithKline and Nestle as an executive director and Java House as a non-executive director.

Patrick Obath (65)
Independent Non Executive Director

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 Institute of Engineers, Kenya, the Energy Institute (UK) and a member of the Institute of Directors (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 served on many boards and is Chairman of Standard Chartered Bank Limited and PZ Cussons (EA) Limited and a director of Trade Mark East Africa Limited, among others. He is the managing consultant at Eduardo & Associates.

OUR LEADERSHIP (continued)

Wangari Murugu (52)
Independent Non Executive Director

Appointed to the board in February 2020. Wangari is an entrepreneur with extensive marketing experience in FMCG and Telecommunication Industries, in East Africa. She previously worked in senior management positions in the areas of Marketing at Safaricom Plc, The Coca-Cola Company; South and East Africa Division and PZ Cussons East Africa Ltd. She serves as a board member at Shujaaz Inc. Wangari holds a BSc. degree in Biology and Chemistry from Trent University, Canada and a Global Executive Masters Degree of Business Administration from United States International University, in collaboration with Columbia University.

Winniefred Jumba (48)
Company Secretary

Appointed Company Secretary in 2011. She is a holder of a BCom degree and 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 and an accredited governance auditor.

OUR LEADERSHIP (continued)

SENIOR MANAGEMENT PROFILES

Nick Hutchinson
Group Managing Director

Joined 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 immediate past chairman of the Cereal Millers Association, chairman of Kisima Farm Limited and an advisory director of Sunpower Products Limited.

Leah Tuitoek
Head of Risk & Compliance

Has worked for Unga Holdings Limited for over 35 years. She has vast experience in operations and supply chain management and holds a MSc degree in Food Science & Technology from Cornell University, an MBA from Moi University, and a Postgraduate Diploma from CIPs (UK). She is an associate member of the Chartered Institute of Arbitrators and a member of both the Chartered Institute of Purchasing & Supply (MCIPS) and the Kenya Institute of Supply Management.

James Nyutu
Group Finance Director

Joined Unga Holdings Limited in February 2013. He holds a B.Com 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. He has wide experience in strategy, finance, management and information systems. Started his career in the financial services industry holding various positions at Corporate Insurance and British American Insurance Company, joining Unga from NAS Airport Services.

OUR LEADERSHIP (continued)

Dickson Jawichre
General Manager - Unga Farm Care (EA) Limited

Joined Unga Holdings Limited in January 2015. He graduated from Kenyatta University with a BSc (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 and later Bayer HealthCare as the regional manager for East Africa.

Evans Nyambane
Head of Internal Audit

Joined Unga Holdings Limited in January 2009 as senior auditor. He has over 14 years of experience in audit and risk management. He joined Unga from Ernst & Young LLP's assurance division, having previously worked at Kenindia Assurance Company. He holds a B.Com (Accounting option) degree and MBA in strategic management, both from the University of Nairobi. He is a Certified Public Accountant.

Anthony Wanyoike
Group Business Development Manager

Joined Unga in 2018. Previously worked as general manager at Mavuno Fertilizers Limited, head of sales at Kenchic Limited and general sales manager at Mount Kenya Bottlers. He holds a BEd Economics, Moi University, and MSc Entrepreneurship, Jomo Kenyatta University of Science and Technology.

OUR LEADERSHIP (continued)

SENIOR MANAGEMENT PROFILES

Jayne Ng'ethe
Group Human Resources Manager

Joined Unga Holdings Limited in February 2019. She holds a Bachelor of Education (Hons) degree from Kenyatta University and a Masters in Business Administration. She has a certificate in Strategic Human Resources Management from Cornell University (USA) and a practitioner diploma in Executive Coaching from Academy of Executive Coaching (UK). She is an accomplished HR professional with vast HR generalist experience in printing and publishing, FMCG and manufacturing industries at senior management level.

Anton Oosthuizen
Group Technical Manager

Joined Unga Holdings Limited in July 2019. He previously spent 20 years with Nestle in different roles ranging from quality, supply chain, plant management, TPM and continuous improvement in both South Africa and New Zealand. He has a programme in engineering management qualification from the University of Pretoria, South Africa and holds a certificate in Project Management, Auckland New Zealand.

OUR LEADERSHIP (continued)

Billy Okong'o
Group Supply Chain Manager

Has worked for Unga since 1995, joining Unga Feeds Limited as a Management Trainee. He has risen through the ranks as a Production Supervisor, Animal Nutritionist, Plant Manager (Nakuru and Eldoret) and Sales Operations Manager. He has worked as manager at Cooper K-Brands Limited and holds a MSc in Animal Nutrition (University of Nairobi) and an Advanced Certificate in Flour Milling (National Association of British and Irish Millers - NABIM).

Andanje Mwairumba
General Manager - Unga Limited

Joined Unga Holdings Limited in April 2015. 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).

CORPORATE GOVERNANCE STATEMENT

The Board and all levels of management are committed to maintaining and enhancing a strong corporate governance framework that underpins Unga's Nutrition for Life vision and its mission to achieve and maintain market share leadership in the provision of superior human nutrition, animal nutrition and health products and services for the benefit of all stakeholders within Eastern Africa.

Unga supports the intent and purpose of the provisions of the Capital Markets Authority (CMA) Code of Corporate Governance practices for Issuers of Securities to the Public 2015 (the CMA Code). In addition, Unga Group abides by the tenets of the Constitution of Kenya and all other laws as a law-abiding corporate citizen.

2020 GOVERNANCE HIGHLIGHTS

- Review and update of the Board and Committee Charters in light of recent developments in practice.
- Completion of an internal Board review.
- Appointment of two new independent Directors.
- Close out of implementation plan adopted following the Board evaluation in 2019 addressing areas for improvement.

Unga's corporate governance policies are available in the Investor Relations section of the Company's website. The Board regularly reviews these policies and the Company's corporate governance practices against the requirements of both the Companies Act 2015 and the CMA Code. Below is a list of the Company's publicly available core governance framework documents, set out against the relevant principles of the CMA Code.

CMA Principles	Relevant Documents and Information
• Formal and transparent procedure in the appointment of Directors • Structure of the Board to add value • Lay solid foundation for management and oversight • Deployment of effective Board tools • Remunerate fairly and responsibly • Act ethically and responsibly • Safeguard integrity in corporate reporting • Make timely and balanced disclosure • Respect the rights of shareholders • Recognise and manage risk	Governance Documents Board Charter Board Committee Charters • Nominations and Remuneration • Audit and Risk • Investment and Operations • Human Resources Code of Ethics and Conduct Board Work Plan
	Governance codes and policies • Conflict of Interest • Code of Conduct for Prevention of Insider Trading • Whistle Blowing • Anti-Bribery • Anti-Fraud and Corruption • Board Remuneration • Risk Management • Gifts and Hospitality • Various operational

CORPORATE GOVERNANCE STATEMENT (continued)

OVERVIEW OF UNGA'S CORPORATE GOVERNANCE FRAMEWORK

The purpose of our corporate governance framework is to assist our employees to make good decisions that promote the longer term success of Unga. Our corporate governance framework and its link to the Company's values and culture is illustrated below:

THE BOARD is responsible for overseeing the performance and operations of the Company.	The Board approves the Company's values and is responsible for monitoring the Company's culture and compliance with its code of conduct and ethical standards

BOARD COMMITTEES
assist the Board to discharge its responsibilities in relation to:

NOMINATIONS & REMUNERATION	AUDIT & RISK	INVESTMENT & OPERATIONS	HUMAN RESOURCES
Including new Board appointments and succession	Including risk management and financial reporting	Including review of projects and investments	Including human resourcing issues across the group
All Board Committees have procedures and practices in place to ensure that they effectively communicate in relation to matters of shared responsibility.			

Company policies and procedures	Risk Appetite and Risk Management Framework

MANAGEMENT UNDER THE LEADERSHIP OF THE GROUP MANAGING DIRECTOR
are responsible for delivering the strategic direction and goals approved by the Board.

Unga's values inform the behaviours, leadership attributes and decision making of all Unga employees. They reflect how Unga's employees work, treat each other and interact with people and communities around Unga. These values are:

CORPORATE GOVERNANCE STATEMENT (continued)

Self-Responsibility	Integrity
Every one of us is a leader. We take pride, set the right example and hold ourselves accountable for achieving our individual and collective goals. We take responsibility for our success and setbacks. We celebrate success and see setbacks as an opportunity for growth.	We are fair and honest in all our interactions with one another, we earn our reputation by adhering to the highest moral and ethical standards.
Trust	**Innovation**
We build trust and honour our commitments to one another by communicating actively and openly.	We are a learning organisation, constantly looking for ways to improve. We embrace creativity, change and opportunity, deliver innovative solutions to the market place and will take informed, responsible risks.
Respect	**Continual Improvement**
We treat each and every person with respect and value the diversity they bring to the company.	We develop in our people the ability to continually improve our processes, products and services through living PaTaMu.
Teamwork	
Our success is dependent on the collective energy, expertise and intellect of our team members. We foster collaboration while maintaining individual accountability. We strive to create a work environment where motivated team members can flourish and succeed to their highest potential.	

Unga has also put in place a Code of Ethics and Conduct which applies to directors, employees, partners, consultants, outsourced labour and other workers at any Group entities, including all personnel affiliated with third parties.

The Code of Ethics and Conduct contains the following core requirements:

- We work safely and look out for the safety of our colleagues.
- Our workplace is free from harassment, discrimination and bullying.
- We act ethically and lawfully in all business conduct.
- We understand and manage the impact of our operations on the environment and engage with our stakeholders with respect.
- We communicate accurately and honestly with investors, government and the community.
- All trading in Unga's securities occurs in compliance with the Nairobi Securities Exchange rules.
- Everyone affected by the Code is expected to understand and comply with the standards in the Code of Ethics and Conduct.
- All violations of the Code must be reported.

These values and requirements form the foundation of Unga's Corporate governance framework.

PART 1: BOARD RESPONSIBILITIES

The Board is responsible to the shareholders for the performance of the Company. The Board's focus is to enhance and protect the interests of shareholders and other key stakeholders and to ensure that the Company is properly managed. The Board understands the importance of a strong and healthy working relationship with management. The Board is responsible for the overall corporate governance of the Company, including approving the strategic direction and financial objectives, oversight of the performance and operations of the Company, establishing goals for Management and monitoring the attainment of these goals. Each Director is required to ensure that they are able to devote sufficient time to discharge their duties and to prepare for Board and Committee meetings and associated activities.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All Directors have direct access to the Company Secretary and the Company Secretary has a direct reporting line to the Chair.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board is responsible for:	
• overseeing the Company's strategic direction and management of the Company; • approving the annual capital and operating budget; • approving delegations of authority to management; • approving significant acquisitions and disposal of assets; • approving significant expenditure decisions outside of the Board approved corporate budget; • approving and monitoring financial performance against strategic plans and corporate budgets; • approving the Company's values, ethical standards and codes of conduct.	• selection, evaluation and succession planning for Directors, the Group Managing Director (GMD) and Company Secretary and generally endorsing the same for the GMD's direct reports; • setting the remuneration of Directors and the GMD and generally endorsing the same for the GMD's direct reports, and monitoring whether the Company's remuneration policies and practices are aligned to the Company's values, strategic direction and risk appetite; and • setting the Company's risk appetite and overseeing the integrity of material business risk management.

Delegation of Authority

The Board delegates management of the Company's operations and resources to the Company's executive management team under the leadership of the Group Managing Director. Management is accountable to the Board for the discharge of this delegated authority and for compliance with any limits on that authority (including complying with the law and Company policy).

Responsibilities delegated by the Board to Management:
- The conduct and operation of the Company's business in the ordinary course;
- Implementing corporate strategies; and
- Operating under approved budgets and written delegations of authority.

The Group Managing Director and other Senior Executives are employed under written employment agreements, which set out their rights, duties and responsibilities.

Management's discharge of its responsibilities is monitored through regular Board reporting and performance evaluations against pre-determined performance objectives.

Performance evaluations of Senior Executives are usually undertaken by the Group Managing Director. The Board Chairman undertakes the Group Managing Director's annual review. Performance evaluations were undertaken in 2019 in accordance with this process.

The results of these reviews are used in determining succession plans, performance and development plans and remuneration in consultation with the Human Resources Committee.

Details of the remuneration received by the Group Managing Director are set out in the Remuneration Report commencing on page 83 of the 2020 Integrated Report. Details of non-executive Director remuneration are separately set out in the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT (continued)

PART 2: COMPOSITION OF THE BOARD

Board Composition and Director Independence

Under the Company's Articles of Association, the Board must have a minimum of five directors (not including the Alternate directors) and a maximum of ten.

At every annual general meeting of the Company, one third of directors must retire from office (after excluding the Managing Director and any new directors standing for election for the first time).

To ensure regular Board renewal, the Board Charter contains a guideline that the Board should review its composition on an annual basis as part of its Board succession process. This guideline is applied flexibly and it is expected that some non-executive Directors may remain in office for longer periods where appropriate, for instance to maintain the desired mix of skills and experience on the Board.

The Board assesses the independence of each Director having regard to the definition of independence set out in the CMA Code. Each Director's independence is assessed by the Board on an individual basis, focusing on an assessment of each Director's capacity to bring independence of judgement to Board decisions. In this context, Directors are required to make prompt disclosure to the Board of any changes in interests in material shareholdings, contracts, family ties and cross-directorships that may be relevant in considering their independence.

Directors must declare any conflict of interest that they may have at the start of all Board meetings. Where a material personal interest arises with respect to a matter that is to be considered by the Board, the Director is required to declare that interest and must not take part in any Board discussion or vote in relation to that matter, unless permitted in accordance with the Companies Act 2015.

The Directors of the Company as at 30 June 2020

Name	Independent Non-Executive/ Non-Executive Director	Period in office	Board meeting attendance For re-election	For re-election
Isabella Ochola-Wilson	Non-Executive Chairman	Full year	4/4	No
Nicholas Hutchinson	Group Managing Director	Full year	4/4	N/a
Andrew Ndegwa	Non-Executive	Full year	3/4	Yes
Patrick Mugambi	Alternate to Andrew Ndegwa	Full year	1/4	N/a
Alan McKittrick	Non-Executive	Full year	2/4	No
Vitalis Ojode	Non-Executive	Full year	4/4	No
Jinaro Kibet	Non-Executive	Full year	2/4	No
Patrick Obath	Independent Non-Executive	Full year	4/4	No
Shilpa Haria	Independent Non-Executive	Full year	3/4	Yes
Ciru Miring'u	Independent Non-Executive	Four Months	1/4	Yes
Wangari Murugu	Independent Non-Executive	Four Months	1/4	Yes

CORPORATE GOVERNANCE STATEMENT (continued)

Board capabilities

In determining the composition of the Board, consideration is given to the optimal mix of background, skills, experience and diversity that will best position the Board to guide the Company. As the needs of the Board are dynamic, these skills and experiences may change over time. In 2020, the Board competencies were reassessed and revised, following further development of strategy and an external independent board performance review. Following this exercise, two additional independent non–executive directors were appointed to the Board on 27 February 2020. There were Ms Ciru Miring'u and Ms Wangari Murugu.

Directors are appointed primarily based on their capacity to contribute to the Company's development and success. The Board Charter also recognises that the Board should include at least some members with relevant experience in manufacturing. Director selection and succession planning The Board renewal process is overseen by the Nominations and Remuneration Committee and involves regularly reviewing the composition of the Board to ensure that the Directors bring to the table an appropriate mix of background, skills, experience and diversity relevant to the management of a manufacturing company. In making recommendations relating to Board composition, the Committee takes into account both the current and future needs of the Group. The Committee specifically considers each of the Directors coming up for re-election and makes an assessment as to whether to recommend their reappointment to shareholders. This assessment considers matters including their contribution to the Board, the results of a Board Evaluation and the ongoing needs of the Company. The Committee also takes into account the succession plans of the Directors more broadly. The Committee is also responsible for defining the desired attributes and skill-sets for a new Director. The Committee reviews prospective candidates and arranges for appropriate background checks to be undertaken, then makes recommendations to the Board regarding possible appointments of Directors, including recommendations for appointments to Committees. When director candidates are submitted to shareholders for election or re-election, the Company includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate. Prior to appointment, each non-executive Director is provided with a letter of appointment which sets out the terms of their appointment and includes copies of the Company's Memorandum and Articles of Association, Board Charter, Committee Charters and relevant policies. The expectations of the Board in respect of a proposed appointee to the Board and the workings of the Board and its Committees are also conveyed in interviews with the Chair. Induction procedures include site visits, access to appropriate executives in relation to details of the business of the Company and functional overviews of the Company's strategic objectives and operations. Directors are encouraged by the Board to continue their education by attending both internal and external training and education relevant to their role. All directors have the right to access Company information and the Board Charter sets out the circumstances and procedures pursuant to which a Director may seek independent professional advice at the Company's expense.

Separation of the role of Chairman and the Group Managing Director

The separation of the functions of the Chairman (a non-executive Director) and the Group Managing Director supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

The Chairman's responsibilities include the operation, leadership and governance of the board, acting as the primary channel of communication and point of contact between the Board and the Group Managing Director and to provide guidance and mentoring to the Group Managing Director.

The Group Managing Director's roles and responsibilities remains the day-to-day management of the Company's business and overseeing the implementation of strategy and policies approved by the Board and serving as the official spokesperson for the Company.

CORPORATE GOVERNANCE STATEMENT (continued)

Review of Board, Board Committees and Director performance

As specified in the Board Charter, reviews of Board, Committee and individual Director performance are conducted annually. At least once every three years, the annual review of the Board, Committees and individual Directors is carried out by an independent consultant.

The scope of the external review is agreed in advance with the Board. Internal reviews are facilitated by the Chair, in consultation with the Nominations & Remuneration Committee and involve questionnaires and formal interviews with each Director culminating in a written report prepared by the Chair. Where the review relates to the performance of the Chair, the two senior independent non-executive Directors conduct the review.

In 2018, the Board undertook a self-evaluation with the assistance of an independent consultant. An improvement plan was developed and implemented. The Board plans to conduct an evaluation for the year 2020.

PART 3: BOARD COMMITTEES

The Board has established a number of Committees to assist with the effective discharge of its duties. The role of each Committee is set out in the Section below. All Committees are chaired by and comprise a majority of independent non-executive Directors. Non-Committee members may attend Committee meetings by invitation. Each Committee operates under a specific charter approved by the Board. Board Committees conduct their own internal review of their performance, structure, objectives and purpose from time to time. Board Committees have access to internal and external resources, including access to advice from independent external consultants or specialists.

The Chair of each Committee provides a report at the next Board meeting, and Committees refer to the Board and other Committees any matters that come to their attention that are relevant for them. Each Committee is responsible for satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Committee. Minutes of each Committee meeting are distributed to all Board members. The membership requirements of each Committee are outlined in each Committee's Charter.

The Board reviews Committee membership on at least an annual basis. Each Committee's membership currently satisfies, and satisfied during the year, the membership requirements in the Charters and the composition requirements in the CMA Code. Details of the number of times the Board and each Committee met during the year, including the Committee memberships of each Director and their attendance at Board and Committee meetings have been detailed in this Report. Members of Management attend relevant parts of Board and Committee meetings, at which they report to Directors within their respective areas of responsibility. Where appropriate, advisers to the Company attend meetings of the Board and of its Committees. Board meetings regularly include a session at which the non-executive Directors meet without the Group Managing Director or other members of Management present.

The Board Committees did not utilise services of any adviser during the review period. The Board may, from time to time and where circumstances require, form ad hoc committees to consider specific matters as requested by the Board. No ad hoc committee was formed during the review period.

CORPORATE GOVERNANCE STATEMENT (continued)

BOARD AUDIT AND RISK COMMITTEE

COMPOSITION

Minimum, 4 non-executive directors, out of whom at least three should be independent non-executive directors.

Chaired by an independent non-executive director.

MEMBERSHIP IN 2020

Member	Attendance
Shilpa Haria - Chairman	4/4
Andrew Ndegwa	4/4
Vitalis Ojode	4/4
Jinaro Kibet	2/4
Wangari Murugu	N/A
Ciru Miring'u	1/4

Key Changes:

- Jinaro Kibet rotated out of the Committee effective June 2020.
- Wangari Murugu and Ciru Miring'u were appointed to the Committee in June 2020

PURPOSE AND RESPONSIBILITIES

To provide a structured, systematic oversight of the Group's governance, risk management and internal control practices.

To assist the Board and Management by providing advice and guidance on the adequacy of the Group's initiatives for values and ethics, governance structure, risk management, internal control framework.

To provide oversight of the internal audit activity, external auditors and other providers of assurance and financial statements and public accountability reporting.

To assist the Board to gain greater visibility of ICT in all operations while increasing speed, efficiency and overall customer satisfaction.

Key deliberations in 2020

- Review of policies notably Anti–Money Laundering, Anti–Fraud, Bribery and Corruption, Travel and Expense, Sexual Harassment and Gifts and Hospitality.
- Review of Group's audited and unaudited financial statements.
- Profit warning communication.
- Tracking the actions of the Legal and Compliance Audit and Governance Audit Reports.
- Impact of COVID–19 pandemic on operations and the mitigations.
- Review of risk heat map and status of mitigating actions

CORPORATE GOVERNANCE STATEMENTS (continued)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

<table>
<tr><th>COMPOSITION</th><th>MEMBERSHIP IN 2020</th><th>PURPOSE AND RESPONSIBILITIES</th></tr>
<tr>
<td>Minimum, 4 non-executive directors, Chaired by an independent non-executive director.</td>
<td>
<table>
<tr><th>Member</th><th>Attendance</th></tr>
<tr><td>Patrick Obath - Chairman</td><td>3/3</td></tr>
<tr><td>Isabella Ochola Wilson</td><td>3/3</td></tr>
<tr><td>Andrew Ndegwa</td><td>1/3</td></tr>
<tr><td>Jinaro Kibet</td><td>3/3</td></tr>
</table>
</td>
<td>• Review the size and structure of the Board
• Board evaluation
• Governance + Legal & Compliance Audits
• Review of governance policies
• Board development
• Succession planning of the Board and the Group Managing Director
• Review of Board appointments.</td>
</tr>
<tr><td colspan="3">Key deliberations in 2020
• Board succession process
• On–boarding of two additional non-executive Directors
• Review of the 2019 Governance Audit Report
• Review of the CMA Assessment Report
• Review of the Committee Charters and composition of the Committees</td></tr>
</table>

CORPORATE GOVERNANCE STATEMENT (continued)

BOARD INVESTMENT AND OPERATIONS COMMITTEE

COMPOSITION	MEMBERSHIP IN 2020	PURPOSE AND RESPONSIBILITIES
Minimum of 3 non-executive directors and the Group Managing Director. Chaired by a non-executive Director	See table below	• Review of new product/business projects and investments • Review of operational and sustainability matters • Review of major capital projects • To provide oversight on sustainability matters

Member	Attendance
Patrick Obath - Chairman	4/4
Alan McKittrick	4/4
Andrew Ndegwa	4/4
Nicholas Hutchinson	4/4
Ciru Miring'u	1/4
Wangari Murugu	1/4

Key changes
Wangari Murugu and Ciru Miring'u were appointed to the Committee in June 2020

Key deliberations in 2020
- Review of operational performance and KPIs
- Supply chain effectiveness
- Capital projects and new products
- Route-to-consumer strategy
- Impact of COVID–19 pandemic on operations and the mitigation plan.

CORPORATE GOVERNANCE STATEMENTS (continued)

BOARD HUMAN RESOURCES COMMITTEE

COMPOSITION	MEMBERSHIP IN 2020	PURPOSE AND RESPONSIBILITIES
Minimum of 3 non-executive directors and the Group Managing Director. Chaired by a non-executive Director	<table><tr><th>Member</th><th>Attendance</th></tr><tr><td>Alan McKittrick - Chairman</td><td>4/4</td></tr><tr><td>Isabella Ochola-Wilson</td><td>4/4</td></tr><tr><td>Nicholas Hutchinson</td><td>4/4</td></tr><tr><td>Jinaro Kibet</td><td>N/A</td></tr></table>	• Human Resources management strategy • Human Resource policies • Performance management • Staff remuneration and benefits • Training and development • Succession planning

Key changes
Jinaro Kibet was appointed to the Committee in June 2020.

Key deliberations in 2020
- Staff rationalisation exercise at Ennsvalley Bakery Limited
- Review of labour productivity metrices across the group
- Roll out of the culture transformation program
- Roll out of the Leadership Development program
- Review of the Unga Culture Code
- HR integration with SAP.

CORPORATE GOVERNANCE STATEMENT (continued)

Company Secretary

The Company Secretary is a member in good standing with the Institute of Certified Secretaries (ICS).

Role of the Company Secretary

- Providing a central source of guidance and advice to the Board and the Company, on matters of statutory and regulatory compliance and good governance;
- Providing the Board and the Directors individually with guidance on how their responsibilities should be discharged in the best interests of the Company;
- Facilitating the induction training of new Directors and assisting with the Directors' professional development as required. This includes identifying and facilitating continuous Board education;
- In consultation with the CEO and the Chairman, ensuring effective flow of information within the Board and its committees and between senior management and non-executive Directors. This includes timely compilation and distribution of Board papers and minutes, as well as communication of resolutions from Board meetings;
- Guiding the Company in taking the initiative to not only disclose corporate governance matters as required by law, but also information of material importance to decision making by shareholders, customers and other stakeholders; and
- Keeping formal records of Board discussions and following-up on the timely execution of agreed actions.

PART 4: RISK MANAGEMENT

Risk management roles and responsibilities

The Board is responsible, with the assistance of the Committees, for overseeing the implementation of, and ensuring the adequacy and effectiveness of the risk management framework and internal controls. This extends to overseeing that management is operating with due regard to the risk appetite set by the Board and making recommendations for any changes that should be made to the framework or risk appetite set by the Board.

The Audit and Risk Committee assists the Board in performing its role in relation to risk management by reviewing, at least annually, the effectiveness of Unga's enterprise risk management framework and reporting that it continues to be sound and that management is operating with due regard to the risk appetite set by the Board.

The Committee makes recommendations to the Board following its review. An independent review of the framework is also performed periodically to assure effectiveness and continuous improvement.

In 2020, a comprehensive review of the Company's risk management framework was undertaken by Management. As part of the broader review in 2020, the Board reviewed and approved the Risk Appetite Statement. The Risk Appetite Statement is designed to support and inform Board and Management decision-making and will be reviewed annually to ensure ongoing alignment with strategic objectives.

The Board will consider recommendations made to mature the risk management framework and continue to oversee the effective implementation of the framework and management's efforts to effectively implement the elements.

The Audit and Risk Committee reviewed the enterprise-wide risks, including any new or emerging risks, such as risks related to the recent Covid–19 pandemic. The management has put in place strategies to control and monitor those risks.

Internal Audit

Independent and objective assurance with respect to the Company's system of risk management, internal control and governance are provided by the Internal Audit function. The function maintains and improves the risk management framework, undertakes audits and other advisory services to assure risk management across the Company and reports to the Audit and Risk Committee. The Internal Auditor is independent of the external auditor. The appointment of the Head of Internal Audit is approved by the Audit and Risk Committee. The Internal Auditor reports to Group Managing Director administratively and functionally to the Audit and Risk Committee.

Internal Audit adopts a risk-based approach in developing annual internal audit plans to align activities to the key risks and control frameworks across the Company. The 2020 Internal Audit plan was approved by the Audit and Risk Committee with a key focus on the operating and management systems.

CORPORATE GOVERNANCE STATEMENT (continued)

In addition to internal activities conducted by Internal Audit, review, oversight and monitoring activities are undertaken across the business to provide a breadth of assurance in the management of operational, technical and environment, health and safety risks. The findings from these assurance activities are reported through operational governance structures and to the relevant Board Committee.

Independence of auditors and non-audit services

The Audit and Risk Committee makes recommendations to the Board about the selection, appointment and independence of the Company's external auditor.

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor. The policy can be found as an appendix to the Audit and Risk Committee Charter. The policy requires that services which are considered to be in conflict with the role of statutory auditor are not performed by the Company's external auditor and prescribes the approval process for non-audit services where the Company's external auditor is used.

A copy of the auditor's independence declaration as required under section 774 of the Companies Act 2015 is set out on page 96-99 of the 2020 Integrated Report.

Governance Audit and the Legal and Compliance Audit

The Company undertakes the statutory Governance Audit and Legal and Compliance Audit as stipulated in the CMA Code. The Governance Audit for 2019 was completed and approved by the Board. The Legal and Compliance audit for 2020 has been commissioned and was completed in October 2020.

PART 5: DIVERSITY, ETHICS AND CONDUCT

We recognise that to fully realise the Group's values, continuing to grow a culture that promotes inclusion, diversity and difference of thought is imperative. Business gender distribution as at 30 June 2020 between females and males was 27:73.

The Board has set the 2023 Gender diversity target of 35%. Unga had continuously made improvements to the parental leave provisions and childcare support.

The total management team was made up of 43% female and 57% male while the senior management team comprised of 20% female and 80% male.

Ethical standards and Code of Conduct

Unga's' Directors, employees and contractors are expected to demonstrate high standards of business conduct and to comply with legal requirements wherever the Company operates.

The Company's Code of Ethics and Conduct, which sets out Unga's values, policies and guidelines with respect to safety, business conduct, environmental and other requirements, was reviewed and adopted in 2020.

The Code of Ethics and Conduct outlines the main requirements and behaviours expected of anyone who works for Unga.

Unga treats breaches of its policies seriously, and has an independent, externally managed whistle blowing hotline enabling employees and third parties to report misconduct confidentially, without fear of victimisation.

Insider Trading Policy

This policy is used to institute structures to prevent insider dealings by the Directors and Management. The policy prohibits Directors, executives and employees (as well as connected persons over whom they may be expected to have control or influence) from acquiring, selling or otherwise trading in the Company's securities where they are in possession of material price-sensitive information which is not in the public domain. It also limits "Designated Persons" from dealing in Unga's securities during the closed period.

CORPORATE GOVERNANCE STATEMENT (continued)

Through this policy, the Company endeavors to preserve the confidentiality of un-published price sensitive information and to prevent misuse of such information. The Group is committed to transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations.

The policy ensures that the Group continually and appropriately discloses all insider dealings that come to its attention. The Board is glad to report that during the year 2019-2020, there were no known or identified instances of insider trading. The policy has been published on the Group's website.

Market communication and continuous disclosure
The Company is committed to giving all shareholders timely and equal access to information concerning the Company. The Company has developed policies and procedures to ensure that Directors and Management are aware of and fulfill their obligations in relation to the timely disclosure of material price-sensitive information.

The Company Secretary is responsible for communications with the Capital Markets Authority and the Nairobi Securities Exchange. All material information disclosed to the NSE is posted on the Company's website. This includes CMA announcements, Integrated Reports, notices of meetings, media releases, and materials presented to investors.

The Company with hold the inaugural virtual Annual General meeting in December 2020 and will be seeking shareholder approval to permit virtual general meetings in the future. This will enable webcasting of General meetings to all regardless of their location.

The Board is conscious of its obligations to shareholders and will seek their approval as required by the Company's Articles of Association, the Companies Act 2015 and the CMA regulations, or where otherwise considered appropriate by the Directors.

Additionally, the Company's external auditor attends Annual General Meetings to be available to answer shareholder questions relevant to the conduct of the audit. The Annual General Meeting also provides an opportunity for any shareholder or their proxy to attend and ask questions of the Board, and exercise their vote.

The Company has a well established culture on shareholder management which is supported by the Company Secretary's office and the Shares Registrar – Custody and Registrars Services Limited.

Directors' Shareholding
Directors can purchase or sell shares of the Company in the open market. None of the Directors as at the end of financial year under review held shares in their individual capacity of more than 1% of the Company's total equity.

CORPORATE GOVERNANCE STATEMENT (continued)

Shareholders

The ten largest shareholdings as at 30 June 2020.

Rank	Name	Total Shares	%
1	Victus Limited	38,557,190	50.93%
2	CSFS Nominees a/c	13,801,512	18.23%
3	Investments & Mortgages Nominees Ltd a/c 028950	3,231,920	4.27%
4	Bid Portfolio Management Ltd	2,620,700	3.46%
5	Standard Chartered Kenya Nominees Ltd a/c ke000954	1,778,400	2.35%
6	Kestrel Capital Nominees Limited a/c 009	1,388,200	1.83%
7	Broadway Bakery Limited	1,149,700	1.52%
8	Shah, Dip Shah	328,200	0.43%
9	Popat, Jitendra Vija Yial Popat; Vijyalaxmi Popat	273,000	0.36%
10	Bid, Chandrika Kamlesh Somchand Bid	205,300	0.27%
	Sub Total	**63,334,122**	**83.65%**
	Other shareholders	12,374,751	16.35%
	Total	**75,708,873**	**100.00%**

By category of shareholders

DOMICILE	SHARES	%	HOLDERS
Foreign companies	160,160	0.21%	6
Foreign individuals	1,372,489	1.81%	235
Local companies	63,095,955	83.34%	153
Local individuals	11,080,269	14.64%	5,833
Total	**75,708,873**	**100.00%**	**6,227**

Going Concern

The Board confirms the financial statements are prepared on a going concern basis and is satisfied that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows, capital and other resources.

This Corporate Governance Statement is current as at 24 September 2020 and has been approved by the Board of Unga Group Plc.

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 30 June 2020, which disclose the state of affairs of Unga Group Plc (the "Company") and its subsidiaries (together, the "Group").

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.

BUSINESS REVIEW

At Shs 18.2 Billion, the Group's revenue was up 2% from the prior year. However, volumes declined by 4% due to low consumer demand and aggressive pricing of finished products by competitors. Profit for the year declined by 88%. Prices of wheat and maize grain remained high through the year, caused by unfavorable local weather and rallying world wheat prices. This exerted pressure on margins, culminating in a reduction in profitability.

The animal nutrition business was affected negatively by low uptake of farm inputs. Farmers faced competition from meat, milk and egg imports from Uganda leading to unfavorable farm produce market prices. This led to the shrinking of demand for feeds, minerals, and animal health products. The bakery business suffered a significant reduction in revenues, attributable to competition in the retail sector.

Finance costs increased due to capital expenditure and working capital related borrowing. Credit risk was and is still considered high, resulting in frequent suspension of sales to some key customers. The Covid-19 pandemic further weakened the Group's performance as purchasing power for most households declined. Since the outbreak, there has been reduced consumer demand, interruption of our raw material supply chains, depreciation of the local currency, and unprecedented disruption of travel and hospitality operations. These have had a direct negative impact on the Group's businesses.

With the existing challenges, the Board is cautious about the new financial year. While volumes may recover somewhat when the economy fully reopens and farmers move to correct the short supply of animal protein, raw material prices may remain high as witnessed in Q1 of the current year. Credit risk is likely to remain high as trade partners recover from lost revenue. Further depreciation of the local currency will result in increased foreign currency translation exposure. The Board is taking several initiatives to deliver improved performance; these, among others, include right-sizing, automation and new product introductions. In the current tough economic conditions, recovery of our business is largely dependent on healthy cash flows. There is need to preserve cash to support the previously mentioned initiatives as well as to invest in new business opportunities.

Summary financial performance

	2020 Shs'000	2019 Shs'000
Revenue	18,260,544	17,895,670
Gross profit	1,785,555	2,532,189
Gross profit margin	10%	14%
Operating profit	300,663	718,960
Profit for the year	66,161	544,814
Total assets	**12,050,876**	**10,646,066**

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDEND

The profit attributable to equity holders of Shs 34,146,000 (2019: Shs 342,147,000) has been added to retained earnings. The directors do not recommend payment of dividend in respect of the financial year (2019: Shs 0.50 per share amounting to Shs 37,853,493).

DIRECTORS

The directors who served during the year and to the date of this report are set out on page 6.

DISCLOSURES TO AUDITORS

The directors confirm that with respect to each director at the time of approval of this report:

a) there was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and

(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

The Board Audit and Risk Committee (BARC) monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and fees.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 24 September 2020.

By order of the Board

WNJumba

Winniefred N Jumba
SECRETARY

DIRECTORS REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020

ANNUAL STATEMENT BY THE CHAIRMAN OF THE BOARD NOMINATIONS AND REMUNERATION COMMITTEE

Dear Shareholder

As the Chairman of the Board Nominations and Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 30 June 2020.

This Report complies with regulations contained in the tenth schedule of the Companies Act 2015 ("the Act") in relation to quoted companies Directors' Remuneration Report and the Capital Markets Code of Corporate Governance for Issuers of Securities ("The CMA Code"). This report contains:

- The background information on the Committee's members and role.
- A highlight of the current directors' remuneration policy which was approved at the 2019 AGM; and
- The annual remuneration report, describing how the remuneration policy has been put in practice during the year ended 30 June 2020 and how it will be implemented in the year ending 30 June 2021.

Role of the Committee

The members of the Nominations and Remuneration Committee during the year were Mr Patrick Obath (Chairman), Mrs Isabella Ochola-Wilson, Mr Jinaro Kibet and Mr Andrew Ndegwa. All members are Non-Executive Directors and Mr Patrick Obath was determined by the Board to be independent throughout the year.

During the year, the Committee met three times. Details of attendance at meetings by Committee members are shown in the Corporate Governance section of the Annual Integrated Report.

The Committee has specific terms of reference which are placed on the Group's website at www.unga-group.com. It considers and recommends to the Board the Group's remuneration policy and agrees the individual remuneration package of the Group Managing Director. The Company appointed Career Connections during the year to advice on the leadership development program.

Our remuneration principles

The Board Nominations and Remuneration Committee in conjunction with the Board Human Resources Committee were guided by the Group's remuneration principles in decision making during the year. This was mainly geared towards ensuring that the remuneration structures are designed in a way that enables the right outcomes for the business in line with its long term strategy, making sure that we have the best people in place to deliver the strategy and ensuring that the executive pay is appropriate in the wider context in which the business operates.

Like many listed companies, we need to attract and retain the best people to lead our business in an increasingly competitive marketplace. Remuneration is a key part of our offering and the significant market pay differential within the manufacturing industry continues to be challenging. We continue to monitor external practices across our key strategic markets and set out our remuneration policy and practices in a way that provides appropriate risk and reward, delivering market competitive packages in return for high performance against the company's strategic objectives and stretching performance targets.

Value creation and pay for performance is at the center of our remuneration policy and practices. The success of the Group depends upon the performance and commitment of talented employees. The Group's reward programs support and drive its business strategy and reinforce its values. The principles for setting executive remuneration are outlined below and in more detail on page 87.

DIRECTORS REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Delivery of Business Strategy	Sustainable performance	Competitive remuneration	Alignment with shareholder interests
The remuneration plans reward the delivery of our business strategy and performance targets. Although target remuneration levels are aligned to the market, excellent performance by both the Group and by the individual executive director is rewarded with bonus incentive plans. Performance measures are reviewed regularly and are set relative to the Company's growth plans	A portion of remuneraton is delivered in variable pay linked to business and individual performance. Performance against targets is assessed in the context of underlying business performance and the quality of earnings.	Competitive reward that reflects the nature of the Group and enables it to attract and retain talented executives of the highest quality. Executive decisions are made in the context of the broader external environment.	A strong performance-oriented culture relates directly to the performance of the Group as a whole and shareholders' interests

Executive Directors
Target remuneration levels for the executive directors are set with reference to individual experience as well as the pay levels in the Group's competitors with business characteristics similar to the Group such as scope of operations, complexity and size (both in financial terms and with regard to numbers of employees), and represent organisations which compete alongside the Group for talent.

Other Employees
The Group considers the remuneration policy in the context of all Group employees.

Base salaries of employees are determined in a similar way to those of executive directors. The Group's approach is to ensure that target total compensation is bench marked to the relevant market in which the individual is employed. Potential total compensation is set at the 50th quartile for excellent individual and business performance.
In addition:

- All employees are eligible to receive a bonus dependent upon performance and their contractual position. The bonus is premised on an approved variable pay payout model;
- Core benefits are provided to all employees based on prevailing regulations and competitive practice. These include retirement benefits, medical insurance, life assurance and annual leave;
- The Group is keen that an element of each employee's total compensation is performance related. The proportion of this variable compensation (which is delivered through bonus) increases with seniority.

Approach to recruitment remuneration
Unga is a regional organisation with local presence in Kenya and Uganda. The Board Nominations and Remuneration Committee's overarching principle for recruitment remuneration is to pay no more than is necessary to attract an Executive of the calibre required to shape and deliver Unga's business strategy in recognition that Unga competes for

DIRECTORS REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 (continued)

talent in the marketplace. The Committee seeks to align the remuneration package with Unga's remuneration policy as laid out, but retains the discretion to offer a remuneration package which is necessary to meet the individual circumstances of the recruited Executive and to enable hiring of an individual with the necessary skills and expertise. However, variable pay will follow the policy.

In the event that an internal candidate is promoted to Executive position, legacy terms and conditions would be honoured, including pension entitlements and any outstanding awards.

Service contracts and policy on payment for loss of office

Executives have rolling employment contracts. The contracts provide for a period of 3 months' notice by the Executive or a 3 months' notice by the Company. The contracts provide for payment of outstanding pay and bonus, or termination following a changes in the Company management structure.

Overview of the Executive Director's Remuneration in 2020

	Key features	Purpose and link to strategy	Implementation in 2020
Salary	• Reviewed annually in May of every year. • Salaries take account of external market and internal employee context.	• Supports the attraction and retention of talent with the capacity to deliver Unga's strategy.	• Effective 1 May 2020. • 2.3% increase (8% average pay increase for other employees).
Allowances and benefits	• Provision of competitive benefits including pension, house and car Maximum company pension contribution is 6%. (7.5% of base salary for other employees	• Provision of market competitive and cost-effective benefits supports attraction and retention of talent.	Unchanged from prior year 6% of employee contribution
Annual incentive	• Target performance bonus opportunity is a maximum of 25% of salary based on Unga's and Seaboard's corporate performance. • Paid out in cash in February of each year.	• Incentivises delivery of Unga's annual financial and strategic targets. • Provides focus on key financial metrics and the individual's contribution to the company's performance.	Unchanged from prior year
Long term incentives	There is presently no long-term incentive scheme within the Group. Non-financial incentives include - Executive training and development programs	• Rewards long-term consistent performance in line with Unga's Business strategy. • Provides focus on delivering superior long-term returns to the shareholders.	Leadership Development Program • A 360° feedback program – bespoke was launched during quarter 1 of 2020.
Shareholding requirement	There is presently no Employee Share Ownership Plan.	• Ensure alignment between the interests of Executive Directors and shareholders	N/A

DIRECTORS REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 (continued)

Commentary on Significant Changes to Directors' Remuneration
During the year, the Committee's work was centred on overseeing the implementation of the policy.

The Board undertakes a review on the adequacy of the policy each year to ensure that it supports the Company's Strategy.

The Board is satisfied that the current remuneration policy continues to be appropriate for the Company and will support the implementation of the Group's short term and long-term objectives and therefore there were no significant changes to the Directors' Remuneration.

Statement of Voting on the Directors' Remuneration Report at the previous Annual General Meeting.
During the Annual General Meeting held on 5 December 2019, the shareholders in attendance approved the Directors' Remuneration policy and Directors' Remuneration Report for the year ended 30 June 2019.

Agenda No.	Resolution	For	Against	Withheld	Spoilt	Total
		(as a percentage of total votes cast at the meeting)				
7 (a)	Approval of the Directors' Remuneration Policy.	85.44694%	0.00105%	13.47911%	1.07290%	100.000%
7 (b)	Approval of the Directors' Remuneration Report.	85.44694%	0.00105%	13.47911%	1.07290%	100.000%

At the Annual General Meeting to be held on 10 December 2020, the shareholders will also consider the Directors' Remuneration Report for the year ended 30 June 2020.

The Current Directors' Remuneration Policy and Strategy

Current Policy
The current Directors' Remuneration Policy was tabled and approved by the shareholders at the Company's Annual General Meeting held on 6 December 2018 and has remained unchanged.

DIRECTORS REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 (continued)

The principles which underpin the remuneration of the Non-Executive Directors (NEDs) are as follows: -

a) The Company should remunerate its Directors fairly and responsibly.
b) The remuneration should be sufficient to attract, motivate and retain directors to run the Company effectively.
c) The remuneration should be consistent with recognised best practice standards and is competitive in line with remuneration for other directors in competing sectors.
d) The remuneration should reflect the Directors' responsibilities, expertise and the complexity of the Company's activities.

The directors have not recommended any change to the remuneration policy for the year ending 30 June 2020.

Payments to past Directors

There was no payment of Directors' fees to past directors during the year.

Approval by shareholders

As per section 681 (4) of the Companies Act, 2015, the Directors Remuneration Report has been presented to the members for approval.

DIRECTORS REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 (continued)

2.0 INFORMATION SUBJECT TO AUDIT

The following table shows a single figure remuneration for the Executive Director, Chairman and Non-Executive Directors in respect of qualifying services for the year ended 30 June 2020 together with the comparative figures for 2019. The aggregate Directors' emoluments are shown in Note 30 (iv) of the audited financial statements.

Year ended 30 June 2020	**Salary Shs 000**	**Fees Shs 000**	**Bonuses Shs 000**	**Expense allowances Shs 000**	**Loss of office/ Termination Shs 000**	**Estimated value for non-cash benefits Shs 000**	**Total Shs 000**
Nicholas Hutchinson	27,114	-	5,573	1,177	-	9,468	43,332
Isabella Ochola Wilson	-	3,468	-	-	-	-	3,468
Alan McKittrick	-	2,352	-	-	-	-	2,352
Andrew S Ndegwa*	-	2,238	-	-	-	-	2,238
Patrick Obath	-	2,112	-	-	-	-	2,112
Jinaro Kipkemoi Kibet	-	2,292	-	-	-	-	2,292
Vitalis Ondeke Ojode	-	1,848	-	-	-	-	1,848
Shilpa Haria	-	1,824	-	-	-	-	1,824
Ciru Miring'u	-	636	-	-	-	-	636
Wangari Murugu	-	636	-	-	-	-	636
Patrick Mugambi*	-	78	-	-	-	-	78
	27,114	**17,484**	**5,573**	**1,177**	**-**	**9,468**	**60,816**

Year ended 30 June 2019	**Salary Shs 000**	**Fees Shs 000**	**Bonuses Shs 000**	**Expense allowances Shs 000**	**Loss of office/ Termination Shs 000**	**Estimated value for non-cash benefits Shs 000**	**Total Shs 000**
Nicholas Hutchinson	26,803	-	6,586	1,086	-	9,914	44,389
Isabella Ochola Wilson	-	3,424	-	-	-	-	3,424
Alan McKittrick	-	2,347	-	-	-	-	2,347
Andrew Stewart Ndegwa*	-	2,328	-	-	-	-	2,328
Patrick Obath	-	2,032	-	-	-	-	2,032
Jinaro Kipkemoi Kibet	-	1,881	-	-	-	-	1,881
Vitalis Ondeke Ojode	-	2,124	-	-	-	-	2,124
Shilpa Haria	-	2,208	-	-	-	-	2,208
	26,803	**16,344**	**6,586**	**1,086**	**-**	**9,914**	**60,733**

*Payment for qualifying services provided by Andrew Ndegwa and Patrick Mugambi as stated in the tables above was made to First Chartered Securities Limited.

On behalf of the Board of Directors

Patrick Obath
Chairman, Nominations and Remuneration Committee
24 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020

The Kenyan Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; disclose with reasonable accuracy at any time the financial position of the Company; and that enables them to prepare financial statements of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act 2015. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such 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 suitable accounting policies and applying them consistently; and
iii. Making accounting estimates and judgements that are reasonable in the circumstances.

Having assessed the Group and the Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and the Company ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 24 September 2020 and signed on its behalf by:

I. Ochola- Wilson (Mrs)

N. Hutchinson

RISK MANAGEMENT

The Company is committed to the management of risk as an integral part of its operations; focusing on strategies that will minimise risks while maximising opportunities for achievement of its goals and objectives.

Our elaborate risk management governance framework guides implementation of risk management activities in the Company by ensuring that special attention is paid to the various levels of the risk management elements which include the following:

- Identifying the principal risks to the achievement of the Group's objectives;
- Evaluating the nature and extent of those risks;
- Managing risks efficiently, effectively and economically within the risk appetite set by the Board.

This structure which has the Board's oversight via the Board Audit & Risk Committee ensures that risks are managed effectively; and the Group Managing Director implements the Risk Management Policy and procedures that promote an enterprise-wide risk-aware culture. The Group Managing Director, who chairs the Risk Management Committee ensures that the Risk-aware culture is embedded in the Company. The implementation plan is supported by a three-lines-of-defense model that is structured as follows;

First-line-of-defense: The responsibility for identifying and managing risks lies with individual Risk Champions and Owners; including internal controls activities in each business unit.

Second-line-of-defense: The Risk & Compliance Department coordinates, assesses, monitors and reports on the effectiveness of risk management and provides insight into the overall risk profile of the company. This process is also supported by other departments including Information & Communication Technology (ICT), Legal, Security & Safety, Health & Environment.

Third-line-of-defense: The Internal Audit function is responsible for independently reviewing the design and effectiveness of the overall risk management process and the effectiveness of risk reporting. In addition, the External Auditors provide management and the Board of Directors with independent, and objective view that can contribute to the Group's achievement of its external financial reporting as well as other objectives.

During the year, we continued to integrate risk management practices into our business and decision-making processes; projects and performance management programmes through various approaches; which included development and updating policies and procedures, training, and assessments.

Risk Assessments

Our risk assessments are designed to assess the effectiveness and the extent of our risk practices across the organisation. Risk assessments were carried out at various levels in the organisation using a five-step Enterprise Risk Management plan which includes; risk identification, risk analysis and rating, risk evaluation and response, periodic monitoring and reporting; and periodic reviewing. These assessments which are continuously done and monitored in line with the changing risk landscape, cover long-term, emerging and short-medium term risks which are categorised into Strategic, Operational, Financial, Compliance and Environmental.

The Risk Management Committee conducts risks assessment of top corporate and emerging risks, reviews periodically and puts in place mitigating actions. These assessments focus on business risks that could jeopardise or enhance attainment of the strategic goals. The reports emanating from these assessments are presented to the Board Audit and Risk Committee on quarterly basis for discussion and guidance.

Business units and process risk assessments are also carried out regularly to support our business objectives. Specific project risk assessments carried out focus on achievement of project objectives and creation of value to the organisation.

In addition, specific risk assessments are also performed for other major business decisions or changes.

During the year, we enhanced the quality of our risk assessments by engaging both internal and external auditors to audit our processes in order to identify areas for improvement in our risk maturity journey.

RISK MANAGEMENT (continued)

Compliance

We are committed to compliance with legal and statutory requirements and have a zero-tolerance to non-compliance with all applicable laws and regulations; and business policies.

We have kept abreast with the changes in the various legislations and ensured adherence and integration with our policies, procedures and controls. Policies on risk management, Code of Ethics & Conduct (Code), prevention of bribery, fraud and corruption, whistle blowing and anti-money laundering, among others continue to receive attention as we conduct our business. Our whistleblower programme and procedures allow for both internal and external reporting through multiple reporting channels. The external reporting includes an anonymous program managed by an independent service provider. Reports from this programme are presented to the Board Audit and Risk Committee every quarter. No adverse reports were received during the year.

A collaborative approach to management of compliance issues across the business has been exploited; in including to embedding the process into our discussions and decision-making processes. In addition, applicable Acts and regulations repository for the business has been developed to guide staff during doing business. We will continue to utilize technology enabled solutions in managing our compliance, going forward.

Reports on Compliance status of the business are discussed regularly by the Risk Management Committee and presented to the Board Audit and Risk Committee on a quarterly basis.

A Legal and Compliance Audit was carried out by an external Legal Auditor as at end of the financial year.

Training

We made significant progress in the year in promoting employee awareness on risk management; and to the relevant policies and legislative/statutory requirements through training. Training and sensitisation programmes were carried out during the year on risk management, the Code, cybersecurity, prevention of bribery, fraud and corruption, whistle blowing and anti-money laundering. We continue to apply zero-tolerance to violations of the Code, bribery, fraud, corruption and money laundering. The purpose of our training on whistleblowing is not only to create awareness but also to encourage employees to speak up without any fear of retaliation.

Monitoring and reporting

The management of risks is a continuous process that requires close monitoring in the ever-changing risk landscape. We have integrated this aspect into our budgeting, planning & control systems. The Board Audit and Risk Committee receives risk reports on quarterly basis for discussion and guidance.

Going forward, we will enhance our risk management assessments and activities; and exploit more technology aided solutions.

INTERNAL AUDIT

The purpose of Internal Audit function is to provide independent objective assurance and advisory services designed to add value and improve the Group's operations. Its scope, authority and responsibilities are defined in the Internal Audit Charter which is approved by the Board Audit and Risk Committee (BARC). The Internal Audit function is therefore established by the Board Audit and Risk Committee reporting directly to the Committee. Administratively, the function reports to the Group Managing Director.

Internal Audit function's responsibilities include:

- Evaluating the reliability, adequacy and effectiveness of the Group's governance, risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
- Evaluating the risk exposures relating to the Group governance, operations and information systems;
- Review the systems established to ensure compliance with policies, procedures, statutory requirements and regulations which have a significant impact on the operations of the Group;
- Appraise the relevance, reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Providing consulting and advisory services related to governance, risk management and control including special assignments that may be required by the Audit Committee or Management;
- Carry out follow-up processes to ensure that management actions have been implemented.

To adequately discharge its responsibilities, Internal Audit Department adopts a risk-based approach. Risk-based audit provides a systematic method for identifying, prioritising and scheduling audits while at the same time providing a means by which scarce audit resources can be targeted in areas of high risk. In preparing the Plan, the department draws upon its experience (including past audit reports) and prioritises based on updated risk assessments. BARC reviews and approves the annual audit plan and any updates to the plan in response to changes in the organization's environment. The 2020/21FY plan was prepared taking cognisance of risks emerging from the Covid-19 pandemic.

Mandate, Positioning and Capacity

Internal Audit has unfettered access to BARC and Management, as well as the right to seek information and explanations. The function's principal responsibility is to provide assessments, independent from line management, on the adequacy and effectiveness of the Group's risk management, control and governance processes and to report on these results. Establishment and maintenance of the system of internal control remains the responsibility of management under the oversight of the Board of Directors. Internal Audit is well positioned and resourced to provide this assurance and report to the Board Audit and Risk Committee.

As part of its mandate relating to consulting services, Internal Audit provides advisory on corporate processes including IT systems. Internal Audit recognises the need to leverage on technology to provide greater insights to the business. Some of the initiatives implemented and/or planned to improve the function's capacity and effectiveness include:

- The audit process has been automated using MKinsight audit management software;
- The process of sourcing for a data analytics tool will be completed by December 2020. Once the tool is deployed, it will facilitate Continuous Auditing and real-time reviews;
- Improvement of tracking of audit recommendations through automation including Board Audit and Risk Committee actions through Board action points tracker;
- Continuous professional training for Internal Audit staff through conferences, seminars & certification. Training is linked to the development plans prepared for each staff and help them remain current and meet professional and quality requirements.

Internal Audit remains independent and has fully discharged its mandate and responsibilities. Issues raised in various audit reviews are reported to both management for remediation and to the Board Audit and Risk Committee for oversight. A tracking system via the MKinsight Audit software is in-place to ensure remedial actions for all issues identified during the audit process are tracked to completion and the completion independently validated.

GOVERNANCE AUDITOR'S REPORT

We received approval from the Capital Markets Authority (CMA) not carry out an external governance audit in the year 2020, having made good progress in closing the gaps identified in 2019. The company only carried a self-review of the status of implementation of previously identified improvement areas. The report for the audit below carried out in 2019 contains the most current opinion. Adherence to the pertinent principles of corporate governance continues to be a priority for many Boards in Kenya. Boards are keen to adhere to corporate governance principles that are appropriate for the nature and scope of their company's business, establish policies and strategies for achieving them, and annually assess the extent to which the company has observed the set policies and strategies. The Code of Corporate Governance for Issuers of Securities in Kenya ("the Code") specifically requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board and the company have applied corporate governance principles. The annual Governance Audit ("GA") should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

Unga Group Plc ("the Company"), in compliance with the Code, retained FCS. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in corporate governance; and that the Company has adopted best practices in corporate governance as a means of ensuring sustainability.

The scope of the Audit is derived from the Code, the Companies and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board of Directors of Unga Group Plc is committed to high standards of good corporate governance and strives for continuous improvement by seeking to identify and address any loopholes and gaps in the Company's governance structures and processes as required by applicable laws and regulations, in particular, the Companies Act, 2015 ("the Act") and the Code. It is on this premise that the Board commissioned a Governance Audit for the year ended 30th June 2019.

The Board has taken steps to put in place appropriate, relevant and required policies and processes to ensure an appropriate corporate governance framework. The Board is also keen on embedding a culture that gives priority to ethical standards, professionalism, integrity and compliance.

The Board is acutely aware of its responsibilities and has taken steps to focus on the sustainability of the Company. In this regard, the Board has enhanced its oversight in relation to enterprise risk management, constantly evaluating and reviewing the effectiveness of risk management programs. The Board has also ensured that employees have a good understanding of the Group's values, code of conduct and ethical business practices with a view to supporting its strategy with an appropriate corporate culture.

The Board is committed to ensuring that it is adding value to the Company and its stakeholders, and in this regard annually evaluates its performance, that of its committees, the Chairman of the Board, individual Directors and Company Secretary.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Company in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our Audit in accordance with the Institute of Certified Secretaries Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the Company's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place a satisfactory corporate governance framework, which is to a large extent in compliance with the legal and regulatory framework, and in this regard we issue an unqualified opinion.

FCS. Catherine Musakali,
ICPSK GA. No 006
Dorion Associates

For more information about this report, please contact: Catherine Musakali – cmusakali@dorion.co.ke

LEGAL OPINION

The Code of Corporate Governance for Issuers of Securities in Kenya ("the Code") requires the Boards of listed companies to ensure that a comprehensive, independent Legal Compliance Audit ("the Audit") is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya. The Code also requires that an internal legal compliance audit is carried out on an annual basis (save when an external audit is carried out) and that the findings from the audits are acted upon and any non-compliance issues arising corrected as necessary.

Unga Group Plc (**"UG Plc"**) undertook an independent comprehensive Legal and Compliance Audit for the Financial Year 2019/2020. The Audit was conducted by Charles B.G. Ouma of Dorion Associates LLP, an advocate of the High Court of Kenya in good standing.

The Auditor is of the opinion that during the Financial Year 2019/2020, UG Plc and its subsidiaries substantially complied with the requirements of the internal and external legal framework. Instances of non-compliance, none of which has been ranked as posing a serious risk to the legal health of the UG Plc have been identified and specifically reported.

Mr. Charles B. G. Ouma
Legal & Compliance Auditor **24th September 2020**

For more information, please contact:
Catherine Musakali – cmusakali@dorion.co.ke
Charles B. G. Ouma – couma@dorion.co.ke

ADOPTION OF THE LEGAL AND COMPLIANCE AUDIT REPORT

The Legal Compliance Audit Report was adopted by the Board of Directors on 24 day of September 2020

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Chairman Group Managing Director

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP Plc

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Unga Group Plc (the Company) and its subsidiaries (together, the Group) set out on pages 101 to 152 which comprise the consolidated statement of financial position at 30 June 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position as at 30 June 2020, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Unga Group Plc give a true and fair view of the financial position of the Group and the Company at 30 June 2020 and of their 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, 2015.

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 financial statements section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP Plc (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Credit risk and estimation of expected credit losses on trade receivables

The group is exposed to credit risk arising, mainly, from credit sales of goods to customers. The credit risk was heightened in the year by the increased market competition and tougher economic environment driven by the Covid-19 pandemic. The recognition of credit loss allowances on financial assets, as required by IFRS 9, involves the use of significant judgements and estimates by management. This makes this an area of focus.

Management have applied significant judgements and estimates in the following areas as described in note 3 of the financial statements:

(i) The determination and application of IFRS 9 risk parameters i.e. probably of default (PD), loss given at default (LGD) and exposure at default (EAD) to trade receivables; and

(ii) The definition of default and determination of probability of default.

(iii) Determination of expected timing for settlement of government trading debt.

Disclosures on the application of IFRS 9 are set out in notes 2 and 4 of the financial statements.</td><td>We assessed the Group's accounting policies for applicable compliance with the principles of IFRS 9.

We assessed and tested the key modelling assumptions for reasonableness, including the expected timing of the settlement of receivables from the government.

We validated the key inputs into the expected credit loss model against source documents/reports and checked for the mathematical accuracy of the model.

We evaluated the adequacy of disclosures in the financial statements in accordance with the requirements of the International Financial Reporting Standards.</td></tr>
</table>

Other information
The other information comprises the Corporate Information, Chairman's Statement, Group Managing Director's Statement, Directors' report, Directors' remuneration report, and the Statement of Directors' Responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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 we have received 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP Plc (continued)

When we read the rest of the other information in the Integrated Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the directors.
- Conclude on the appropriateness of the directors' 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 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 financial statements, including the disclosures, and whether the 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 Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP Plc (continued)

We communicate with the directors 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 the directors 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 the directors, we determine those matters that were of most significance in the audit of the 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 matters prescribed by the Kenyan Companies Act, 2015

Report of the directors
In our opinion the information given in the report of directors' report on pages 81 to 82 is consistent with the financial statements.

Directors' remuneration report
In our opinion the auditable part of the directors' remuneration report on page 88 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants
Nairobi
24 September 2020

FCPA Michael Mugasa – Practicing Certificate Number 1478
Signing Partner responsible for the independent audit

FIVE YEAR FINANCIAL REVIEW

Consolidated Statement of Comprehensive Income	2016 Shs 000	2017 Shs 000	2018 Shs 000	2019 Shs 000	2020 Shs 000
Revenue	18,947,944	19,528,785	19,982,070	17,895,670	18,260,544
Operating profit	714,328	237,868	1,267,832	718,960	300,663
Profit before tax	738,084	228,350	1,293,695	615,202	116,909
Tax expense	(226,608)	(116,438)	(510,492)	(70,388)	(50,748)
Profit for the year from discontinued operations	(2,660)	(118,951)	-	-	-
Profit for the period	**508,816**	**(7,039)**	**783,203**	**544,814**	**66,161**
Basic and diluted earnings per share (Shs)	Shs 4.32	Shs 0.49	Shs 6.72	Shs 4.52	Shs 0.45
Consolidated Statement of Financial position at 30 June					
ASSETS					
Non Current Assets	2,531,797	2,855,945	3,336,842	3,969,430	4,137,927
Current Assets	5,819,762	6,599,371	6,595,822	6,676,636	7,912,949
Total Assets	**8,351,559**	**9,455,316**	**9,932,664**	**10,646,066**	**12,050,876**
EQUITY AND LIABILITIES					
Share Capital	378,535	378,535	378,535	378,535	378,535
Share Premium	-	-	-	73,148	73,148
Reserves	2,866,943	2,981,744	3,409,356	3,587,846	3,588,972
Equity atributable to equity holders of the parent	3,245,478	3,360,279	3,787,891	4,039,529	4,040,655
Non controlling interests	1,857,494	1,550,166	1,821,184	2,015,881	2,050,498
Total Equity	**5,102,972**	**4,910,445**	**5,609,075**	**6,055,410**	**6,091,153**
Non current liabilities	716,699	564,327	1,244,070	1,177,048	941,340
Current Liabilities	2,531,888	3,980,544	3,079,519	3,413,608	5,018,383
	3,248,587	4,544,871	4,323,589	4,590,656	5,959,723
Total Equity and Liabilities	**8,351,559**	**9,455,316**	**9,932,664**	**10,646,066**	**12,050,876**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June	Notes	2020 Shs '000	2019 Shs '000
Revenue from contracts with customers	5	18,260,544	17,895,670
Cost of sales		(16,474,989)	(15,363,481)
Gross profit		**1,785,555**	**2,532,189**
Other income	8	32,219	46,322
Selling and distribution costs		(854,949)	(993,193)
Administrative expenses		(662,162)	(866,358)
Operating profit		**300,663**	**718,960**
Finance income	10	19,248	62,990
Finance costs	10	(203,002)	(166,748)
Profit before income tax		116,909	615,202
Income tax expense	13	(50,748)	(70,388)
Profit for the year		**66,161**	**544,814**
Attributable to:			
Owners of the parent		34,146	342,147
Non-controlling interests		32,015	202,667
		66,161	**544,814**

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

		2020	2019
Basic and diluted earnings per share	6	**0.45**	**4.52**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June	Notes	2020 Shs '000	2019 Shs '000
Profit for the year		66,161	544,814
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss			
Re-measurement of retirement benefit scheme asset	27	9,579	(31,328)
Deferred income tax thereon		(2,395)	9,398
Items that may be reclassified to profit or loss			
Currency translation differences on foreign operations		252	(842)
Total other comprehensive loss income for the year		7,436	(22,772)
Total comprehensive income for the year		**73,597**	**522,042**
Attributable to;			
Owners of the parent		38,979	327,345
Non-controlling interest		34,618	194,697
		73,597	**522,042**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June	Notes	2020 Shs '000	2019 Shs '000
Interest income	10	155	10,291
Administrative expenses		(30,828)	(46,241)
Loss before income tax		**(30,673)**	**(35,950)**
Income tax expense		-	(5,947)
Loss for the year		**(30,673)**	**(41,897)**
Other comprehensive income		-	-
Total comprehensive loss		**(30,673)**	**(41,897)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June	Notes	2020 Shs '000	2019 Shs '000
ASSETS			
Non-current assets			
Property, plant and equipment	23	3,963,751	3,767,385
Right-of-use assets	24	146,099	174,606
Intangible asset	25	24,115	22,723
Deferred income tax	18	3,962	4,716
		4,137,927	**3,969,430**
Current assets			
Inventories	19	4,615,753	2,752,081
Trade and other receivables	20	2,540,018	3,017,093
Current income tax		95,692	66,124
Cash and bank balances	28	661,486	841,338
		7,912,949	**6,676,636**
TOTAL ASSETS		**12,050,876**	**10,646,066**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	378,535	378,535
Share premium	14	73,148	73,148
Other reserves	15	(41,298)	(46,131)
Retained earnings		3,630,270	3,633,977
		4,040,655	**4,039,529**
Non-controlling interests	16	2,050,498	2,015,881
Total equity		**6,091,153**	**6,055,410**
LIABILITIES			
Non-current liabilities			
Post-employment benefits obligation	27	3,543	31,660
Deferred income tax	18	269,099	249,095
Borrowings	17	592,803	802,352
Capital grants	22	64,674	59,830
Lease liabilities	24	11,221	34,111
		941,340	**1,177,048**
Current liabilities			
Trade and other payables	21	4,747,086	3,112,013
Current income tax		6,762	6,430
Lease liabilities	24	27,637	34,652
Borrowings	17	236,898	260,513
		5,018,383	**3,413,608**
Total liabilities		**5,959,723**	**4,590,656**
TOTAL EQUITY AND LIABILITIES		**12,050,876**	**10,646,066**

The financial statements on pages 101 to 152 were approved for issue by the Board of Directors on 24 September 2020 and signed on its behalf by:

I. Ochola-Wilson (Mrs)
Director

N. Hutchinson
Director

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June	Notes	2020 Shs '000	2019 Shs '000
ASSETS			
Non-current assets			
Investments in subsidiaries	26	1,297,335	1,297,335
Total non-current assets		**1,297,335**	**1,297,335**
Current assets			
Trade and other receivables	20	66,857	123,704
Cash and bank balances	28	2,962	2,756
Total current assets		**69,819**	**126,460**
TOTAL ASSETS		**1,367,154**	**1,423,795**
EQUITY AND LIABILITES			
Capital and reserves			
Ordinary shares	14	378,535	378,535
Share premium	14	73,148	73,148
Retained earnings		720,339	788,865
Total equity		**1,172,022**	**1,240,548**
Current liabilities			
Trade and other payables	21	195,132	183,247
Total current liabilities		**195,132**	**183,247**
TOTAL EQUITY AND LIABILITIES		**1,367,154**	**1,423,795**

The financial statements on pages 101 to 152 were approved for issue by the Board of Directors on 24 September 2020 and signed on its behalf by:

I. Ochola-Wilson (Mrs)
Director

N. Hutchinson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2019	**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 year	378,535	73,148	(31,329)	3,367,537	3,787,891	1,821,184	**5,609,075**
Profit for the year	-	-	-	342,147	342,147	202,667	**544,814**
Other comprehensive income for the year	-	-	(14,802)	-	(14,802)	(7,970)	**(22,772)**
Total comprehensive income for the year	**-**	**-**	**(14,802)**	**342,147**	**327,345**	**194,697**	**522,042**
Transactions with owners							
Dividend paid to equity holders (Note 7)	-	-	-	(75,707)	(75,707)	-	**(75,707)**
At end of year	**378,535**	**73,148**	**(46,131)**	**3,633,977**	**4,039,529**	**2,015,881**	**6,055,410**

Year ended 30 June 2020	**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 year	378,535	73,148	(46,131)	3,633,977	4,039,529	2,015,881	**6,055,410**
Profit for the year	-	-	-	34,146	34,146	32,015	**66,161**
Other comprehensive income for the year	-	-	4,833	-	4,833	2,602	**7,435**
Total comprehensive income for the year	**-**	**-**	**4,833**	**34,146**	**38,979**	**34,617**	**73,596**
Transactions with owners							
Dividend paid to equity holders (Note 7)	-	-	-	(37,853)	(37,853)	-	**(37,853)**
At end of year	**378,535**	**73,148**	**(41,298)**	**3,630,270**	**4,040,655**	**2,050,498**	**6,091,153**

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2019	Share Capital Shs'000	Share Premium Shs'000	Retained earnings Shs'000	Total Shs'000
At start of year	378,535	73,148	906,469	**1,358,152**
Total comprehensive income	-	-	(41,897)	(41,897)
Transactions with owners				
Dividends paid	-	-	(75,707)	**(75,707)**
At end of year	**378,535**	**73,148**	**788,865**	**1,240,548**
Year ended 30 June 2020				
At start of year	378,535	73,148	788,865	**1,240,548**
Total comprehensive income	-	-	(30,673)	**(30,673)**
Transactions with owners				
Dividends paid	-	-	(37,853)	**(37,853)**
At end of year	**378,535**	**73,148**	**720,339**	**1,172,022**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June	Notes	2020 Shs '000	2019 Shs '000
Operating activities			
Cash generated from operations	28(a)	868,881	1,362,759
Income tax paid		(82,738)	(540,841)
Interest paid		(179,688)	(113,046)
Net cash from operating activities		**606,455**	**708,872**
Investing activities			
Purchase of property, plant and equipment	23	(473,318)	(865,937)
Payments for right-of-use assets	24	-	(79,562)
Purchase of intangible assets	25	(6,943)	(19,496)
Proceeds of disposal of property, plant and equipment		4,052	9,095
Net cash used in investing activities		**(476,209)**	**(955,900)**
Financing activities			
Dividends paid to equity holders	7	(37,853)	(75,707)
Proceeds from borrowings	17	-	364,422
Repayments of borrowings	17	(233,164)	(193,746)
Payment of lease liabilities	24	(34,627)	(84,711)
Capital grants received	22	8,168	-
Net cash from financing activities		**(297,476)**	**10,258**
Net decrease in cash and cash equivalents		**(167,230)**	**(236,770)**
Movement in cash and cash equivalents			
At start of year		841,338	1,088,455
Decrease		(167,230)	(236,770)
Effects of exchange rate changes		(12,622)	(10,347)
At end of year	**28(b)**	**661,486**	**841,338**

COMPANY STATEMENT OF CASH FLOWS

Year ended 30 June	Notes	2020 Shs '000	2019 Shs '000
Operating activities			
Cash generated from operations	28(a)	38,059	(150,319)
Income tax paid		-	-
Net cash from operating activities		**38,059**	**(150,319)**
Financing activities			
Dividends paid to shareholders	7	(37,853)	(75,707)
Net cash used in financing activities		(37,853)	(75,707)
Net increase in cash and cash equivalents		**206**	**(226,026)**
Movement in cash and cash equivalents			
At start of year		2,756	228,782
Increase		206	(226,026)
At end of year	**28(b)**	**2,962**	**2,756**

NOTES

1 General information

Unga Group Plc 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

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. 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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

i) New standards, amendments and interpretations adopted by the Group

One new Standard, one new interpretation and a number of amendments to standards became effective for the first time in the financial year beginning 1 July 2019 and have been adopted by the Group. Neither the amendments nor the interpretation have had a significant impact on the Group's financial statements. The new Standard, IFRS 16 "Leases" was early adopted in the previous financial year.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2018, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) Interpretation 23, Uncertainty over Income Tax Treatments, which clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual years beginning on or after 1 January 2019 with early adoption permitted. The application of the standard has not had a material impact on the financial position or financial performance of the Group.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solelyy payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The application of the amendments had no material impact on the consolidated financial statements.

i) New standards, amendments and interpretations adopted by the Group

Annual Improvements to IFRS Standards 2015-2017 Cycle

The Annual Improvements to IFRS Standards 2015-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity

NOTES (continued)

does not remeasure previously held interests in that business.

- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of the amendments had no material impact on the consolidated financial statements.

ii) New and amended standards not yet adopted by the Group

Amendments to IAS 1 and IAS 8; Definition on material

The amendments, applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The Directors of the Group do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements

Amendments to IAS 1; Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The Directors of the Group do not anticipate that the application of the amendments in the future will have a material impact on the consolidated financial statements.

(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.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries (continued)

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

(ii) Transactions and non-controlling interests

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

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Segment reporting

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

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value profit or loss in profit or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

NOTES (continued)

- 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 from contracts with customers

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 manufactures human nutrition products, animal nutrition products and distributes animal health products. Sales of goods are recognised at a point in time depending on the nature of goods and services, when the Group delivers products to the customer and there are no unfulfilled obligations that could affect the customers' acceptance of the goods. There is no variable element to the contract price, and payment, less any deposit already paid, is typically due within 30 days of delivery.

(f) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Buildings on long leasehold land	2.5%
Buildings on short leasehold land	over period of lease
Computer equipment	33.3%
Plant and machinery	5 - 7.5%
Furniture and fittings	12.5%
Motor vehicles	25%
Silos	Shorter of 50 years or the unexpired period of the lease for the land on which they are built

NOTES (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment 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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

(g) Intangible assets

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.

(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.

NOTES (continued)

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) 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 weighted average cost. The cost of engineering spares is determined using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution. Specific provisions are made for obsolete, slow moving and defective inventories.

(k) 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.

(l) Cash and cash equivalents

Cash and cash equivalents include 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.

(m) Financial instruments

(i) Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

(ii) Classification

The Group classifies its financial instruments into the following categories:

a) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;

b) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income;

c) All other financial assets are classified and measured at fair value through profit or loss;

Notwithstanding the above, the Group may:

- On initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income; and
- On initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

d) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or

NOTES (continued)

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(i) Initial recognition (continued)

loss. The Group may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

e) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as shown under note *2 IFRS 9-Financial instruments*- classification and measurement above.

(iii) Initial measurement

On initial recognition:

a) Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
b) Trade receivables are measured at their transaction price.
c) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

(iv) Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or loss.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(v) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

The Group has adopted the Expected Credit Losses (ECL) model to determine the impairment of trade receivables. The Group opted to adopt the simplified approach of determining the impairment provision. This model includes some operational simplifications for trade and other receivables because they are often held by entities that do not have sophisticated credit risk management systems. These simplifications eliminate the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred.

(vi) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express

NOTES (continued)

intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the statement of financial position date.

(vii) Derecognition/write off

Financial assets are de-recognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are de-recognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(n) Leases

The Group's leasing activities and how they are accounted for

The Group leases various warehouses, office spaces and vehicles. Rental contracts are typically made for fixed periods of 6 months to 4 years but may have extension options. There are no non-lease components in the lease contracts and consideration is based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and there are no security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the group under residual value guarantees;
- The exercise price of a purchase option if the group is reasonably certain to exercise that option;
  and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

To determine the incremental borrowing rate, the Group has used recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less

Extension and termination terms

Extension and termination options are included in the leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the Group leases, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate); and
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in warehouses and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(o) Employee benefits

(i) Retirement benefit scheme assets

The Group operates defined benefit retirement 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/ asset 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

NOTES (continued)

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 scheme.

(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. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

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

(p) Current and deferred income tax

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

The current income tax charge is calculated based on the tax law 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 based on 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.

NOTES (continued)

2 Summary of significant accounting policies (continued)

(q) Borrowings

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

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

(r) Dividend distribution

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

(s) Provisions

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

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.

(t) Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

(i) Revenue Grants

Grants received to compensate expenses or for the purpose of giving immediate support to the Group with no future related costs are recognised in the statement of profit or loss in the year of receipt.

(ii) Capital Grants

Where a grant is related to an asset, the grant is presented in the statement of financial position and is credited in the statement of profit or loss over the periods and in the proportions in which depreciation expense on those assets they are used to finance is recognized.

(u) Other income

Interest Income is recognised using the effective interest method.

Dividends are recognised as income in the period the right to receive payment is established.

3 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

Useful lives of 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. The depreciation rates applied in the year are set out in Note 2 (f). 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.

NOTES (continued)

Estimation and judgement have been applied in the determination of defined benefit pension obligation (Note 27)

(i) Critical accounting estimates and assumptions (continued)

Impairment losses on financial assets

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements and estimations are also required in applying the accounting requirements for measuring ECL, such as:

- The application of IFRS 9 risk parameters i.e. probably of default (PD), loss given at default (LGD) and exposure at default (EAD) to trade receivables; and
- The definition of default, determination of probability of default matrix and identification of exposures with significant deterioration in credit quality.
- Determination of expected timing for settlement of government trading debt.

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

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

At 30 June 2020, an increase/decrease by 100 basis points in interest rates would have resulted in a decrease/increase in post-tax profit of Shs 8,297,010 (2019: Shs 10,628,620).

Company
The risk is not relevant to the company as it has no borrowings.

(ii) Price risk

Price risk arises from fluctuations in the prices of equity investments. At 30 June 2020 and 30 June 2019, the Group and company did not hold investments that would be subject to price risk; hence this risk is not relevant.

(iii) Foreign exchange risk

Group
The Group is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of imported raw materials and finished products.

NOTES (continued)

4 Financial risk management objectives and policies (continued)

(iii) Foreign exchange risk (continued)

At 30 June 2020, if the Kenyan Shilling had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the year and equity would have been Shs 114,805,005 (2019: Shs 73,638,600) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances.

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

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk is managed by the Group Finance Director who is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered.

In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations.

The Group has adopted the Expected Credit Losses (ECL) model to determine the impairment of trade receivables. The Group opted to adopt the simplified approach of determining the impairment provision. This model includes some operational simplifications for trade and other receivables because they are often held by entities that do not have sophisticated credit risk management systems. These simplifications eliminate the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred.

Using the simplified approach, management has segmented their accounts receivable balances into Government debt and other trade debtors.

For the Government debt, management have applied judgement in estimating expected payment period which has been used to determine the required credit impairment as a reflection of time value of money.

For the other trade debtors, management determines probabilities of default (PD) using collection trends in the past adjusted for forward looking economic variables as applicable. The average PDs are then used to determine the provision. All debtors that are 120 days past due are considered to be at default. The exposure at default is adjusted for guarantees and other collateral held to determine the Loss Given Default (LGD).

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand. No impairment was noted from management's assessment.

Cash balances and long-term deposits have been assessed for credit loss based on the credit rating of the financial institutions holding the assets. The calculated impairment was considered immaterial to warrant any adjustment.

NOTES (continued)

The amount that best represents the Group and Company's maximum exposure to credit risk at 30 June 2020 is made up as follows:

Group

	2020 Shs'000	2019 Shs'000
Cash and bank balances	607,067	840,915
Trade receivables	978,169	1,150,167
Other receivables	864,094	576,332
Due from related parties (Note 30)	239,715	474,415
	2,689,045	**3,041,829**

The Group holds bank guarantees and cash deposits amounting to Shs 2.314 billion (2019: Shs 1.239 billion) as collateral for trade receivables. No collateral is held for the other assets. All receivables that are either past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

	2020 Shs'000	2019 Shs'000
Neither past due nor impaired	817,814	866,559
Past due but not impaired	160,355	283,608
Subtotal not impaired	**978,169**	**1,150,167**
Impaired – fully provided for (Note 20)	**385,002**	**356,487**

All receivables past due by more than 120 days are impaired and are carried at their estimated recoverable value. This is in additional to the qualitative analysis performed by management.

NOTES (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

Company

	2020 Shs'000	2019 Shs'000
Other receivables	10,161	27,007
Cash and cash equivalents (Note 28)	2,962	2,756
Due from related parties (Note 30)	56,696	96,697
	69,819	**126,460**

Concentration risk

The concentration risk relates to exposure on sales that the Group faces on dealing with its key customers. This analysed as follows: One customer (Kenchic Limited) accounts for 12% of the revenue of the Group (2019:13%). This customer has a high credit rating. All other sales are to a wide unrelated customer base.

	2020 Shs'000	2020 %	2019 Shs'000	2019 %
Kenchic Limited	2,185,905	12%	2,378,356	13%
Others	16,074,639	88%	15,517,314	87%
Total	**18,260,544**	**100%**	**17,895,070**	**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)

Group	Below one year Shs'000	2-5 years Shs'000	Over 5 years Shs'000	Totals Shs'000
At 30 June 2020				
Liabilities:				
Trade payables (Note 21)	864,676	-	-	864,676
Other payables (Note 21)	1,872,855	-	-	1,872,855
Due to related parties (Note 30)	2,009,555	-	-	2,009,555
Borrowings	312,596	693,975	-	1,006,571
Lease liabilities	30,563	13,220	-	43,783
Total financial liabilities	**5,090,245**	**707,195**	**-**	**5,797,440**
At 30 June 2019				
Liabilities:				
Trade payables (Note 21)	617,393	-	-	617,393
Other payables (Note 21)	1,677,247	-	-	1,677,247
Due to related parties (Note 30)	817,373	-	-	817,373
Borrowings	381,519	1,011,370	-	1,392,889
Lease liabilities	36,486	36,826	-	73,312
Total financial liabilities	**3,530,018**	**1,048,196**	**0**	**4,578,214**

The Group has undrawn committed borrowing facilities amounting to Shs 687,702,481 and USD 700,000 (2019: Shs 383,106,286 and USD 2,700,000). The borrowing facilities consist of loans and bank overdrafts. Security for these borrowings includes an all assets debenture for Shs 2.3 billion issued by subsidiary companies, 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	Below one year Shs'000	Over one year Shs'000	Totals Shs'000
At 30 June 2020			
Liabilities:			
Other payables (Note 21)	8,622	-	8,622
Due to related parties (Note 30)	186,510	-	186,510
	195,132	**-**	**195,132**
At 30 June 2019			
Liabilities:			
Other payables (Note 21)	3,142	-	3,142
Due to related parties (Note 30)	180,105	-	180,105
	183,247	**-**	**183,247**

NOTES (continued)

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:

Net cash reconciliation and gearing ratio

	2020 Shs'000	2019 Shs'000
Equity	6,091,154	6,055,410
Borrowings (Note 17)	829,701	1,062,865
Less: cash and cash equivalents (Note 28 (b))	(661,486)	(841,338)
Net cash	**168,215**	**221,527**
Gearing ratio	**2.76%**	**3.6%**

Fair value estimation

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable data) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as discounted cash flow analysis. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of all assets and liabilities at the year-end date approximate their fair values.

NOTES (continued)

5 Revenue from contracts with customers

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Analysis of sales by category:				
Human nutrition	8,909,799	8,395,499	-	-
Animal nutrition	9,135,534	9,333,264	-	-
Animal health products	215,211	166,907	-	-
	18,260,544	**17,895,670**	**-**	**-**

The above revenue is recognised at a point in time.

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.

	2020	2019
Profit for the year attributable to shareholders (Shs '000'):	34,146	342,147
Weighted average number of ordinary shares ('000')	75,707	75,707
Basic and diluted earnings per share:	**0.45**	**4.52**

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

7 Dividends

In respect of the current financial year, the directors do not propose the payment of dividend (2019: Shs 37,853,493). 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%.

NOTES (continued)

8 Other income

	Group	
	2020 Shs'000	2019 Shs'000
Sale of packing material	4,251	5,969
Gain on disposal of property, plant and equipment	722	9,095
Amortisation of capital grants (note 22)	3,324	3,324
Sundry income	23,922	27,934
	32,219	**46,322**

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. Leadership team which comprises of the managing director, finance director, general managers and functional heads is considered to be the key decision-making organ.

Description of the types of products and services from which each reportable segment derives its revenues

Unga Group Plc 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 produce 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 Plc 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 with revenues of Shs 2,185,905,000 (2019: Shs 2,378,356,000) under the animal health and nutrition segment accounts for more than 10% of the Group revenue.

NOTES (continued)

9 Segmental reporting (continued)

Year ended 30 June 2020	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Consolidation Shs'000
Revenue from external customers	9,864,389	9,350,745	-	(954,590)	18,260,544
Inter-segment revenues	954,590	-	-	-	954,590
Interest income	4,081	3,802	11,365	-	19,248
Other income	14,420	15,924	1,875	-	32,219
Interest expense	142,185	60,604	213	-	203,002
Depreciation and amortisation	222,219	94,734	32,684	-	349,637
Reportable segmental profit	(49,706)	195,258	(28,643)	-	116,909
Income tax expense	10,063	(60,057)	(754)	-	(50,748)
Other material non-cash items:					
Reportable segment assets	6,682,440	5,578,804	1,893,213	(2,103,581)	12,050,876
Capital expenditures for non-current assets	201,383	278,878	-	-	480,261
Reportable segmental liabilities	4,280,524	3,556,025	473,060	(2,349,886)	5,959,723

NOTES (continued)

9 Segmental reporting (continued)

Year ended 30 June 2019	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Consolidation Shs'000
Revenue from external customers	9,094,558	9,500,171	-	(699,059)	17,895,670
Inter-segment revenues	699,059	-	-	-	699,059
Interest income	4,263	39,571	19,156	-	62,990
Other income	27,789	18,533	-	-	46,322
Interest expense	126,058	40,690	-	-	166,748
Depreciation and amortisation	286,059	120,796	-	-	406,855
Reportable segmental profit	75,022	712,484	(172,304)	-	615,202
Income tax expense	142,561	(216,918)	3,969	-	(70,388)
Other material non-cash items:					
Reportable segment assets	6,678,676	4,209,581	6,091,936	(6,334,127)	10,646,066
Capital expenditures for non-current assets	451,648	513,346	-	-	964,994
Reportable segmental liabilities	4,256,703	2,356,889	627,387	(2,650,323)	4,590,656

10 Finance costs

	Goup		Company	
Finance income:	**2020 Shs'000**	**2019 Shs'000**	**2020 Shs'000**	**2019 Shs'000**
Interest income on deposits	19,248	62,990	155	10,291
Finance costs:				
Interest expense on bank loans	113,499	76,686	-	-
Interest expense on bank overdrafts	13,413	149	-	-
Interest expense on trade finance	52,776	36,211	-	-
Finance charge on leases	4,722	21,398	-	-
Net foreign exchange losses	18,592	32,304	-	-
	203,002	**166,748**	**-**	**-**

NOTES (continued)

11 Breakdown of expenses by nature

	2020 Shs'000	2019 Shs'000
The profit before taxation is arrived at after charging:		
Staff costs (Note 12)	1,274,533	1,286,745
Depreciation of property, plant and equipment (Note 23)	247,817	264,088
Depreciation of right-of-use assets (Note 24)	28,507	71,058
Amortisation of intangible assets (Note 25)	5,552	71,073
Directors remuneration (Note 30)	60,816	60,733
Auditor's fees	14,503	14,503
Provision for expected credit losses (Note 20)	52,260	29,674

12 Staff costs

	2020 Shs'000	2019 Shs'000
Salaries and wages	994,625	1,035,545
Retirement benefits obligation (Note 27)	68,236	52,802
Social security costs (NSSF) contributions	1,175	2,002
Accrued leave pay	-	52,341
Other staff cost	142,261	91,253
Service gratuity (Note 27)	68,236	52,802
	1,274,533	**1,286,745**

The average number of employees of the Group during the year was	2020 Shs'000	2019 Shs'000
Production	207	279
Sales and distribution	104	154
Management and administration	163	153
	474	**586**

NOTES (continued)

13 Income tax expense

	2020 Shs'000	2019 Shs'000
Current income tax	32,385	147,579
Deferred income tax (Note 18)	18,363	(77,191)
Income tax expense	**50,748**	**70,388**
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Profit before income tax	**116,909**	**615,202**
Tax calculated at the statutory income tax rate of 25% (2019-30%)	29,227	184,561
Tax effects of:		
Expenses not deductible for tax purposes	23,319	39,186
Income not subject to tax	(2,058)	(12,448)
Additional investment deduction on capital projects	-	(150,905)
Under provision of current income tax in prior years	-	(20,835)
Overprovision of deferred income tax in prior years	1,889	-
Deferred income tax asset not recognised	7,327	30,829
Change in tax rate	(8,956)	-
Income tax expense	**50,748**	**70,388**

14 Share capital

	Number of Shares (Thousands)	Ordinary Shares Shs'000	Share premium Shs'000
Authorised:			
Balance at 1 July 2018, 30 June 2019 and 30 June 2020	82,760	413,800	73,148
Issued and fully paid:			
Balance at 1 July 2018, 30 June 2019 and 30 June 2020	75,707	378,535	73,148

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. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

NOTES (continued)

15 Other reserves

Other reserves comprise the following:

Year ended 30 June 2019	Currency translation Shs '000	Re-measurement of retirement benefit asset Shs '000	Total Shs '000
At start of year	(34,580)	3,251	(31,329)
Credit to other comprehensive income	(547)	(14,255)	(14,802)
At end of year	**(35,127)**	**(11,004)**	**(46,131)**
Year ended 30 June 2020			
At start of year	(35,127)	(11,004)	(46,131)
Credit to other comprehensive income	4,670	163	4,833
At end of year	**(30,457)**	**(10,841)**	**(41,298)**

Other reserves as included above are non-distributable.

16 Non-controlling interests

Group	2020 Shs'000	2019 Shs'000
At start of year	2,015,881	1,821,184
Share of profit for the year	32,015	202,667
Share of other comprehensive income	2,602	(7,970)
At end of year	**2,050,498**	**2,015,881**
Summary of Non-controlling interest:		
Unga Holdings Limited:		
35% Equity interest held by Seaboard Corporation in Unga Holdings Limited	**2,050,498**	**2,015,881**

NOTES (continued)

16 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

	2020 Shs'000	2019 Shs'000
Current assets	8,148,335	6,638,120
Current liabilities	(5,095,039)	(3,342,861)
Total current net assets	**3,053,296**	**3,295,259**
Non-current assets	4,134,938	3,965,682
Non-current liabilities	(864,994)	(1,177,047)
Total non-current net assets	**3,269,944**	**2,788,635**
Total net assets	**6,323,240**	**6,083,894**
Unga Holdings Limited summarised statement of comprehensive income		
Revenue	**18,260,544**	**17,895,670**
Profit before income tax	142,219	644,206
Income tax expense	(50,748)	(65,157)
Profit after tax	91,471	579,049
Other comprehensive income	7,816	(22,772)
Total comprehensive income	**99,287**	**556,277**

NOTES (continued)

16 Non-controlling interests (continued)

	2020 Shs'000	2019 Shs'000
Unga Holdings Limited summarised cash flows		
Net cash generated from operating activities	646,476	767,526
Net cash used in investing activities	(529,220)	(955,899)
Net cash 9used in)/ generated from financing activities	(259,623)	86,003
Net decrease in cash and cash equivalent	**(142,367)**	**(102,370)**
Cash and cash equivalent at start of year	750,773	859,673
Net increase/(decrease) in cash and cash equivalent	(142,367)	(102,370)
Effect of exchange rates	(907)	(6,530)
At end of year	**607,499**	**750,773**

17 Borrowings

Group	2020 Shs'000	2019 Shs'000
Bank loans	829,701	1,062,865
The borrowings are classified as follows:		
Current		
Bank borrowings repayable within 1 year	236,898	260,513
Non- current		
Bank borrowings repayable between 2-5 years	592,803	802,352
	829,701	**1,062,865**
Movement in borrowings:		
At start of year	1,062,865	892,189
Received during the year	-	364,422
Repaid during the year	(233,164)	(193,746)
At end of year	**829,701**	**1,062,865**

NOTES (continued)

17 Borrowings (continued)

Bank loans comprise the following facilities to the subsidiary Companies;

Unga Limited

a) a) A 6-year term loan facility of USD 7,500,000 taken in 2013 to finance installation of a wheat milling plant in Nairobi (Commercial Street). Interest is charged at 4% above the 3 months LIBOR rate. The loan is repayable in equal instalments and was expected to be fully repaid by July 2019. The loan was fully paid as at 30th June 2020.

b) b) A 6-year term loan of Shs 860,000,000 taken in 2018 to finance the purchase and construction of a new wheat milling plant in Eldoret. Interest charged is Central Bank Rate (CBR) plus 3% Margin. The facility has a moratorium of 12 months after the first drawdown which was made on 28 April 2018. The loan is repayable in equal installments after the end of the moratorium. The entire loan had been drawn down as at 30 June 2019. The effective interest rate on the facility at 30 June 2020 was 13.5% (2019:13.5%).

The borrowings are secured by an all assets debenture for Shs 1.885 billion, corporate guarantees by Unga Group Plc of Shs 1.885 billion and legal charges of Shs 1.885 billion over certain properties.

Unga Farm Care (EA) Limited

c) A 3-year term loan of Shs 294,000,000 taken in 2019 to finance the purchase and construction of a new soya bean milling plant. Interest charged is CBR plus 3.1% Margin. The loan is repayable in equal installments. A total of Shs 278,022,763 of the loan amount had been drawn down as at 30 June 2019. The effective interest rate on the facility at 30 June 2020 was 12% (2019:12%).

The borrowing is secured by a specific asset debenture for Shs 294 million on the soya bean mill.

The lenders have approved loan moratoriums of 9 months and 12 months effective 1 July 2020 and 1 October 2020 for Unga Limited and Unga Farm Care (EA) Limited. This amounts to cashflow savings of Shs 107,500,000 and Shs 111,304,560 respectively.

NOTES (continued)

18 Deferred income tax

Deferred income tax is made up of the following.

Group	2020 Shs'000	2019 Shs'000
Deferred income tax assets	3,962	4,716
Deferred income tax liabilities	(269,099)	(249,095)
Net deferred income tax liabilities	**(265,137)**	**(244,379)**

Deferred income tax is calculated using the enacted income tax rate of 25% (2019: 30%). The movement in the net deferred income tax liabilities is as follows:

	2020 Shs'000	2019 Shs'000
At start of year	(244,379)	(330,968)
(Charge)/ Credit to profit or loss	(18,363)	77,191
Credit to other comprehensive income	(2,395)	9,398
At end of year	**(265,137)**	**(244,379)**

Group Year ended 30 June 2020	01.07.2019 Shs'000	Charged/ (credited) to P/L Shs'000	(Credit) to OCI Shs'000	30.06.2020 Shs'000
Deferred income tax liabilities				
Property plant and equipment	838,374	(113,197)	-	725,177
Retirement benefits obligation	3,535	-	2,395	5,930
	841,909	(113,197)	2,395	731,107
Deferred income tax assets				
Unrealized exchange losses	(7,756)	(175)	-	(7,931)
Other deductible differences	(156,780)	24,131	-	(132,649)
Tax losses carried forward	(580,579)	114,931	-	(465,648)
	(745,115)	138,887	-	(606,228)
Deferred income tax asset not recognised	147,585	(7,327)	-	140,258
Net deferred income tax	**244,379**	**18,363**	**2,395**	**265,137**

NOTES (continued)

18 Deferred income tax (continued)

Group Year ended 30 June 2019	01.07.2018 Shs'000	Charged/ (credited) to P/L Shs'000	(Credit) to OCI Shs'000	30.06.2019 Shs'000
Deferred income tax liabilities				
Property plant and equipment	517,969	320,405	-	838,374
Retirement benefits obligation	12,933	-	(9,398)	3,535
	530,902	320,405	(9,398)	841,909
Deferred income tax assets				
Unrealized exchange losses	(114,341)	106,585	-	(7,756)
Other deductible differences	(81,798)	(74,982)	-	(156,780)
Tax losses carried forward	(120,551)	(460,028)	-	(580,579)
	(316,690)	(428,425)	-	(745,115)
Deferred income tax asset not recognised	116,756	30,829	-	147,585
Net deferred income tax	**330,968**	**(77,191)**	**(9,398)**	**244,379**

The Group has not recognised the deferred income tax asset arising from tax losses carried forward in a a subsidiary entity because it is uncertain as to when the Group will generate sufficient future profits to utilise the losses. Deferred income tax asset include deferred income tax arising from tax losses realised in some operating subsidiaries with part attribution to capital allowances granted in the past. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.

19 Inventories

Group	2020 Shs'000	2019 Shs'000
Raw materials	4,114,204	2,140,473
Finished products	407,119	355,194
Packing materials	82,900	127,296
Engineering spares	11,530	129,118
	4,615,753	**2,752,081**

Inventories expensed in cost of sales amounted to Shs 16.82 billion (2019: Shs 14.12 billion).

NOTES (continued)

20 Trade and other receivables

	Goup		Company	
	2020 Shs'000	**2019 Shs'000**	**2020 Shs'000**	**2019 Shs'000**
Trade receivables	1,363,171	1,506,654	-	-
Less: Provision for expected credit losses	(385,002)	(356,487)	-	-
	978,169	1,150,167	-	-
VAT recoverable	449,902	563,016	-	-
Other receivables and prepayments	872,232	829,495	10,161	27,007
Due from related parties (Note 30)	239,715	474,415	56,696	96,697
	2,540,018	**3,017,093**	**66,857**	**123,704**

The movements in the provision for expected credit losses on trade and other receivables was as follows:

At start of year	449,822	420,148	-	-
Charge to profit or loss in the year	52,260	29,674	-	-
At end of year	**502,082**	**449,822**	**-**	**-**
Expected credit losses are made up as follows:				
Trade receivables	385,002	356,487	-	-
Other receivables	117,080	93,335	-	-
	502,082	**449,822**	**-**	-

21 Trade and other payables

Trade payables	864,676	617,393	-	-
Other payables and accrued expenses	1,872,855	1,677,247	8,622	3,142
Due to related parties (Note 30)	2,009,555	817,373	186,510	180,105
	4,747,086	**3,112,013**	**195,132**	**183,247**

NOTES (continued)

22 Capital grants

Capital grants relate to amounts received from the Dutch government as a partial funding for the construction of a new fish milling plant at the Dakar road premises. The grant is being amortised over the plants' useful life. The movement in the year is as follows;

	2020 Shs'000	2019 Shs'000
At start of year	59,830	63,154
Grant received in the year	8,168	-
Amortisation to profit or loss	(3,324)	(3,324)
At end of year	**64,674**	**59,830**

23 Property, plant and equipment

Year ended 30 June 2019	Buildings Shs'000	Plant and equipment Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
At start of the year	554,641	1,778,018	69,759	788,024	3,190,442
Currency translation differences	-	512	-	-	(512)
Additions	157,844	687,899	20,186	8	865,937
Transfers	172,362	577,856	-	(750,218)	-
Transfer to leases (Note 18	-	-	-	(15,690)	(15,690)
Disposals	-	(12,542)	-	-	(12,542)
Depreciation charge	(18,949)	(207,472)	(33,829)	-	(260,250)
Closing net carrying amount	**865,898**	**2,823,247**	**56,116**	**22,124**	**3,767,385**
At 30 June 2019					
Cost	978,143	3,709,161	213,899	22,124	4,923,327
Currency translation differences	-	(512)	-	-	(512)
Accumulated depreciation	(112,245)	(885,402)	(157,783)	-	(1,155,430)
Net carrying amount	**865,898**	**2,823,247**	**56,116**	**22,124**	**3,767,385**

NOTES (continued)

23 Property, plant and equipment (continued)

Year ended 30 June 2020

	Buildings Shs'000	Plant and equipment Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
At start of the year	865,898	2,823,247	56,116	22,124	3,767,385
Currency translation differences	402	793	-	-	1,195
Additions	152,189	87,349	3,853	229,927	473,318
Disposals	-	(3,330)	-	-	(3,330)
Depreciation charge	(16,617)	(231,646)	(26,554)	-	(274,817)
Closing net carrying amount	**1,001,872**	**2,676,413**	**33,415**	**252,051**	**3,963,751**
At 30 June 2020					
Cost	1,130,734	3,793,623	217,752	252,051	5,394,160
Currency translation differences	-	(162)	-	-	(162)
Accumulated depreciation	(128,862)	(1,117,048)	(184,337)	-	(1,430,247)
Net carrying amount	**1,001,872**	**2,676,413**	**33,415**	**252,051**	**3,963,751**

The Group has pledged assets with net book value of Shs 484,815,000 (2019: Shs 182,686,000) to secure bank borrowings (see Note 17).

NOTES (continued)

24 Leases

(i) Right-of-use assets

Year ended 30 June 2020	Leasehold land Shs'000	Warehouse Shs'000	Motor vehicles Shs'000	Total Shs'000
Cost				
At start of year	151,230	77,406	54,670	283,306
Additions	-	-	-	-
	151,230	77,406	54,670	283,306
Amortisation				
At start of year	38,046	37,011	33,643	108,700
Charge for the year	4,170	3,310	21,027	28,507
At end of year	42,216	40,321	54,670	137,207
Carrying amount at end of year	**109,014**	**37,085**	**-**	**146,099**
Year ended 30 June 2019				
Cost				
At start of year	55,978	-	-	55,978
Additions	79,562	-	-	79,562
Adoption of IFRS 16	-	77,406	54,670	132,076
Transfer from WIP	15,690	-	-	15,690
	151,230	77,406	54,670	283,306
Amortisation				
At start of year	37,642	-	-	37,642
Charge for the year	404	37,011	33,643	71,058
At end of year	38,046	37,011	33,643	108,700
Carrying amount at end of year	**113,184**	**40,395**	**21,027**	**174,606**

The operating lease prepayment relates to leasehold land. Transfer fromWIP relates to reclassification of ROU asset erroneously included in property plant and equipment. The leasehold land was revalued as at 28 February 2018 by Tysons Limited on an open market value basis for existing use at Shs 2.65 billion.

NOTES (continued)

24 Leases (continued)

(i) Right-of-use assets (continued)

The Group has pledged leasehold land with a net book value of 25,723,000(2019– Shs 29,893,000) as collateral security for bank borrowings (see Note 17).

(ii) Lease liabilities

	2020 Shs'000	2019 Shs'000
Current	27,637	34,652
Non-current	11,221	34,111
	38,858	**68,763**
(iii) Lease liability movement		
Start of the year	68,763	-
Adoption of IFRS 16	-	132,076
Finance charge	4,722	21,398
Repayments in the year	(34,627)	(84,711)
At end of year	**38,858**	**68,763**

25 Intangible assets

	2020 Shs'000	2019 Shs'000
Computer software	24,115	22,723
Computer software		
Group		
Cost		
At start of year	388,408	368,912
Additions	6,943	19,496
At end of year	**395,351**	**388,408**
Amortisation		
At start of year	365,684	294,612
Amortisation for the year	5,552	71,073
At end of year	**371,236**	**365,685**
Net book value	**24,115**	**22,723**

NOTES (continued)

26 Investment in subsidiaries – Company

Unquoted investment at cost in wholly owned subsidiary

	2020 Shs'000	2019 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 Shs'000
Unga Investments Limited	Kenya	Operates as a holding and an investment company	100%	22,200

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

Company name	Principal place of business	Principal activity	% Interest held	Share capital Shs'000
Unga Limited	Kenya	Milling of wheat and maize	100%	220,000
Unga Farm Care (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, roles, breads and pastries	100%	250

NOTES (continued)

27 Post-employment benefits obligation

The Group had the following post-employment benefits obligations as at year end;

	2020 Shs'000	2019 Shs'000
Liabilities		
Service gratuity scheme	3,543	9,469
Retirement benefits scheme	-	22,191
	3,543	**31,660**

Service gratuity scheme

The Group operates an unfunded post-employment benefit plan which provides service gratuity to its unionised employees based on final salary and years of service. The movement in the obligation based on past service cost is as follows;

	2020	2019
At start of year	9,469	9,351
Charge/ (credit) to profit or loss	960	2,712
Payments in the year	(6,886)	(2,594)
At end of year	**3,543**	**9,469**

Retirement benefits scheme

The Group operates a contributory 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.

NOTES (continued)

27 Post-employment benefits obligation (continued)

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

	2020 Shs'000	2019 Shs'000
Present value of funded obligations	871,309	838,772
Fair value of plan assets	(915,472)	(816,581)
Deficit/ (surplus) on funded plan	(44,163)	22,191
Impact of asset ceiling	44,163	-
Retirement benefit scheme obligation/(asset) recognised in the statement of financial position	-	22,191

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

Year ended 30 June 2020	Present value of obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact of asset ceiling Shs'000	Total Shs'000
At start of year	838,772	(816,581)	22,191	-	22,191
Current service cost	83,638	-	83,638	-	83,638
Interest expense/ (income)	84,259	(99,661)	(15,402)	-	(15,402)
Charge to profit or loss	167,897	(99,661)	68,236	-	68,236
Re measurements:					
Return on plan assets	-	39,088	39,088	-	39,088
Change in experience	(30,170)	-	(30,170)	-	(30,170)
Change in assumptions	(62,660)		(62,660)	-	(62,660)
Change in asset ceiling	-	-	-	44,163	44,163
Charge to other comprehensive income	(92,830)	39,088	(53,742)	44,163	(9,579)
Contributions:					
Employee	-	(53,149)	(53,149)	-	(53,149)
Employer	-	(27,699)	(27,699)	-	(27,699)
Payments from plan:	(42,530)	42,530	-	-	-
	(42,530)	(38,318)	(80,848)	-	(80,848)
At end of year	**871,309**	**(915,472)**	**(44,163)**	**44,163**	**-**

NOTES (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (continued)

Year ended 30 June 2019	Present value of Obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact of asset ceiling Shs'000	Total Shs'000
At start of year	668,155	(717,502)	(49,347)	24,673	(24,674)
Current service cost	49,886	-	49,886	-	49,886
Interest expense/ (income)	97,387	(97,753)	(366)	3,282	2,916
Charge to profit or loss	147,273	(97,753)	49,520	3,282	52,802
Re measurements:					
Return on plan assets	-	38,184	38,184	-	38,184
Change in assumptions	21,009	-	21,009	-	21,009
Change in asset ceiling	-	-	-	(27,955)	(27,955)
Contributions:					
Employee	40,166	(40,166)	-	-	-
Employer	-	(37,175)	(37,175)	-	(37,175)
Payments from plan	(37,831)	37,831	-	-	-
	2,335	(39,510)	(37,175)	-	(37,175)
At end of year	**838,772**	**(816,581)**	**22,191**	**-**	**22,191**

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

At 30 June 2020 **Discount rate**	At current discount rate Shs '000	1% Increase Shs '000	1% Decrease Shs '000
Present value of obligation	871.3	880	862.6
At 30 June 2019			
Present value of obligation	838.8	847.2	830.5

NOTES (continued)

27 Post-employment benefits obligation (continued)

The significant actuarial assumptions were as follows:

	2020 Shs'000	2019 Shs'000
Discount rate	12.4%	12.9%
Rate of salary escalation	10.4%	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;

	2020 Shs'000	2020 %	2019 Shs'000	2019 %
Quoted equities	239,063	26%	201,696	24.7%
Offshore investments	34,001	4%	25,314	3.1%
Government bonds	638,551	70%	561,808	68.8%
Commercial paper and corporate bonds	4,145	0.5%	14,698	1.8%
Fixed and time deposits	10,007	1%	17,148	2.1%
Net current assets/ (liabilities)	(10,295)	(1%)	(4,083)	(0.5%)
Total	**915,472**	**100%**	**816,581**	**100.0%**

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)

28 Cash generated from operations

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

Group	2020 Shs'000	2019 Shs'000
Profit before income tax	116,909	615,202
Adjustments for:		
Depreciation (Note 23)	274,817	264,088
Amortisation of leases (Notes 24)	28,507	71,058
Interest paid	179,688	113,046
Finance charge on leases	4,722	21,398
Amortisation of intangible assets (Note 25)	5,552	71,073
Amortisation of capital grant (Note 22)	(3,324)	(3,324)
Gain on disposal of property, plant and equipment	722	(9,002)
Post-employment benefits obligation	12,612	(15,401)
Changes in working capital:		
-inventories	(1,863,672)	(62,268)
-trade and other receivables	477,075	(203,655)
-trade and other payables	1,635,073	500,544
Cash generated from operations	**868,681**	**1,362,759**

Company	2020 Shs'000	2019 Shs'000
Bank Balances	2,962	2,756
Company		
Loss before income tax	(30,673)	(41,895)
Adjustments for:		
Changes in working capital:		
-trade and other receivables	56,847	19,103
-trade and other payables	11,885	(127,527)
Cash generated from operations	**38,059**	**(150,319)**

NOTES (continued)

28 Cash generated from operations (continued)

b) For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

Group	2020 Shs'000	2019 Shs'000
Bank balances	607,067	753,106
Call deposits	-	87,809
Cash balances	54,419	423
Cash and cash equivalents	**661,486**	**841,338**
c) Net debt reconciliation		
Cash and cash equivalent	661,486	841,338
Borrowings	(829,701)	(1,062,865)
Lease liability	(38,858)	(68,763)
Net debt	(207,073)	(290,290)
Company		
Bank balances	2,962	2,756
Company		
Loss before income tax	(30,673)	(41,895)
Adjustments for:		
Changes in working capital:		
-trade and other receivables	56,847	19,103
-trade and other payables	11,885	(127,527)
Cash generated from operations	**38,059**	**(150,319)**

29 Capital commitments

	2020 Shs'000	2019 Shs'000
Authorised but not contracted for	515,596	446,041
	515,596	**446,041**

The bulk of the capital commitments relate to the planned installation of a conveyors and rehabilitation of silos.

NOTES (continued)

30 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	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Sale of finished goods – Kenchic Limited	2,185,905	2,378,356	-	-

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

Group	2020 Shs'000	2019 Shs'000
Raw material purchases – Seaboard Overseas Limited	3,000,665	2,849,106
Other expenses – Seaboard Overseas Management Company	53,499	65,195
Purchase of equipment and spares – Seaboard Overseas Group	36,363	370,829
Interest charged on trade finance – Seaboard Overseas Limited	52,776	36,211
	3,143,303	**3,321,341**

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.

NOTES (continued)

30 Related party transactions (continued)

iii) Key management compensation

	Group		Company	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Salaries and other short-term employment benefits	166,528	152,401	-	-
iv) Directors' remuneration				
Fees for services as director	17,484	16,344	17,484	16,175
Other emoluments	43,332	44,389	-	-
	60,816	**60,733**	**17,484**	**16,175**
v) Due from related companies				
Unga Investments Limited	-	-	-	42,902
Unga Feeds Limited	-	-	7,000	7,000
Unga Holdings Limited	-	-	49,696	46,795
Kenchic Limited	239,715	474,415	-	-
	239,715	**474,415**	**56,696**	**96,697**
vi) Due to related companies				
Unga Limited	-	-	124,807	140,024
Unga Farm Care (EA) Limited	-	-	61,703	40,081
Seaboard Corporation subsidiaries	2,009,555	817,373	-	-
	2,009,555	**817,373**	**186,510**	**180,105**

OTHER INFORMATION

ANNUAL GENERAL MEETING NOTICE

UNGA GROUP Plc ("the Company")

TO ALL SHAREHOLDERS
NOTICE is hereby given that in accordance with an Order issued by the High Court of Kenya in Miscellaneous Application No E.680 of 2020 on 29th April 2020, the Ninety-Third Annual General Meeting of Unga Group Plc for the year 2020 will be held via electronic communication on Thursday, 10 December 2020 at 10.00 a.m. to conduct the following business: -

ORDINARY BUSINESS
1. To read the notice convening the meeting.
2. To confirm the minutes of the Ninety Second (92nd) Annual General Meeting held on Thursday, 5 December 2019.
3. To receive the Chairman's report.
4. To receive and adopt the Consolidated Audited Financial Statements for the financial year ended 30 June 2020 together with the reports of the Directors and the Auditors thereon.
5. To note that the Directors did not recommend a dividend for the year ended 30 June 2020.
6. Election of Directors:-
   a) In accordance with the provisions of Article 67.1 of the Company's Articles of Association
      i)Mr Andrew Ndegwa retires by rotation and being eligible, offers himself for re-election.
      ii)Ms Shilpa Haria retires by rotation and being eligible, offers herself for re-election.
   b) In accordance with the provisions of Article 67.2 of the Company's Articles of Association:-
      i)Ms Maureen W Miring'u retires at this meeting and being eligible, offers herself for re-election.
      ii)Ms Wangari Murugu retires at this meeting and being eligible, offers herself for re-election.
   c) In accordance to 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 Andrew Ndegwa
      iii) Mr Vitalis Ojode
      iv) Ms Maureen W Miring'u
      v) Ms Wangari Murugu
7. Directors' Remuneration:-
   a) To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 30 June 2020.
   b) To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 30 June 2020.
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 (1) of the Companies Act 2015.

SPECIAL BUSINESS
9. To consider and if thought fit to pass the following resolution as a Special Resolution, as recommended by the Directors: -
   That the Articles of Association of the Company be amended by:
   a) Inserting the following new Article 38.5:

   38.5 ATTENDANCE OF A GENERAL MEETING BY ELECTRONIC MEANS
   38.5 (a) In the case of any general meeting, the Board may make arrangements for simultaneous attendance

OTHER INFORMATION (continued)

and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.

38.5 (b) The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:

i) participate in the business for which the meeting has been convened; and
ii) see and hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.

b) Deleting Article 107 in its entirety and replacing it with the following new Article 107:

107 EXECUTION OF DOCUMENTS

107.1 Any documents, including but not limited to deeds, agreements, share certificates and securities shall be validly executed by any two authorised signatories as sanctioned by a resolution of the board of directors of the Company from time to time.

107.2 For the purposes of this article, an authorised signatory is:
(a) any director of the company;
(b) the company secretary; or
(c) any person authorised by the directors for signing documents.

107.3A document is validly executed by the company if it is signed on behalf of the company:
(a) by two authorised signatories; or
(b) by a director of the company in the presence of a witness who attests the signature.

10. To consider any other business of which notice will have been duly received.

BY ORDER OF THE BOARD

WINNIEFRED JUMBA (MS)
COMPANY SECRETARY
Date: 18 November 2020

OTHER INFORMATION (continued)

NOTES:

1) In view of the ongoing Coronavirus 2019 (Covid-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, as contemplated under section 280 of the Companies Act 2015, for Unga Group Plc to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.
2) On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange ("Public Company") to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority (CMA).
3) Unga Group Plc has convened and is conducting this virtual annual general meeting following receipt of a No Objection from the Capital Markets Authority.
4) Shareholders wishing to participate in the meeting should register for the AGM by dialling USSD short code number *384*046# or via https://digital.candrgroup.co.ke and following the various registration prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number+254 20 7608216 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email digital@candrgroup.co,ke.
5) Registration for the AGM opens on 30th November, 2020 at 09:00AM and will close on 9th December, 2020 at 12.00 noon.
6) In accordance with Article 180 of the Companies Act and the Article 37.3 of the Company's Articles of Association, the following documents may be viewed on the Company's website (www.unga-group.com) (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 30th June 2020; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (iv) a copy of the No Objection issued by the CMA. An abridged version of the Financial Statements for the year ended 30th June 2020 has been published with this Notice.
7) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a) Sending their written questions by email to digital@candrgroup.co,ke by 9th December, 2020 12:00 Noon; or
   b) Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialling the USSD code *384*046# and selecting the option (ask Question) on the prompts ;or
   c) Shareholders who will have registered to participate in the meeting shall be able to ask questions vis https://digital.candrgroup.co.ke platform; Select Attend Event; Select "Unga Group PLc AGM"; Select "Q&A" option tab and submit questions in text box provided; or

d) To the extent possible, physically delivering their written questions by 9th December, 2020 12:00 Noon with a return physical address or email address to the registered office of the Company's Offices, Ngano House, Commercial Street, Industrial Area, P O Box 30096, 00100-Nairobi; to the Company Registrars address: Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue

8) Shareholders wishing to vote may do so by:
   a) Accessing Virtual AGM via https://digital.candrgroup.co.ke platform; Select Attend Event; Select "Unga Group Plc AGM"; Select "Voting" option tab and vote; or
   b) Accessing Virtual AGM via USSD platform*384*046# ; Use the menu prompts to Select "Unga Group Plc AGM"; Select the menu option for "Voting" and follow the various prompts regarding the voting process
9) In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.
   - A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

OTHER INFORMATION (continued)

- A proxy form is available on the Company's website via this link: (unga-group.com) Physical copies of the proxy form are also available at Company's Offices, Ngano House, Commercial Street, Industrial Area, Nairobi; or the Company Registrars address: Custody & Registrars, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi.
- A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.
- A completed form of proxy should be emailed to proxy@candrgroup.co.ke or delivered to Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi so as to be received not later than 48 hours before the time of holding the meeting i.e. 8th December 2020 at 10,00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 8th December 2020 at 10.00 a.m.
- Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 9th December, 2020 at 10.00 am to allow time to address any issues.

10) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service SMS/ and/or an email prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMSand/or an email prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.
11) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD *384*046# or via https://digital.candrgroup.co.ke.
12) A poll shall be conducted for all the resolutions put forward in the notice.
13) Results of the poll shall be published within 48 hours following conclusion of the AGM, in two newspapers of national circulation and on the Company's website.
14) The preferred method of paying dividends which are below Kshs 140,000.00 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends by dialling *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited
15) 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
    IKM Place, Tower B, 1st Floor,
    5th Ngong Avenue, Nairobi Nairobi

    Tel: Mobile: +254 20 7608216,
    Email: info@candrgroup.co.ke

OTHER INFORMATION (continued)

FORM OF PROXY

I/WE...

Share Account..

Of (Address) ....Telephone Mobile No...

Email Address..

Whom failing...

Of (Address)..

Telephone Mobile No...

Email Address ....

or failing him, the Chairman of the Meeting, as our/my proxy, to vote for us/me and on our/my behalf at the Ninety Third (93rd) Annual General Meeting of Unga Group Plc to be held on Thursday, 10 December 2020 at 10.00 a.m. and at any adjournment thereof.

I authorize my proxy to vote as follows on the resolutions for the meeting.

AGENDA	FOR	AGAINST	ABSTAIN

As witness my/our hand this ....day of 2020

....

Signed

Notes:

1. If you are unable to attend this meeting personally, this form should be completed and returned to the Company Secretary, Unga Group Plc, P O Box 30096, 00100 Nairobi, , or to the Company Registrars, Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi, P. O. Box 8484-00100 Nairobi or email to proxy@candrgroup.co.ke to reach her no later than 48 hours before the time of the appointed 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 the officer or an attorney duly authorised in writing.

1908 - 2020

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