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STAMFORD
CORPORATE SERVICES

STAMFORD CORPORATE SERVICES LLP
Ground Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
PO Box 10643-00100, Nairobi, Kenya
+254 20 289 9000 | +254 709 966 000
PIN No. P051776046P

www.bowmanslaw.com

URGENT

Our Reference:	Cosec	Your Reference:	TBA
Direct Line:	+254 20 289 9000	Date:	28th October 2022
Email Address:	stamford@bowmanslaw.com		

CAPITAL MARKETS AUTHORITY NAIROBI
31 OCT 2022
RECEIVED

Wycliffe Shamiah
Chief Executive Officer
Capital Markets Authority
3rd Floor Embankment Plaza
NAIROBI

Dear Sir,

RE: UNGA GROUP PLC – GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

The above subject matter refers.

The Board of Directors of Unga Group Plc have approved the financial statements for the year ended 30 June 2022. In this regard and pursuant to the requirement to file the fully signed Financial Statements together with the Corporate Governance Self-assessment Report, please find enclosed:

1. Audited Financial Statements for the year ended 30 June 2022
2. The self-assessment Report made up as at 30 June 2022

Yours sincerely,

W Njumba

Winnie Jumba
Company Secretary – Unga Group Plc

MANAGEMENT
Chief Executive
Director-DMO
Director-PMD
Director-CS
Director-IA
Director CS & LA
Director TRKM
SM-Commodities
SM-SRP
Manager-Supply Chain

CORPORATE GOVERNANCE REPORTING TEMPLATE FOR ISSUERS OF SECURITIES TO THE PUBLIC

TO BE FILLED IN LINE WITH THE REQUIREMENTS OFTHE CODE OF CORPORATE GOVERNANCE PRACTICES FOR ISSUERS OF SECURITIES TO THE PUBLIC, 2015

Company Name (in full)
Unga Group Plc
Reviewer's Name

Stock Code: UNGA
Sector: MANUFUCTURING & ALLIED
Year - 2022
Date of Financial Year End: 30 JUNE 2022

Chairman Signature Isabella Ochola

CEO Signature

Company Secretary Signature WWamunda

	Company Details to be Provided:
Company market to book ratio at end of financial year	0.34
No of outstanding shares at end of financial year	75,706,986 ordinary shares of Kshs 5/- each
Closing price of stock at end of financial year	Kshs 30.40
Net sales as per Income Statement at end of financial year	Kshs 18,032,334,000/-
Net profit as per Income Statement at end of financial year	Kshs 331,361,000/-
Total debt (short and long term) as per Balance Sheet at end of financial year	Kshs 493,084,000/-
Total equity as per Balance Sheet at end of financial year	Kshs 10,287,650,000/-
Total no. of Board members at end of financial year	10 substantive directors
No. of independent directors at end of financial year	4
No. of non-executive directors at end of financial year	9

Mandatory or 'apply or explain'	Part No.	Question		Application - FA, PA or NA - See Notes 1, 2, 3&4	Application or Explanation - Note 3 & 4	Source of Information
	A	INTRODUCTION				
M	A.1	Has the Company developed and published a Board Charter which is periodically reviewed and which sets out the Board responsibility for internal control?	1.1.2, 2.6.2, 6.3.2	FA	The Company has developed a board charter that was published in 2020. Currently,the board charter is under review.	Board Charter sections 3.1 and 5.5 (a)
M	A.2	Do the Board Charter or Company documents distinguish the responsibilities of the Board from management in line with Code requirements?	1.1.2, 2.3.1, 2.3.2, 2.6.2	FA	The Board Charter clearly demacates the role of the Board from the role of the Chief Executive Officer (Group Managing Director) and the role of the Company Secretary as described on Section 3.2. In addition to the Board Charter, the following Company Documents also indicate the distinction between the responsibilities of Board versus Management: 1. The Corporate Governance Statement in the integrated annual financial statement fy 2021; 2. Directors' appointment letters; and 3. Committee Terms of Reference.	Board Charter- Sections 3.2, Integrated Financial Statements , Committee Terms of Reference and Director appointment letters.

A or E	A.3	Is there a statement indicating the responsibility of Board members for the application of corporate governance policies and procedures of the Company?	1.1.6	FA	• The Board issues a Governance Statement which is published in the integrated Annual Report. The governance statement consolidates the Board functions and policies that are documented in governance statements. • The Board Charter sets out a statement confirming the responsibility of Board members to apply corporate governance policies and procedures in the oversight the Company's operations. This is contained in the preamble of the Board Charter, which outlines the importance of corporate governance. Additionally, the Statement of Purpose contained in the Board Charter, "The Board of Directors of Unga Group is the body charged with the responsibility of ensuring that the Company is managed in a sound manner that fosters increased business profitability within an environment of good corporate governance." confirms the responsibility of the Board for the application of good corporate governance policies and procedures.	The 2022 Annual Integrated Annual Report and Financial Statements, Board Charter- Preamble, Sections 2.3
M	A.4	How has the Board ensured all directors, CEOs and management are fully aware of the requirements of this Code?	1.1.6	PA	The Board conducts Board evaluation, Governance Audit and Legal and Compliance Audit, which monitor the Board's compliance with these requirements. The Board Audit and Risk Committee and the Board Nominations and Remuneration Committees track implementation of the action points. The Company has also adopted a robust board induction pack to ensure that onboarding members are provided with precise information regarding their role in line with the provisions of the code and good governance standards. The Board members also confirm on an annual basis that they have familiarised themselves with the requireements of the Code when they sign the Annual Declaration Form.	The signed Annual Declaration Forms. In addition, the Company conducted a Governance Audit in 2021/22 for the year ended 2020/21 . Currently, the Legal and Compliance audit for the year 2021/2022 is underway
M	A.5	Do Company documents indicate the role of the Board in developing and monitoring the Company strategy?	Part II - Overview, 2.3	FA	The Board Charter provides that the Board is responsible for reviewing and approving the business strategic objectives, providing the necessary leadership and oversight to the management of the Company. In this regard, the Board is therefore a key player in the Company's system of Corporate Governance and is ultimately accountable and responsible for the performance of the business. The Charter further provides as part of the roles and responsibilities of the Group Managing Director, to develop together with the Board the Company's strategic and business plans.	• Board charter sections 3.1 and 3.2.2. • The Directors' letters of appointment. • The integrated Annual Report and Financial Statements. • Board work plan. • Company Website Minites of the Board Strategy sessions held in May and August 2022.

A or E	A.6	Does the Company strategy promote sustainability of the Company?	2.3.6	FA	The Board is is responsible for ensuring optimum balance between the achievements of short term objectives with long term sustainability and strategy through a Mananging director who is responsible to the board. The Company's strategy is premised on Economic, Environmental and Social agendas which are intended to promote the overall sustainability of the Company. The Strategy runs in cycles of 5 years and is monitored routinely through KPI setting and milestones and presented to the Board with oversight from the Board Investment and Operations Committee. An annual strategy session is conducted to focus on strategy review and implementation. The Company has embraced the PaTaMu philosophy which is a continual improvement strategy founded on Kaizen principles. The 4 pillars are Total Productive Maintenance, Total Flow Management, Total Quality Management, Safety Health and Environment. The Board approved a Sustainability Policy during the year.	The 2022 Integrated Annual Report and Financial Statements
M	A.7	Are all Board committees governed by a written charter/terms of reference, disclosing its mandate, authority, duties, composition, leadership and working processes?	2.2.2	FA	The Board's has 4 committees in place which are governed by clear terms of reference (TORs) that are annexed to the Board Charter and set out the mandate and operations of the committees. The Committees include the Board Audit & Risk Committee (BARC), the Board Nominations and Remuneration Committee (BNRC), the Board Human Resources Committee (BHRC) and the Board Investments and Operations Committee (BIOC). The terms of reference of the committees are currently being revised	Board Charter- Section 5.5 and the Terms of Reference for BARC, BNRC, BHRC and BIOC (Annexed to the Board Charter).

	B	BOARD OPERATIONS and CONTROL				
M	B.1	Has the Board established a Nomination Committee comprised mainly of independent and non-executive Board members?	2.1.2, 2.2.2	FA	The Board has established a Nominations and Remunerations Committee in line with Section 5.5. of the Board Charter. Pursuant to Section 5.5 (b) of the Board Charter, the Board has established a Nominations committee responsible for proposing new nominees for appointment to the Board and assessing the performance and effectiveness of the Directors of the Company. The Committee is guided by the artices of association, board charter and its terms of refrence. The Committee is currently comprised of three (3) non executive members and one (1) independent non executive member, namely: Isabella Ocholla-Wilson, Andrew Ndegwa, Jinaro Kibet and Patrick Obath, respectively.	Section 5.5 of the Board Charter and Terms of reference (TOR) of the BNRC. Integrated Annual Report and Financial Statements FY 2022.
M	B.2	Is the chairperson of the Nomination Committee an independent director?	2.2.3	FA	Mr. Patrick Obath is an Independent and non-executive director.	Mr. Patrick Obath was appointed as the Chairman of the BNRC as recorded in the minutes of the Board meeting held on 22 June 2017 (Min 14/2017).
M	B.3	Has the Board adopted and published procedures for nomination and appointment of new Board members?	2.1.1, 2.1.7	FA	The Board has adopted and published procedures for the nomination and appointment of new Board members. The procedures are Annexed to the Terms of Reference of the BNRC and they outline the Procedures for Appointment of a Director.	Annexure to the BNRC Terms of Reference
M	B.4	Is the Board size adequate for the exercise of the Company business?	2.1.4	FA	The Board size is adequate to support the Company's business. This is further in line with the Company's Articles of Association (AoA) which provide that the number of directors excluding the alternate directors shall not be less than 5 nor more than 10. The Board currently has 10 directors with diverse skill set that adequately addresses the Company business.	Company Articles of Association Article 63, Integrated Annual Financial Statement.
A or E	B.5	Has the Board adopted a policy to ensure the achievement of diversity including age, race and gender) in its composition?	2.1.2; 2.1.3; 2.1.5; 2.5.1	FA	Yes, the Board has published an annexure to the BNRC Terms of Reference to ensure the achievement of diversity in its composition. It provides that in the appointment of a Director, the Board shall be guided by the following pillars:- a) The Company's Strategy; b) Qualifications; c) Diversity; d) Succession Planning; e) Recommendations of continuous Board Evaluations; f) Regulatory Requirements; and g) Interests in serving on the Board.	Annexure to the BNRC Terms of Reference, Minutes of the Human Resources Committee

M	B.6	Do the Board members represent a mix of skills, experience, business knowledge and independence to enable the discharge of their duties?	2.2.1	FA	The Board comprises of the appropriate mix of skills, knowledge and experience to perform its role effectively. The Board through the nominations committee, strives to ensure that the board has the right balane of skills for the Company to achieve its strtaegic aim. The areas of expertise of the current Board of directors include: • Business Management, • Manufacturing and production, • Banking and Finance, • Marketing, Horticulture, Engineering, • Accounting, • Legal and Ethics among others. The Board's independence is ensured in that it comprises of 9 NEDs 4 of whom are independent directors.	Directors profiles as summarized on the 2022 Integrated Annual Report
M	B.7	Has the Board adopted and applied a policy limiting the number of Board positions each Board member may hold at any one time?	2.1.6	FA	The Board has applied the provisions of the charter that limits the number of Board positions that each Board member may hold at any one time in a listed companies in line with the guidelines issued by the CMA. • No Director holds a director role in more than three public listed companies (Andrew Ndegwa -Two only, Patrick Obath – Two only, Other Directors - only in Unga Group Plc). • The Executive Director does not serve as a Director of any other listed Company. • The Chairman does not hold position of Chairman in any other listed Company.	Board charter Section 5.1.5
M	B.8	Have any Alternate Board members been appointed? If so, have the Alternate Director/s been appointed according to regulation and Code requirements?	2.1.6, 2.1.7	FA	There is one alternate director, Mr Patrick Mugambi is an alternate director to Mr Andrew Ndegwa	Register of Directors; 2021 Annual return, Annual Report
M	B.9	Are independent directors at least one-third of the total number of Board members?	1.1.2, 2.1.3, 2.4.1	PA	The Board currently has 4 independent directors out of the 10 members of the Board.	The 2022 Integrated Annual Report and Financial Statements
A or E	B.10	Does the Board have policies and procedures to annually assess the independence of independent Board members?	2.4.1	FA	• The Board has put in place the following procedures to ensure the independence of independent Board members:- • The Board Charter has provided the criteria for an independent director in the Company. • The Directors execute an annual self-declaration independence form at the beginning of the year. • Any conflict of interest arising during the year is declared at every Board or Board Committee meeting. • The annual governance audit tests the independence of Directors. • The BNRC reviews Board succession as a standing agenda item.	Board charter Section 5.1.7, Board and BNRC minutes

M	B.11	Do all independent Board members have a tenure of less than 9 years?	2.4.2	PA	Yes. The Charter provides that an Independent Director shall be considered to remain independent for a period of nine (9) years. The independent director however is subject to rotation as per the Articles of Association of the Company.	Board charter Section 5.1.7., Article 67 of the Company's Articles of Association.

M	B.12	Is the Board comprised of a majority of non-executive Board members?	2.1.3	FA	Yes - The Board currently has 10 directors- 9 are non-executive and 1 is an executive director.	Register of Directors; 2022 Integrated Annual Financial Statements
M	B.13	How does the Board ensure a smooth transition of Board members?	2.1.8	FA	The Board succession planning is reviewed to ensure continuity. The Company's Articles of Association provides for a third of the Board to retire at every Annual General Meeting. The annexure to the Board Nominations and Remuneration Committee Terms of Reference further provide a stepped approach to the appointment of a Director to ensure a smooth transition.	Articles of Association, Article 82; Board Charter, Section 5.1.4; The Annexure to the BNRC Terms of Reference; Board induction tool
M	B.14	Has the Board established an effective Audit Committee according to Code requirements?	2.2.4, 6.5.1, 2.1.7	FA	• The Board has established a Board Audit & Risk Committee. • Chaired by Shilpa Haria, an independent non-executive director with a professional background in the area of accounting and finance. She is a Fellow of Association of Chartered Certified Accountants and a CPA (K). • Members of the Committee are appointed at every Annual General meeting. • The Committee membership comprises of 4 independent non-executive directors and 1 non-executive director. • The Committee had established its terms of reference which is aligned to the Code.	Board Charter, Section 5.5; The terms of Reference of the Board Audit Committee
M	B.15	Are the functions of the Chairperson and the Chief Executive Officer exercised by different individuals?	2.3.3	FA	The functions of the Chairman and the Managing Director are performed by two different individuals, namely Isabella Ochola-Wilson and Mr Joseph Choge	Board Charter Sections 3.2.1 and 3.2.2, 2022 Integrated Annual Report and Financial Statements
M	B.16	Is the Chairman of the Board a non-executive Board member?	2.3.4	FA	The Chairman of the Board is a non executive Board member	Board Charter Section 3.2.1
A or E	B.17	Has the Board established procedures to allow its members access to relevant, accurate and complete information and professional advice?	2.3.5	FA	The Board has policy and procedures that allow its directors to access independent financial, legal and other professional advice. The key avenues for access to information are: • Provision of detailed Board packs. • E-Board system (Board Vantage) which also archives Board packs. • Presentations at Board meetings. • Access to the Management team. • E-mail circulation on material alerts. • Access to professional advice and experts.	Board Charter Section 4.12; Committee ToRs Reports included in the Board Papers

M	B.18	Has the Board adopted a policy on managing conflict of interest?	2.3.8	FA	The Board Charter and respective Code of conduct and ethics has documented the policy and processes to manage conflict of interest. The Directors are obligated to disclose conflict of interest at any Board or Board Committee proceedings. All business transactions with all parties or their related parties are carried out at arm's length. The Board Charter also includes policy on related party transactions.	Articles of Association, Board Charter Section 6.1, Code of Conduct
M	B.19	Has the Board adopted a policy on related party transactions to protect the interests of the Company and all its shareholders and which meets the requirements of the Code?	2.3.7	FA	The policy on related party transactions which defines the dealings with the Company between related parties is documented in the Board Charter. It provides necessary controls to ensure that related pary transactions are purely at arms length basis. The Company has a policy and processes to address related party transactions that are outlined under Section 6.3 of the Board Charter. Transactions with related parties are further regularly disclosed in the Financial statements.	Section 6.3 of the Board Charter, 2022 Integrated Annual Report and Financial statements.
M	B.20	Has the Company appointed a qualified and competent Company Secretary who is a member in good standing of ICS?	2.3.9	FA	The Company has engaged the firm of Stamford Corporate Services LLP to support in the provision of Company Secretarial Services. Ms Winniefred Nyagoha Jumba is the nominated Company secretary. She is a member in good standing with the Institute of Certified Secretaries (ICS) (Reg. No. 1468)	2022 Integrated Annual Report and Financial Statements
A or E	B.21	Has the Board adopted policies and processes to ensure oversight of sustainability, environmental and social risks and issues?	2.3.2, 2.3.6	FA	The Preamble to the Board Charter is cognisant of the need for the Company to be aware of the impact of its environmental and societal interests on its reputation and long term success. The Company's sustainability initiatives that are incorporated in the Company's Annual Report.	Preamble to the Board Charter
A or E	B.22	Has the Board developed an annual work-plan to guide its activities?	2.6.3	FA	The Board has prepared an Annual work plan to guide the Board's activities	The Board annual work plan.

M	B.23	Has the Board determined, agreed on its annual evaluation process and undertaken the evaluation or the performance of the Board, the Board Committees, the CEO and the Company Secretary?	2.6.4, 2.8	FA	The Board has provided for an evaluation of the Board, Board Committees the Group Managing Director and the Company Secretary as provided in the Board Charter. The Board Evaluation for the year 2021/22 is planned to be undertaken during the current year .	Board Charter Section 2.3.1 (c)
A or E	B.24	Has the Board established and applied a formal induction program for in-coming members?	2.7.1	FA	There is an established formal induction program for the new Directors.	Board Charter Section 5.1.8; Board induction tool from the Company Secretary and the induction program by Management.
A or E	B.25	Do Board members participate in on-going corporate governance training to the extent of 12 hours per year?	2.7.3	PA	Directors undergo atleast a minimum 12 hours board development trainings that touch on corporate governance,legal reforms, business risks and any other mattaers that are of interest in the execution of their role. The Directors also pursued relevant trainings independently.	Board Charter Section 5.1.8

A or E	B.26	Has the Board set up an independent Remuneration Committee or assigned to another Board committee the responsibility for determination of remuneration of directors?	2.9.2	FA	The Board has set up a Board Nomination and Remuneration Committee (BNRC). The Committee annually reviews the remuneration of the non-executive directors and makes the appropriate recommendation to the Board on whether to maintain the remuneration as is or to vary it accordingly. The compensation scale is reviewed every three years.	Board Nomination and Remuneration Committee TORs; Remuneration policy, Board Charter Section 5.5 (b)
M	B.27	Has the Board established and approved formal and transparent remuneration policies and procedures that attract and retain Board members?	2.9.1	FA	The Board ensures that compensation and incentives for both EDs and NEDs are competitive and intended to encourage positive engagement with the Company in line with the provisions of the Board Charter. To this end, the Company undertakes a benchmarking survey with peer companies to inform the committee on whether to vary or maintain the remuneration payable to members of the Board. The Board has adopted Director's Remuneration Report and approved a Remuneration policy in accordance with new Companies Act/Regulations in 2018. The BNRC reviews the policy on an annual basis and has not recommended any change to the Remuneration policy since its adoption. A statement on the remuneration policy is presented in the Annual Report.	Remuneration Policy; Board Charter Section 5.10., Remuneration and expense Policy
M	B.28	How does the Board ensure compliance with all applicable laws, regulations and standards, including the Constitution and internal policies?	2.10, 2.10.1, 2.10.2	FA	The Board monitors compliance through the BARC, Management and internal audit reports, the report of the external auditor. The Board also ensures that governance and legal audits are conducted to verify the level of compliance diverse legal provisions and standards, including clauses, regulations, contracts, and other obligations that must be fulfilled as a legal entity.	Board Reports, Internal Audit Report, Statutory Financial, Governance and Legal Audits, Internal Assessments
M	B.29	In the past year, has the Board organized a legal and compliance audit to be carried out on a periodic basis?	2.10.3	FA	The Board regularly organizes for a legal and compliance audit. The Company is currently undertaking an independent comprehensive Legal and Compliance Audit for the Financial Year 2021/2022. The Audit is being conducted by Charles B.G. Ouma of Dorion Associates LLP, an advocate of the High Court of Kenya in good standing.	Legal and Compliance Audit Report
A or E	B.30	Has the Board subjected the Company to an annual governance audit?	2.11.1	NA	The Governance Audit for the year ended 30th June 2021 was conducted.	Governance Audit Report 2021

	C	RIGHTS of SHAREHOLDERS				
M	C.1	Does the governance framework recognize the need to equitably treat all shareholders, including the minority and foreign shareholders?	3.0 Overview, 3.2.1	FA	All shareholders are treated equitably. • All shares have been issued as ordinary shares and hence rank parri passu. • Minority protection rights are observed. • Information is disseminated to all shareholders through public announcements in newspapers of national circulation and posted on the Company's website. • Contact information is provided to allow shareholders to seek clarifications. The Company has commissioned a Shares Registrar (Custody and Registrars) to manage shareholder issues. • Annual General Meetings are held annually and allow for representation. A proxy can be directed by the member on how to vote. • The Company publishes in newspapers of nation-wide circulation its half year results and commentaries and cautionary announcements (where necessary) to inform all its shareholders of the Company's state of affairs.	The Companys Articles of Association, Board Charter
M	C.2	Other than at the AGM, how does the Board facilitate the effective exercise of shareholders' rights?	3.1.1	FA	The Board provides for the following additional avenues for shareholders to exercise their rights:- • Access to statutory information, either publicly shared on the website or at request through the Company Secretary or the shares registrar. • Shareholders are permitted to make representation on any corporate matters. This is through the interactive website platform or through general meetings. o The right to claim outstanding dividends. o The right to inspect company documents. o The right to transfer ownership. o The right to sue.	Board Charter Sections 4.1.4, 5.1.1/2, 5.7.3, 5.13 and 5.18
M	C.3	How does the Board facilitate shareholders participation at the AGM?	3.1.1	FA	The Board facilitates shareholder participation at general meetings in the following ways:- • The notice and agenda of the AGM is communicated to the shareholders within the statutory time limit including the annual report. • The Company has used technology to reach out to the shareholders e.g. use of the Company website to communicate their rights to appoint a proxy. • Shareholders are allowed to vote by proxy and a proxy form is provided in the annual report, on the Company's website. • The AGM notice provides for any other business of which due notice has been given to be discussed at the AGM. • Sufficient information on each agenda item and the resolution intended to be passed are included in the notice. • The Chairman invites shareholders to ask questions on the agenda items and adequate time is given for shareholders to ask any questions. The questions are responded to by the Board as well as management. • A call for a proposer and seconder from the shareholders is requested for by the Chairman only after all questions from the shareholders have been responded to. • The Company also chooses venues that are easily accessible to its shareholders and stakeholders.	The Company's Articles of Association, Board Charter, website, newspaper announcements

A or E	C.4	Are minority and foreign shareholders holding the same class of shares treated equitably?	3.2.1	FA	All shareholders hold ordinary shares which rank parri passu. Shareholders are treated equally. Information is disseminated to all shareholders at the same time and none has priority.	The Company's Articles of Association
A or E	C.5	Is there evidence that the Board proactively provides information to shareholders and the media, (and in a timely basis) on corporate affairs and corporate governance?	3.1.1, 3.4.1	FA	Periodic press releases are held in line with the CMA disclosure requirements to inform shareholders and the public of the Company's performance; the Company's website is continuously updated with information on the Company; share registrars and Company secretary are always available to respond to any questions that are raised.	The Company's website and material announcements published in newspapers
	D	STAKEHOLDER RELATIONS				
A or E	D.1	Does the Board have a stakeholder-inclusive approach in its practice of corporate governance and which identifies its various stakeholders?	4.1.1	FA	The Board has identified its stakeholders and addressed the relationship with each as indicated in the Board Charter. The key stakeholders include inter alia: the customer/consumers, shareholders and investors, suppliers & contractors, communities , government and regulatory bodies, industry bodies and employees. The Board has taken the approach of listening to the Company's stakeholders and learning from them. The Company employs a variety of informal and formal methods to gather and exchange information with its stakeholders, and to tailor its engagement process to suit each different stakeholder group. The insights that the Company has gained through the exchanges are fed directly into the Company's decision making processes and inform the sustainability strategies and priorities of the Company.	Board Charter Sections 5.7.3; Integrated Annual Report and Financial Statements
A or E	D.2	Has the Board developed policies, procedures and strategies to manage relations with different/key stakeholder groups?	4.1.2, 4.1.3, 4.1.5, 4.2.1	FA	The Company has in place the processes and procedures to address the relations with various stakeholders.	Board Charter Sections 5.7.3 Supplier and Customer Contracts/agreements
A or E	D.3	How does the Board take into account the interests of key stakeholder groups prior to making decisions?	4.1.4	FA	The Board has taken the approach of listening to the Company's stakeholders and learning from them. The Company employs a variety of informal and formal methods to gather and exchange information with its stakeholders, and to tailor its engagement process to suit each different stakeholder group. The insights that the Company has gained through the exchanges are fed directly into the Company's decision making processes and inform the sustainability strategies and priorities of the Company.	Board Charter Sections 4.1.4, 5.1.1/2, 5.7.3, 5.13 and 5.18
M	D.4	How does the Board ensure effective communications with stakeholders?	4.2, 4.2.1	FA	• The Company engages with its stakeholders through various means: Media and Company website. • The Regulators - engagement by directors and senior management with the representatives of the Authorities on a continuous basis. • Customers - through publications, Company website. • Employees - internal briefings and communication through memos, updates by the CEO, intranet. • Business partners - through hosting of periodic meetings, use of relationship managers. • Press releases; and • Suppliers through the Company's procurement framework.	Communication strategy, company website, AGM

M	D.5	Has the Board established a formal dispute resolution process to address internal and external disputes?	4.3.1	FA	Company documents have incorporated dispute resolution clauses for employees and for external parties. Internally, the Company makes reference to the Human resource policy which provides for actions to be taken to resolve internal disputes. On External disputes, recourse is to the mechanism as stated in various contracts with arbitration being the preferred mode. Amicable settlement of the disputes is always the first recourse of dispute resolution. The Board has developed a dispute resolution policy.	Human Resource Policy; Various contracts with third parties; Dispute Resolution Policy

	E	ETHICS AND SOCIAL RESPONSIBILITY				
A or E	E.1	Does the Board ensure that all deliberations, decisions and actions are founded on the core values (responsibility, accountability, fairness and transparency) underpinning good governance and sustainability?	5.1.1	FA	The Board has put in place a robust governance framework that ensures decisions taken are founded on responsibility, accountability, fairness and transparency and this is provided for in the Board Charter and within the broader governance framework (policies, committees, procedure manuals, strategy documents, visual signs around the office premises) The Board conducts quarterly reviews on the activities of management (both financial and non-financial) to ensure that it acts in accordance to the tenets of good governance. All Board members fill out conflict of interest declarations.	Board Charter, Section 5.11, Code of conduct and ethics, Financial/Annual reports, Compliance Reports
M	E.2	Has the Board developed a Code of Ethics and Conduct (which includes sustainability) and has it worked to ensure its application by all directors, management and employees?	2.6.1, 5.2.2, 5.2.3, 5.2.4	FA	The Code of Ethics & Conduct covers; conduct and responsibilities, professionalism, compliance with laws, conflicts of interest, gifts & hospitality, care of property, political involvement, insider trading, integrity of records and transactions, acting through others and conduct of private affairs. Initiatives to ensure its application include; training, monitoring adherence, providing mechanisms for whistleblowing of non-adherence, taking disciplinary action on offenders. Ethics related matters are discussed in detail by the Board Audit and Risk Committee on a quarterly basis and also reported to the full Board.	Board Charter, Section 5.11; and The Code of Ethics & Conduct
A or E	E.3	How does the Board ensure that compliance with the Ethics Code and Conduct is integrated into Company operations?	5.2.3	FA	The following has been instituted to ensure compliance with the code and its integration into the Company's operations; • Adoption of a Code of Ethics & Conduct. • Ensuring that the Directors sign the Annual Declaration page of the Code of Ethics & Conduct confirming their commitment to adhere to the Code. • Development of specific policies and procedures that support the Code of Ethics & Conduct and that provide further guidance to staff. • Regular review of business processes to ensure adherence to the Code. • Investigation and disciplinary action where ethical breaches are suspected. • Regular reporting of ethics initiatives to the Board Audit & Risk Committee. • Every member of staff is required to sign their consent to abide by the requirements of the Code by making reference to the Code in the employee's employment letter. Whistle blowing hot line to report any suspicious unethical behaviour.	Code of Ethics & Conduct

A or E	E.4	Does the Board incorporate ethical and sustainability risks and opportunities in the risk management process?	5.2.1	FA	The Board, through a multi-disciplinary team within the Internal Audit Division, facilitates the Company wide risk assessments that reviews all risks facing the Company. The top risks are discussed in detail by the Board Audit & Risk Committee. The Company has also adopted PaTaMu and Kaizen philosophies.	Internal Audit Plan and Report, minutes of the Board Investments and Operations Committee
A or E	E.5	How is the Company performance on ethics assessed, monitored and disclosed to internal and external stakeholders?	5.2.4, 5.2.5	FA	The Board Audit & Risk Committee obtains quarterly updates on ethics related matters. Other programs such as surveys on ethical culture are conducted.	Whistle blowing platform and employee surveys
A or E	E.6	Has the Company established and implemented a whistle blowing policy?	5.2.5	FA	The Company has put in place a whistleblowing policy which provides for the internal mechanisms for the effective receipt and management of information on suspected violations. Such avenues include a toll free hotline, email and link. The framework is in place and regular reports made to the Audit & Risk Committee	Whistle Blowing Policy is published on the website.
A or E	E.7	Has the Board/or management developed policies on corporate citizenship and sustainability and strategies for Company use?	5.3.1, 5.4	FA	The Board approved a Sustainabity Policy during the year and reviewed the new Strategic plan which is futuristic and taking into account the developements in ESG. Corporate Citizenship and Responsibility is encapsulated in the Board Charter and acknowledged as having impact not only on the Company's reputation, but also on the long term success in line with the governance framework. The Board has also ensured that the Company has positioned itself as a responsible corporate citizen through social investment initiatives as well as through creating meaningful relationships with different stakeholders. The Company strategy promotes various sustainability initiatives that are incorporated in the Company's Annual Report.	Sustainability Policy, Board Charter; Preamble
M	**E.8**	**Does the Board consider not only the financial performance but also the impact of the Company's operations on society and the environment?**	**5.3.2, 5.3.3**	**FA**	**The Annual Reports confirms the Company's commitment in sustainability initiatives, Environmental Impact of operations, Energy Conservation, Health and Industrial Safety in addition to financial performance. The Company also performs various Environmental audits and participates in Awards. The philosophies of PaTaMu and Kaizen are also integrated in the performance management process and the Company's KPIs. The Company also runs Employee wellness programs.**	**The 2022 Intergrated Annual Report**
A or E	E.9	Does the Board monitor and report activities leading to good corporate citizenship and sustainability to demonstrate they are well coordinated?	5.4.1	FA	The Board on a quarterly basis receives reports on the Company's sustainability initiatives, financial and non-financial performance through BARC. The summary of the collective impact of the various initiatives are reported to the stakeholders in the Annual Report.	Quarterly Management Reports. The Intergrated Annual Report

	F	ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL				
M	F.1	Does the Audit Committee and the Board consider and review the financial statements for integrity of the process and for truthful and factual presentation?	6.1, 6.1.1a	FA	The Board Audit & Risk Committee considers and reviews with Head of Internal Audit on any significant findings and recommendations of the external and internal auditors , together with management's response thereto. Once satisfied, the financial statements are presented to the Board who ask any questions with respect to the financial statements and thereby approve the statements.	Minutes of the BARC meetings; TORs of BARC Section 3 and 5 (j)
M	F.2	Does the Annual Report contain a statement from the Board explaining its responsibility for preparing the accounts and is there a statement by the external auditor about his/her reporting responsibilities?	6.1.2	FA	The Annual Report contains a statement of Directors' responsibilities which fortifies the Board's role in the preparation and presentation of the Company's financial statements in accordance with accepted standards and the Companies Act, 2015. The Annual Report also discloses the external auditor's reporting responsibilities.	The 2022 Intergrated Annual Report and Financial statements.
A or E	F.3	Does the Board or audit committee have a process in place to ensure the independence and competence of the Company's external auditors?	6.1.1b	FA	As part of its mandate, the Board Audit & Risk Committee evaluates the performance of the external auditors annually including their independence and makes the relevant recommendation to the Board.	TORs of BARC
M	F.4	Do the shareholders formally appoint the external auditor at the AGM through a formal and transparent process?	6.1.3	FA	The appointment of the external Auditor is a constant recurring agenda item outlined in the notices of AGM for each financial year. At the AGM, the proposal is made to the shareholders to appoint the auditors following the recommendation of the Board. The shareholders have the right to accept or refuse the recommendation.	Previous AGM notices and agendas.
A or E	F.5	Is the Company working towards the introduction of integrated reporting (incorporating financial and non-financial information) or is the Company's Annual Report prepared on an integrated basis using a framework available from the Integrated Reporting Council, The Global Reporting Initiative, G4 Sustainability Guidelines and/or Sustainability Accounting Standards Board standards?	6.1.5	PA	The Company has already implemented integrated reporting. This is the fifth year of implementation. This has been embraced in part to allow for the reporting of other significant non-financial performance related information over and above financial performance reporting. The Annual report has a section that addresses issues of Corporate Governance and Corporate Social Responsibility and Sustainability to address the information that different stakeholders would be looking for. Additional work is ongoing in this area to facilitate integrated reporting.	The 2022 Intergrated Annual Report
A or E	F.6	Has the Board established an effective risk management framework which is inclusive of key risks as well as foreseeable risks, environmental and social risks and issues ?	6.2.1	FA	The Company has set up a fully-fledged risk management framework that is supported by the Finance Department, which monitors and assesses risk affecting the various aspects of the Company continuously and provides mitigation measures thereof. Oversight is provided through BARC and Management Risk Committee, with input from the internal audit function and the external audit function. The Risk Department is led by a Head of Risk & Compliance and the risk controls supported by an ERP - (SAP)	Extracts of the minutes of the BARC minutes and accompanying reports

M	F.7	Has the Board established and reviewed on a regular basis the adequacy, integrity and management of internal control systems and information systems (including for compliance with all applicable laws, regulations, rules and guidelines)?	6.3.1, 6.3.2, 6.3.3	FA	The Company's Internal Audit department monitors and reports to the BARC the adequacy of the Company's internal control systems. The department reviews the systems on an ongoing basis and identifies all breakdowns in the controls and management actions thereof. Any concerns are presented to the BARC for additional reviews of the identified risks and controls and reports the position to the Board. The legal compliance and governance audits are also used to establish the Company's compliance on legal and compliance matters. The audit of the SAP ERP is undertaken routinely by the external auditor.	Minutes of the BARC meeting and accompanying Risk Commitee reports.
M	F.8	Does the Board annually conduct a review on the effectiveness of the Company's risk management practices and internal control systems and report this to shareholders?	6.4.1	FA	The effectiveness of the Company's risk management practices and internal controls is reviewed continuously by the Board and the results thereof are captured in the Annual Report (which is available to all Stakeholders). The external auditors also perform a systems audit as part of the financial audit.	The 2022 Intergrated Annual Report
M	F.9	Has the Board established an effective internal audit function according to Code requirements and which reports directly to the Audit Committee?	6.5.2	FA	The Company has set up an Internal Audit Function. It reports to the Board Audit & Risk Committee, with administrative line to the GMD). A report is presented to the Board on a quarterly basis to brief on the Committee's activities.	Minutes of the BARC meeting and accompanying Risk Commitee reports.
A or E	F.10	Does the Board disclose details of Audit Committee activities ?	6.5.2	FA	The Annual report and audited financial statements disclose the audit activities that were undertaken in the financial year, the audits that were undertaken and the findings thereof; the Corporate Governance Statement states the functions of the BARC, indicates the members of BARC and their attendance at the BARC meetings.	2022 Integrated Annual Report and Financial Statements

	G	**TRANSPARENCY and DISCLOSURE**				
M	G.1	**Does the Company have policies and processes to ensure timely and balanced disclosure of all material information as required by all laws, regulations and standards and this Code.**	**7.0 Overview, 7.1.1**	**FA**	**The Company has policies and processes to ensure timely and balanced disclosure of material information. The Company has set up fully fledged departments that support in this role as well as contracting external service providers to assist and ensure that timely disclosures are made to the Regulator, the Central Depository, the Exchange and the General Public. e.g. Board Charter, Insider Trading policy, Code of Conduct have defined material information and the procedures to follow in making the attendant notifications.**	**Governance and Operational policies.**
A or E	G.2	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the Company's governance, the Board and the Audit Committee?	7.1.1	FA	The Annual report contains the Corporate Governance Statement which outlines information on the Company's governance, the Board and the Audit committee.	2022 Annual report
A or E	G.3	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the Company's mission, vision and strategic objectives?	7.1.1	FA	The mission, vision, core values and strategic objectives are specifically stated in the Company's annual report.	2022 Annual report
A or E	G.4	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to remuneration and whistleblowing?	7.1.1	FA	The Company has included in the annual report the Board Remuneration Report and that of Executive Directors (Page 83). The Company has implemented a Whistle Blowing Policy which allow for both internal and external reporting through multiple reporting channels.	2022 Annual report
A or E	G.5	As a minimum, does the Company website disclose current information on all areas prescribed in 7.1.1 (Board Charter, Whistleblowing Policy, Code of Ethics and information on resignation of directors)?	7.1.1	PA	The Company's website discloses various information on the Board of Directors, Company Secretary, key management and annual reports. Any press release from the Company is published in two newspapers of nationwide circulation.	https://unga-group.com/
A or E	G.6	Does the Board disclose the management discussion and analysis as required in 7.1.1?	7.1.1	FA	The Company has adopted integrated reporting format and gives adequate disclosures on the Company's governance framework. The information is contained in the annual report and the Company's website.	Company Website the 2022 Intergrated Annual report
A or E	G.7	Has the Board provided disclosures as required in 7.1.1 on compliance with laws, regulations and standards; ethical leadership, conflict of interest, corporate social responsibility and citizenship?	7.1.1	FA	The Company is currently undertaking a Legal and Compliance Audit. The Board has provided disclosures in the annual report including Directors' interests and a statement on citizenship (corporate social responsibility).	2022 Annual report

A or E	G.8	Has the Board made all required disclosures, including confirming requirements of 7.1.1 which include that a governance audit was carried out and that there are no known insider dealings?	7.1.1	FA	The Company has undertaken a Governance Audit for the financial year ended 30th June 2021 and the Auditor provided an unqualified opinion. The Annual Report discloses that there were no known insider or identified instances of insider dealings.	2021 Governance Audit, 2022 Annual Report
A or E	G.9	Has the Board disclosed the Company's risk management policy, Company procurement policy, policy on information technology as per 7.1.1?	7.1.1	FA	The Company has put in place a policy framework which also covers a Risk Management Policy, procurement policy and ICT policy.	Risk Management Policy Procurement policy ICT policy
M	G.10	Has the Board disclosed information on shareholders, including the key shareholders, including shareholding by directors and senior management and the extent of their shareholdings as required in 7.1.1 and on stakeholder who influence Company performance and sustainability?	7.1.1	PA	The ten largest shareholders of the Company are disclosed and categorized on the 2022 Annual Report according to their respective domiciles and corresponding equity in the Company.	2022 Annual Integrated Report
M	G.11	Has the Board disclosed all related-party transactions?	7.1.1t	FA	All related -party transactions were disclosed in the 2022 Annual report.	2022 Annual Integrated Report
M	G.12	Does the Board include in its Annual Report a statement of policy on good governance and the status of the application of this Code?	1.1.3, 7.1.1r	FA	The Annual Report provides a Statement on Corporate Governance and provided a status of application of the Code in the Annual report.	2022 Annual Integrated Report

Note 1 The Reporting Template shall be used by companies to report on their application of the provisions of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code). The completion of the Reporting Template and its filing with the Capital Markets Authority (CMA) will fulfil the reporting requirements of the Code at 1.1.3 paragraph 2. All elements marked in green are mandatory and MUST be complied with. Failure to fully apply will result in regulatory sanctions. When completing column 'F' for MANDATORY ITEMS, 'FA' will mean 'Fully Complied With', 'PA' will mean 'Partially Complied With' and 'NA' will mean 'Not Complied With'.

Note 2 Column 'F' should be marked as follows: 'FA' - Full Application, PA - Partially Applied or 'NA' - Not Applied. Full application of this Code is required by the Code. Therefore anything less than 'full application' is considered 'non compliance or non-application' of the Code. A response of PA or NA is non-compliance and requires an explanation to be provided with a firm commitment to moving towards full compliance. See also Note 4.

Note 3 An explanation of how the Code provision is applied is required in column 'G' and shall be supported by evidence of how application has been achieved. If the provision is NOT applied, an explanation for why it is not applied or only partially applied is required in column 'G'. For each question, column 'G' must be completed.

Note 4 If an explanation is required because of non-application of any element of the Code, the explanation must be satisfactory, must be provided to relevant stakeholders including the Capital Markets Authority and shall include:

a: reasons for non-application

b: time frame required to meet each application requirement

c: the strategies to be put in place to progress to full application

UNGA GROUP Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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CORPORATE INFORMATION

DIRECTORS	I Ochola-Wilson (Mrs)	Chairman
	J Choge	Group Managing Director (Appointed 1 Dec 2021)
	N C Hutchinson*	Group Managing Director (Resigned 31 Dec 2021)
	J K Kibet	
	V O Ojode	
	A McKittrick	
	P O Obath	
	S Haria (Ms)	
	A S M Ndegwa	
	W Wangari	
	C Miringu	
	*British	

SECRETARY

Winniefred Nyagoha Jumba
Plot LR. No.209/6921
5th Floor, West Wing
ICEA Lion Centre, Riverside Park
Chiromo Road, Westlands
Nairobi

REGISTERED OFFICE

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

REGISTRARS

Custody & Registrars Services Limited
1st Floor, Tower B, IKM Place
5th Ngong Avenue
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
The West End, Waiyaki Way
P O Box 30120, 00100
Nairobi

LAWYERS

Coulson Harney LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road, Nairobi
PO Box 10643-00100
Nairobi, Kenya

CHAIRMAN'S STATEMENT

The operating landscape

The 2022 financial year was characterized by unprecedented challenges, including the persisting impacts of the Covid-19 pandemic, the Ukrainian-Russian conflict, a protracted political season, intense competition, and raw material shortages, all of which hampered our growth ambitions and financial performance.

According to the 2022 Economic Survey, Kenya's economy recovered from the crippling effects of the pandemic to expand by 7.5 per cent in 2021 compared to a contraction of 0.3 per cent in 2020. This recovery was mainly driven by resumption of most economic activities after the lifting of the containment measures instituted in 2020 to curb the spread of the virus.

Whilst this was progressive, unfavourable weather conditions in 2021 continued to constrain the growth of the agricultural sector, with production of maize declining by 12.8 per cent from 42.1 million bags in 2020 to 36.7 million bags in 2021. Wheat production decreased by 39.4 per cent from 405.0 thousand tonnes in 2020 to 245.3 thousand tonnes in 2021. As a result, the amount of wheat imported increased by 6.4 thousand tonnes to 1.89 million tonnes in 2021.

This erratic supply of grain in the period continued to be the most significant operational challenge for our business. Coupled with this was the intense and cutthroat competition from new market entrants who have impacted our market share on the back of price-based rivalry. Resultantly, our production volumes contracted during the year. However, our revenues for the Group increased by 1% because of raw material price inflation, impacting our margins and bottom line.

The agricultural sector is expected to underperform due to poor and unpredictable weather patterns caused by climate change. Production of key crops was suppressed in the first quarter of 2022 following the failure of short rains in most part of the country in the fourth quarter of 2021. Furthermore, production in the second quarter of 2022 is likely to be impeded by the delayed long rains. As a result, the sector's performance is expected to be below par in 2022, further limiting our ambitions. There is need to look beyond local sources of raw materials.

Difficult decisions

This has been a difficult year for the Board. Our animal nutrition business has continued to struggle in the face of increased competition, raw material supply bottlenecks, and compressed demand due to the high cost of living which has forced farmers to seek alternative animal feeds. The same complications confronted our human nutrition business.

We have had to make extremely difficult decisions as a Board, with more concerted efforts focused on fire fighting in order to keep our business running in the face of all of the aforementioned headwinds. This has been a period in which we have had to continually think and rethink on the fly to overcome bottlenecks, including having to source for alternative raw materials.

Silver lining

Despite the extraordinary social and economic challenges, we have had some silver linings that we continue to leverage to position the business for growth. Among these is the signing of our partnership with Nutreco to produce fish feeds in Kenya and animal feeds in Uganda. The Ugandan operation is at the Unga Millers (Uganda) Limited facility, which had been dormant since 2017. We hope to maximize on Uganda's easier access to raw materials such as soya.

As I reported last year, we successfully recruited and on-boarded our new Group Managing Director, Mr. Joseph Malel Choge, at the end of last calendar year, who has settled in well and continues to steer the ship despite the turbulent waters. The Board is aware of the current complications and continues to support Joseph and his management team in their efforts to find the right balance to continue developing our business and ensuring its sustainability into the future.

CHAIRMAN'S STATEMENT (continued)

The period also saw the completion of our divestiture from Ennsvalley Bakery Limited, a strategic decision that has allowed us to focus our dynamism on the niche areas where we believe we can maximize value for our customers and shareholders.

Investing for the future

Looking ahead, we have observed changing consumer purchasing habits, particularly among younger consumers who prefer convenient, nutritious foods that are easy to prepare while also being health conscious. We are responding to this shift by repositioning ourselves as a holistic foods company through strategic joint ventures and partnerships. The journey has begun with looking into different food options for different occasions.

In the same breath, the Group is resolute to continue investing for growth, particularly by diversifying our revenue streams, to maximize value for our shareholders and customers. As part of this, driving value addition in our existing products and raw materials will be critical to bolster and drive more value for our customers.

Compliance to ESG Reporting

The Board remains conscious of its responsibility to become more involved on Environmental, Social, and Governance (ESG) issues in the face of growing stakeholder demand for a more comprehensive view of a company's activities and performance beyond financial reports. As a Group, we remain committed to adhering to all applicable regulations, including the new Nairobi Securities Exchange ESG Disclosures Guidance Manual for listed companies, which advocates for improved disclosure on businesses' sustainability impacts.

We have continued to embed sustainability as a key part of our business strategy and are, among other things, investing heavily in green projects, including on-going plans to implement a sizable solar energy project as a way of diversifying our energy sources and avoiding overreliance on the national grid. Furthermore, we have committed to increasing our community investment initiatives by rolling out additional shared value programs with the intention of further enhancing our positive impact on society.

Corporate Governance

From a corporate governance standpoint, the Board continues to maintain solid diversity, with our Board of Directors armed with the necessary capability, openness, principles, and experience to steer the company towards achieving its strategic imperatives.

As a Board, we have also learned critical lessons in the challenging operating environment, which have continued to shape the way the company interacts with its various stakeholders including employees, customers, and shareholders. Among the reorganizations we have had to make is the virtual hosting of our Annual General Meetings, for the second year running. On behalf of the Board of Directors, I continue to implore our shareholders to be patient as we review and analyse the environment before deciding on resuming physical meetings.

Dividends

As a Group, the volatile operating environment means we have not performed as anticipated. In light of this, the Board of Directors do not recommend the payment of a dividend. However, we remain cautiously optimistic about the future and are recommitting our energies and resources towards the transformation of our business from our legacy positioning into a future-fit organization. The Board remains confident and supportive of Mr. Choge and the entire management team's ability and agility to continue driving our business into new and disruptive territories as we reposition the business for the future.

CHAIRMAN'S STATEMENT (continued)

Appreciation and outlook

In conclusion, I would like to express my heartfelt gratitude to my fellow Board of Directors for their unwavering commitment to the company's agenda despite the highly volatile operating environment that we faced during the period under review. Special recognition also goes to the management team and all employees for their resilience, agility in the face of adversity, and creativity and innovation, which have enabled the company to adapt and keep going despite various storms.

I would also like to thank our customers for continuing to entrust us with their human nutrition and animal nutrition needs in the face of fierce competition. Our pledge is to continue improving and maintaining the highest levels of standards and quality in our products to protect your health and that of your animals.

To our shareholders, thank you for your indulgence and patience as we navigate the current turbulent waters. We are confident that better days are ahead of us under the direction of our new, dynamic, and energetic management team led by Mr. Choge. The Board will continue to provide management with the necessary oversight and support as they execute on their strategic priorities.

Isabella Ochola-Wilson (Mrs)
Chairman

GROUP MANAGING DIRECTOR'S STATEMENT

The financial year in review

I am pleased to present my first commentary as Group Managing Director, having joined the company in December 2021. Given the turbulent operating environment both locally and globally, the management team and I have had a mixed bag.

The year was dominated by unexpectedly high wheat and maize prices caused by supply chain disruption due to the war in Ukraine, poor harvest locally, and grain export restrictions imposed by neighbouring countries. The period was also marked by inflation fuelled by record oil prices both locally and internationally and a volatile currency exchange rate environment.

These factors distorted our plans, owing primarily to the inflation in the domestic market which reduced affordability of our products. While we actively engaged our consumers, our volumes were derailed by the tenacious maize shortage, forcing millers to import the commodity all the way from Zambia. As a result, we couldn't match the high local demand, leading to empty supermarket shelves and the closure of several small and medium-sized millers.

The high prices of imported yellow maize also impacted our animal feed production, considering the trade-off that had to be made to satisfy the human nutrition side on a priority basis.

The competitive landscape has continued to intensify, with over 50 new millers joining the fray over the last two years alone. On our part, we have continued to leverage on our brand which is centred on quality and always ensuring the safety of our products by, for example, ensuring that our products are free of aflatoxin contamination.

In addition, we continue to be affected by cheap poultry imports from the region and fish from Asia, resulting in condensed market for our animal nutrition products.

Performance highlights

Our financial performance for the period reflects the difficult operating environment that prevailed during the year in review. Volume-wise, we remained under pressure, declining by 10% impacting our underlying business and returning an operating loss of Kes 502 million. We have however managed to contain operating expenses. The overall profit after tax shows an improvement due to a book gain recorded from the transfer of assets to ventures with Nutreco (Tunga Nutrition), net of impairment charge on our mills.

Re-strategizing the business for the future

In the short term, our top priority is stabilizing the ship amidst the current storms. We will achieve this by putting the needs of the consumer first in all our decisions. Our focus has, over the last six months, been on repositioning our business for the future by considering how we can better communicate with consumers and become a more customer-centric organization. It has also been a time for us to reflect on our core values and what motivates us daily, as well as to rethink our mission and vision in order to secure the business for the next 100 years.

As the captain of this ship, I am excited about our future and where we want to go, how we want to source, and how we want to collaborate with farmers to secure our inputs in terms of both availability and cost.

Strategic priorities for the year

We continued to optimize our milling facilities by consolidating production of different products at the most suitable and efficient plants.

As the consumer spending power shifts to the younger demographic, we are executing brand building and awareness communication campaigns aimed at them in preparation for our transition into a general food company.

GROUP MANAGING DIRECTOR'S STATEMENT (continued)

Strategic priorities for the year (continued)

We intentionally focus on maintaining a healthy balance between our animal and human nutrition businesses. Our goal is to achieve a fair portfolio balance in all aspects.

To secure our supply chains, we are keen on working more closely with the farmers and our various partners on ensuring that we get it right on our raw material acquisition and subsequently seek to transfer the gains to our very valued consumers.

Consumer-first approach

We have also strengthened our route to consumer strategies by prioritizing initiatives that will allow us to reach the customer more conveniently. For example, to enhance brand awareness and appreciation among consumers, we have invested significantly in digital and influencer marketing strategies over the past six months. During the Covid-19 and electioneering period, we have leveraged digital capabilities to provide our products directly to our end consumers through online platforms such as Bidhaa Mlangoni. We will continue to work with our e-commerce partners in strengthening our technology-driven distribution capabilities so as serve our customers more efficiently, conveniently, and affordably.

Suffice it to say, we are encouraged by the level of engagement and feedback we are receiving, which will help us improve the quality of our products and the way we reach our customers. We are implementing new customer feedback channels and mechanisms to ensure that we are constantly engaging and listening to our customers in order to fully understand their needs and aspirations.

We have in addition established a new product development team to drive our agenda and ambition to transition from a milling company to a food company. We shall continue to strengthen our existing food products in readiness for this journey.

Operating responsibly

We continue to prioritise responsible business practices across our supply chain, from sourcing raw materials grown in the right way, to ensuring our products are beneficial to the end consumer. Our most important social responsibility has always been to protect the consumer's health by ensuring we meet and exceed the quality standards required for healthy nutrition in accordance with our purpose of being the consumer's nutrition partner.

As part of our diversity and inclusion agenda, we are deliberately increasing the participation of female employees in our organization as well as working with differently abled people by, among other things, ensuring an accommodating workplace for them.

We are looking at ways of implementing green strategies in our operations in order to reduce our energy consumption and carbon emissions.

Outlook

Volumes are expected to rise in the coming year as supply pressure from source markets eases, both locally and globally. In addition, the heightened marketing activities are expected to drive additional volumes and market share for the Group.

However, we remain aware of the on-going threats to our business, such as unpredictable raw material supply because of the current drought, shifts in international markets and further market fragmentation including the entry of players. We will remain vigilant and deliberate in defending and expanding our market share.

GROUP MANAGING DIRECTOR'S STATEMENT (continued)

Thank you note

As I conclude, I want to express my heartfelt gratitude to all Unga employees for warmly welcoming me to the organization, assisting me in settling in, and rallying behind the vision that we are together creating. Collectively, we are building an organization where everyone is a 'leader without a title', knows what is expected and is more consumer-oriented than ever before.

A big thank you to our customers for continuing to be the reason we are.

To our shareholders, we have been through turbulent and unpredictable times, and as management and with the Board's support, we are intent on righting the ship and positioning the company for success in the coming financial year.

Finally, many thanks to the Board for your help and critical input into our new approach. We will continue to collaborate for the organization's success.

Joseph Choge
Group Managing Director

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 30 June 2022, 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

The Group's revenue increased by 1% while the profit after increased by 6%.

Overall operating profit was affected by reduced margins, impairment of assets and finance costs. Gains from transfer of assets to the new ventures with Nutreco helped to reduce the negative impact.

Wheat and maize prices increased during the year due to poor harvest, weakened local currency and adverse fiscal measures imposed by some of the exporting countries. Other raw material prices were also relatively high in the period.

Depreciation of the Kenya Shilling against the US Dollar impacted importation costs and led to substantial forex losses.

Credit risk remained high, but the Group continued to make every effort to accommodate its customers to ensure product availability.

Two ventures with Nutreco BV were operationalized in the year; one to expand aquafeed production and marketing capability in the region, the other to manufacture animal feed and expand the sale of feed premixes in Uganda. The company's contribution into the ventures includes cash and transfer of assets and customer relationships. Divesture from bakery business was completed in the first half of the financial year. An impairment of Kes 492 million was booked to reflect decline in capacity utilization of wheat mills.

Summary financial performance	**2022 Shs'000**	**2021 Shs'000**
Revenue	18,032,334	17,812,638
Gross profit	1,409,061	1,889,074
Gross profit margin	8%	11%
Operating (loss)/ profit	(502,040)	616,202
Profit/ (loss) from discontinued operations	802,524	(13,488)
Profit for the year	311,361	293,477
Total assets	10,287,650	10,048,779

RESULTS AND DIVIDEND

The profit attributable to equity holders of Shs 187,414,000 (2021: Shs 179,175,000) has been added to retained earnings. The directors do not recommend payment of dividend in respect of the financial year (2021: Nil).

In view of the need to ensure existing businesses maintain healthy liquidity levels in the current tough economic conditions, Directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year and to the date of this report are set out on page 1.

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

The Board Audit and Risk Committee monitors 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 29 September 2022.

By order of the Board

W Jumba

Winniefred N Jumba

SECRETARY

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

Dear Shareholder

Directors' Remuneration Report for the year ended 30 June 2022.

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 roles;
- A highlight of the current directors' remuneration policy which was approved at the 2018 AGM; and
- The annual remuneration report, describing how the remuneration policy has been put in practice during the year ended 30 June 2022 and how it will be implemented in the year ending 30 June 2023.

Role of the Committee

The members of BNRC 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 five times. Details of attendance at meetings by Committee members are shown in the Corporate Governance section of the 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 for the Group Managing Director.

Our remuneration principles

The Board Nominations and Remuneration Committee in union 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 its executive pay is appropriate in the wider context in which the business operates.

Similar to many listed companies, the Group needs 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.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2022 (continued)

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 in more detail.

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 all employee and 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

The BNRC's overarching principle for recruitment remuneration is to pay no more than is necessary to attract an Executive of the caliber required to shape and deliver Unga's business strategy in recognition that Unga competes for 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 case an internal candidate is promoted to Executive position, legacy terms and conditions would be honoured, including pension entitlements and any outstanding awards.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2022 (continued)

Service contracts and policy on payment for loss of office

Executives have rolling employment contracts. The contracts provide for payment of outstanding pay and bonus, or termination following changes in the Group.

Overview of Remuneration in 2022

	Key features	Purpose and link to strategy	Implementation in 2022
Salary	• Reviewed annually in July 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.	• There was a 6% COLA increase awarded for all qualifying employees during the year. • Supported by a comprehensive review of total target remuneration versus the external market.
Allowances and benefits	• Provision of competitive benefits. • Maximum company pension contribution is 7.5% of base salary for other employees.	• Provision of market competitive and cost-effective benefits supports attraction and retention of talent.	• Changed from prior year: - 7.5 % of salary for new GMD in line with all employees. Previously 6% in line with Seaboard policy.
Annual incentive	• Performance bonus. • Paid out in cash after the end of the financial 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.	• There was no bonus payout for 2022 financial year as the Company did not meet its operational targets.
Long term incentives	• There is presently no Long-term incentive scheme within the Group.	• 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
Shareholding requirement	• There is presently no Employee Share Ownership Plan.	• Ensure alignment between the interests of Executive Directors and shareholders	• N/A

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.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2022 (continued)

Statement of Voting on the Directors Remuneration Report at the previous Annual General Meeting.

During the Annual General Meeting held on 10 December 2021, the shareholders in attendance approved the Directors' Remuneration policy and Directors' Remuneration Report for the year ended 30 June 2021.

The results on voting were as follows:

	RESOLUTION	Voted in Favour	% In Favour	Voted Against	% Against	Abstained	% Abstained	RESULT
7.a)	Directors Remuneration To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 30 June 2021	52,462,109	88.21%	7,007,183	11.78%	1,625	0.00%	**PASSED**
7.b)	To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 30 June 2021	52,462,634	88.22%	7,006,436	11.78%	1,847	0.00%	**PASSED**

At the Annual General Meeting to be held on 8 December 2022, the shareholders will also consider the Directors' Remuneration Report for the year ended 30 June 2022.

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.

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 2022.

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 2022 (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 2022 together with the comparative figures for 2021. The aggregate Directors' emoluments are shown in Note 31(iv) of the audited financial statements.

	Salary Shs 000	Fees Shs 000	Bonuses Shs 000	Expense allowances Shs 000	Loss of office/ Termination Shs 000	Estimated value of non-cash benefits Shs 000	Total Shs 000
Year ended 30 June 2022:							
Nicholas Hutchinson	24,912	-	-	111	-	12,250	37,273
Joseph M Choge	29,342	-	-	5,995	-	-	35,337
Isabella Ochola Wilson	-	4,368	-	-	-	-	4,368
Alan McKittrick	-	2,118	-	-	-	-	2,118
Andrew S Ndegwa**	-	2,532	-	-	-	-	2,532
Patrick Obath	-	3,132	-	-	-	-	3,132
Jinaro Kipkemoi Kibet	-	2,802	-	-	-	-	2,802
Vitalis Ondeke Ojode	-	2,022	-	-	-	-	2,022
Shilpa Haria	-	2,094	-	-	-	-	2,094
Maureen W Miring'u	-	2,412	-	-	-	-	2,412
Wangari Murugu	-	2,412	-	-	-	-	2,412
Patrick Mugambi**	-	288	-	-	-	-	288
	54,254	24,180	-	6,106	-	12,250	96,790
Year ended 30 June 2021:							
Nicholas Hutchinson	25,313	-	-	1,157	-	9,467	35,937
Isabella Ochola Wilson	-	3,972	-	-	-	-	3,972
Alan McKittrick	-	2,604	-	-	-	-	2,604
Andrew S Ndegwa**	-	2,706	-	-	-	-	2,706
Patrick Obath	-	2,592	-	-	-	-	2,592
Jinaro Kipkemoi Kibet	-	2,004	-	-	-	-	2,004
Vitalis Ondeke Ojode	-	2,004	-	-	-	-	2,004
Shilpa Haria	-	2,076	-	-	-	-	2,076
Maureen W Miring'u	-	2,472	-	-	-	-	2,472
Wangari Murugu	-	2,472	-	-	-	-	2,472
Patrick Mugambi**	-	288	-	-	-	-	288
	25,313	23,190	-	1,157	-	9,467	59,127

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

The Annual Remuneration Report will be put forward for your consideration and approval by vote at the AGM to be held on 8 December 2022.

We were pleased to receive a strong vote in favour of our remuneration policy report last year. I highly value the engagement from our shareholders and look forward to welcoming you and receiving your support again at the AGM this year.

On behalf of the Board of Directors

Patrick Obath
Chairman, Nomination and Remuneration Committee
29 September 2022

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's 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 29 September 2022 and signed on its behalf by:

I Ochola- Wilson (Mrs)	**J Choge**
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 21 to 80 which comprise the consolidated statement of financial position at 30 June 2022, and the 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 at 30 June 2022, and the Company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 as at 30 June 2022 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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.

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

Key audit matter	***How our audit addressed the key audit matter***
Impairment of property plant and equipment As explained under note 22, an impairment assessment test was carried out to assess the carrying value of milling plant and equipment included in property, plant and equipment as required by IAS 36. The test for impairment was significant to our audit because the net carrying value for the assets amounting to Shs 830 million is material to the financial statements and also because the value-in-use calculations prepared by management for assessing whether there is impairment involve the use of significant estimates and assumptions. The assumptions with the most significant impact to the value in use calculations are: • Volume growth rate • Gross profit margin • The discount rate • Selling General & Administrative (SG&A) cost as a percentage of revenue	We evaluated management's value-in-use calculations based on the historical performance of the business, approved budgets, and the macro- economic and business outlook. We tested the value-in-use calculations for accuracy and consistency and tested the key assumptions for reasonableness including sensitivity analysis. We assessed the adequacy of the disclosures in the financial statements.
Investment in Associates- Valuation of customer relationships Management finalised their investment in Tunga Nutrition (K) Limited and Tunga Nutrition (U) Limited ventures during the year. Accounting for the investment in the associates involved fair valuation of customer relationships transferred as explained in Note 33. Fair valuation of customer relationships is considered a key audit matter because there are significant assumptions and estimates involved in the fair value calculations and the amounts calculated are material to the financial statements. The assumptions with the most significant impact to the fair value calculations are: • Projected customer relationships life • Revenue growth rate • Customer attrition rate • Net margin projection • The discount rate • Contributory asset charge	We evaluated management's fair value calculations based on the historical performance of the respective businesses, approved budgets, and the macro- economic and industry outlook. We tested the fair value calculations for accuracy and consistency and tested the key assumptions for reasonableness including sensitivity analysis. We assessed the adequacy of the disclosures in the financial statements

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

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 Annual 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, except to the extent otherwise explicitly stated in this report, 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.

When we read the rest of the other information in the Annual 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for such internal controls 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.

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

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.

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.

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

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on pages 8 - 9 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 14 has been properly prepared in accordance with the Companies Act, 2015.

Bernice Kimacia

CPA Bernice Kimacia – Practising Certificate No. 1457
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

29 September 2022

Consolidated statement of profit or loss

For the year ended 30 June	Notes	2022 Shs '000	2021 Shs '000
Revenue from contracts with customers	5	18,032,334	17,812,638
Cost of sales		(16,623,273)	(15,923,564)
Gross profit		1,409,061	1,889,074
Other income	8	115,241	24,738
Selling and distribution costs		(772,252)	(819,651)
Administrative expenses		(1,254,090)	(477,959)
Operating (loss)/ profit	11	(502,040)	616,202
Share of profit in associate	33	7,429	-
Finance income	10	41,079	19,597
Finance costs	10	(267,446)	(150,567)
(Loss)/ profit before income tax		(720,978)	485,232
Income tax expense/ (credit)	13	229,815	(178,267)
(Loss)/ profit from continuing operations		(491,163)	306,965
Profit/ (loss) from discontinuing operations	32	802,524	(13,488)
Profit for the year		311,361	293,477
Attributable to:			
Owners of the parent		187,414	179,175
Non-controlling interests		123,947	114,302
		311,361	293,477

(Loss)/ earnings per share attributable to owners of the Company (expressed in Kenya shillings).

		2022	2021
Basic and diluted (loss)/ earnings per share	6	2.48	2.37
Continuing operations		(4.41)	2.49
Discontinuing operations		6.89	(0.12)

Consolidated statement of comprehensive income

For the year ended 30 June	Notes	2022 Shs'000	2021 Shs'000
Profit for the year		311,361	293,477
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	12,724	23,031
Deferred income tax thereon		(3,817)	(6,909)
Items that may be reclassified to profit or loss			
Currency translation differences on foreign operations		(8,368)	(10,838)
Total other comprehensive loss income for the year		539	5,284
Total comprehensive income for the year		311,900	298,761
Attributable to;			
Owners of the parent		187,765	187,304
Non-controlling interest		124,135	111,457
		311,900	298,761

Company statement of profit or loss and other comprehensive income

	Notes	2022 Shs'000	2021 Shs'000
Interest income	10	32	56
Administrative expenses		(55,219)	(35,815)
Loss before income tax	11	(55,187)	(35,759)
Income tax expense		-	-
Loss for the year		(55,187)	(35,759)
Other comprehensive income		-	-
Total comprehensive loss		(55,187)	(35,759)

Consolidated statement of financial position

ASSETS	Notes	2022	2021
Non-current assets		**Shs'000**	**Shs'000**
Property, plant and equipment	22	2,889,340	3,524,311
Investment in associate	33	1,358,240	-
Right-of-use assets	23	187,906	130,667
Intangible asset	24	12,518	14,026
Deferred income tax	18	4,716	4,716
Retirement benefits scheme asset	27	29,494	43,698
		4,482,214	3,717,418
Current assets			
Inventories	19	2,054,442	2,461,724
Trade and other receivables	20	2,940,205	2,047,381
Current income tax		76,070	16,620
Cash and bank balances	29	734,719	1,521,050
		5,805,436	6,046,775
Assets held for sale	32	-	284,586
TOTAL ASSETS		10,287,650	10,048,779
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	378,535	378,535
Share premium	14	73,148	73,148
Other reserves	15	(32,818)	(33,169)
Retained earnings		3,996,859	3,809,445
		4,415,724	4,227,959
Non-controlling interests	16	2,286,090	2,161,955
Total equity		6,701,814	6,389,914
LIABILITIES			
Non-current liabilities			
Deferred income tax	18	137,078	363,062
Borrowings	17	-	558,162
Lease liabilities	23	24,451	-
		161,529	921,224
Current liabilities			
Post-employment benefits obligation	27	-	14,010
Trade and other payables	21	2,898,109	2,372,875
Current income tax		2,254	30,224
Lease liabilities	23	30,860	19,464
Borrowings	17	493,084	239,718
		3,424,307	2,676,291
Liabilities directly associated with assets classified as held for sale	32	-	61,350
Total liabilities		3,585,836	3,658,865
TOTAL EQUITY AND LIABILITIES		10,287,650	10,048,779

The financial statements on pages 21 to 80 were approved for issue by the Board of Directors on 29 September 2022 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Chairman

J Choge
Group managing director

Company statement of financial position

At 30 June	Notes	2022 Shs '000	2021 Shs '000
ASSETS			
Non-current assets			
Investments in subsidiaries	25	1,297,335	1,297,335
Total non-current assets		1,297,335	1,297,335
Current assets			
Trade and other receivables	20	61,243	60,929
Cash and bank balances	29	3,001	2,990
Total current assets		64,244	63,919
TOTAL ASSETS		1,361,579	1,361,254
EQUITY AND LIABILITES			
Capital and reserves			
Ordinary shares	14	378,535	378,535
Share premium	14	73,148	73,148
Retained earnings		629,393	684,580
Total equity		1,081,076	1,136,263
Current liabilities			
Trade and other payables	21	280,503	224,991
Total current liabilities		280,503	224,991
TOTAL EQUITY AND LIABILITIES		1,361,579	1,361,254

The financial statements on pages 21 to 80 were approved for issue by the Board of Directors on 29 September 2022 and signed on its behalf by:

I Ochola- Wilson (Mrs)

Chairman

J Choge

Group managing director

Consolidated statement of changes in equity

	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
Year ended 30 June 2022							
At start of year	378,535	73,148	(33,169)	3,809,445	4,227,959	2,161,955	6,389,914
Profit for the year	-	-	-	187,414	187,414	123,947	311,361
Other comprehensive income for the year	-	-	351	-	351	188	539
Total comprehensive income for the year	-	-	351	187,414	187,765	124,135	311,900
At end of year	378,535	73,148	(32,818)	3,996,859	4,415,724	2,286,090	6,701,814
Year ended 30 June 2021							
At start of year	378,535	73,148	(41,298)	3,630,270	4,040,655	2,050,498	6,091,153
Profit for the year	-	-	-	179,175	179,175	114,302	293,477
Other comprehensive income for the year	-	-	8,129	-	8,129	(2,845)	5,284
Total comprehensive income for the year	-	-	8,129	179,175	187,304	111,457	298,761
At end of year	378,535	73,148	(33,169)	3,809,445	4,227,959	2,161,955	6,389,914

Company statement of changes in equity

	Share Capital Shs'000	Share Premium Shs'000	Retained earnings Shs'000	Total Shs'000
Year ended 30 June 2022				
At start of year	378,535	73,148	684,580	1,136,263
Total comprehensive income	-	-	(55,187)	(55,187)
At end of year	378,535	73,148	629,393	1,081,076
Year ended 30 June 2021				
At start of year	378,535	73,148	720,339	1,172,022
Total comprehensive income	-	-	(35,759)	(35,759)
At end of year	378,535	73,148	684,580	1,136,263

Consolidated statement of cash flows

	Notes	2022 Shs'000	2021 Shs'000
Operating activities			
Cash generated from operations	28	289,725	1,213,305
Income tax paid		(105,282)	(48,013)
Interest paid		(112,861)	(114,702)
Net cash flows from operating activities		71,582	1,050,590
Investing activities			
Purchase of property, plant and equipment	22	(75,023)	(141,530)
Payments for right-of-use assets	23	(26,541)	(2,700)
Investment in associates	33	(489,736)	-
Proceeds of disposal of property, plant and equipment		73,685	10,723
Net cash flows used in investing activities		(517,615)	(133,507)
Financing activities			
Repayments of borrowings	17	(304,796)	(31,821)
Payment of lease liabilities	23	(27,321)	(27,289)
Net cash flows used in financing activities		(332,117)	(59,110)
Net (decrease)/ increase in cash and cash equivalents		(778,150)	857,973
Movement in cash and cash equivalents			
At start of year		1,521,050	661,486
(Decrease)/increase		(778,150)	857,973
Effects of exchange rate changes		(8,181)	1,591
At end of year	29	734,719	1,521,050

Company statement of cash flows

	Notes	2022 Shs'000	2021 Shs'000
Operating activities			
Cash generated from operations	28	11	28
Income tax paid		-	-
Net cash from operating activities		11	28
Net increase in cash and cash equivalents		11	28
Movement in cash and cash equivalents			
At start of year		2,990	2,962
Increase		11	28
At end of year	29	3,001	2,990

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 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 and Company

A number of amendments to standards became effective for the first time in the financial year beginning 1 July 2021 and have been adopted by the Company. The amendments have not had a significant impact on the financial statements of the Group and Company. They include:

<u>IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment.</u>

Effective date: Annual periods beginning on or after 1 April 2021. (Early adoption is permitted). (Published March 2021).

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.

Adoption of the standard does not have a significant impact on the Group and Company.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

ii) New and revised standards that have been issued but are not yet effective

The Company has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 July 2021, and the Directors do not plan to apply any of them until they become effective.

Annual improvements cycle 2018 -2020

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

Effective date: Annual periods beginning on or after 1 January 2022. The Group and Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Effective date: Annual periods beginning on or after 1 January 2022. The Group and Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Effective date: Annual periods beginning on or after 1 January 2022. The Group and Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

ii) New and revised standards that have been issued but are not yet effective (continued)

Amendment to IFRS 3, 'Business combinations' (Asset or liability in a business combination clarity)

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.
The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Effective date: Annual periods beginning on or after 1 January 2022. The Group and Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

Effective date: Annual periods beginning on or after 1 January 2023. The Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Effective date: Annual periods beginning on or after 1 January 2023. The Group and Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Effective date: Annual periods beginning on or after 1 January 2023. The Group and Company does not intend to adopt the standard before its effective date and is currently assessing the impact of the amendments on the financial statements.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Transactions and non-controlling interests

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

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

(c) Segment reporting

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

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

(e) Revenue 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

Computer software(continued)

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

Developments costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

(h) Non-current assets (or disposal Groups) held for sale

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

(i) Impairment of non-financial assets

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

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(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 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(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)

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

(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.

With effect from 1 January 2022, the Company commenced operating a defined contribution retirement benefit scheme for its employees as the defined benefit scheme was closed to new members and to further contributions. For defined contribution plans, the company pays contributions to a multi employer (umbrella) administered pension insurance plan on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Employee benefits

(i) Retirement benefit scheme assets (continued)

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.

Employee entitlements to gratuity and long service awards are recognized when they accrue to employees. 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 recognized as an expense accrual.

(p) 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.

(q) 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.

(r) Current and deferred income tax

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

The current income tax charge is calculated 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.

Notes (continued)

(r) Current and deferred income tax (continued)

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

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

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

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

(s) Borrowings

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

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

(t) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(v) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

(w) Investment in joint ventures and associates

Under IFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures and associates are accounted for using the equity method, after initially being recognised at cost in the balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the company's share of the post-acquisition profits or losses of the investee in profit or loss, and the company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the company's/ group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group/ company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group/company and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes (continued)

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

Investment in associate

Critical estimates and assumptions have been used by management in determining the fair value of customer relationships transferred in accounting for the investment in associate. Key assumptions used are disclosed in Note 33.

Useful lives of plant and equipment and whether assets are impaired

Critical estimates are made by directors in determining the useful lives and residual values of property, plant and equipment based on the intended use and 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.

The directors have prepared value-in-use calculations to test whether there is impairment on the Company's assets. Critical assumptions made by the directors in calculating the value-in-use of certain assets are set out in Note 22.

Impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at armortised costs is an area that requires the use of models and significant assumptions about future economic condition and credit behavior (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) and Loss given at default (LGD) for trade receivables.

Income and transaction taxes

The Group is subject to income and transaction taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income and transaction taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the financial statements in the period in which such determination is made.

Notes (continued)

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 2022, an increase/decrease by 100 basis points in interest rates would have resulted in a decrease/increase in post-tax profit of Shs 4,930,840 (2021: 7,978,772).

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 2022 and 30 June 2021, 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

At 30 June 2022, 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 44,894,850 (2021:Shs 32,440,114) 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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

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 Trade debtors, management has used the simplified approach to determine 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)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

The amount that best represents the Group and Company's maximum exposure to credit risk at 30 June 2022 is made up as follows:

Group

	2022 Shs'000	2021 Shs'000
Cash and bank balances (Note 29)	734,378	1,520,663
Trade receivables (Note 20)	1,887,518	1,576,547
Other receivables	312,023	127,233
Due from related parties (Note 31)	650,488	318,081
	3,584,407	3,542,524

The Group holds bank guarantees and cash deposits amounting to Shs 1.030 billion (2021: 1.110 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.

	2022 Shs'000	2021 Shs'000
Neither past due nor impaired	1,571,425	1,167,046
Past due but not impaired	727,910	468,214
Subtotal not impaired	2,299,335	1,635,260
Impaired – fully provided for (Note 20)	238,064	259,368

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

Company	2022 Shs'000	2021 Shs'000
Other receivables	4,547	4,233
Cash and cash equivalents (Note 29)	3,001	2,990
Due from related parties (Note 31)	56,696	56,696
	64,244	63,919

Notes (continued)

4 Financial risk management objectives and policies (continued)

Concentration risk

The concentration risk relates to exposure on sales that the Group faces on dealing with its key customers. The analysis below shows that the Group's one customer (Kenchic Limited) accounted for 16% of the revenue of the Group (2021:11%). This customer has a high credit rating. All other sales are to a wide unrelated customer base.

	2022 Shs'000	%	2021 Shs'000	%
Kenchic Limited	2,837,465	16%	1,918,877	11%
Others	15,194,869	84%	15,893,761	89%
Total	18,032,334	100%	17,812,638	100%

Liquidity risk

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

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

Group	Below one year Shs'000	2-5 years Shs'000	Over 5 years Shs'000	Totals Shs'000
At 30 June 2022				
Liabilities:				
Trade payables (Note 21)	1,522,562	-	-	1,522,562
Other payables (Note 21)	1,052,732	-	-	1,052,732
Due to related parties (Note 31)	322,815	-	-	322,815
Borrowings	557,678	-	-	557,678
Lease liability	35,780	26,642	-	62,423
Total financial liabilities	3,491,567	26,642	-	3,518,210
At 30 June 2021				
Liabilities:				
Trade payables (Note 21)	888,680	-	-	888,680
Other payables (Note 21)	857,310	-	-	857,310
Due to related parties (Note 31)	626,885	-	-	626,885
Borrowings	548,805	428,137	-	976,942
Lease liabilities	19,464	-	-	19,464
Total financial liabilities	2,941,144	428,137	-	3,369,281

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Group has undrawn committed borrowing facilities amounting to Shs 1,621,000,000 and USD 5,900,000 (2021: Shs 746,119,230 and USD 2,350,066). 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**	**Over one year**	**Totals**
At June 2022	**Shs'000**	**Shs'000**	**Shs'000**
Liabilities:			
Other payables (Note 21)	8,191	-	8,191
Due to related parties (Note 31)	272,312	-	272,312
	280,503	-	280,503
At June 2021			
Liabilities:			
Other payables (Note 21)	2,632	-	2,632
Due to related parties (Note 31)	222,359	-	222,359
	224,991	-	224,991

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:

Notes (continued)

4 Financial risk management objectives and policies (continued)

Capital management (continued)

Net cash reconciliation and gearing ratio	**2022 Shs'000**	**2021 Shs'000**
Equity	6,701,814	6,386,398
Borrowings (Note 17)	493,084	797,881
Less: cash and cash equivalents (Note 29)	(734,719)	(1,521,050)
Net cash	(241,635)	(723,169)
Gearing ratio	0%	0%

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	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Sales recognised at a point in time by category:				
Human nutrition	8,220,793	6,993,085	-	-
Animal nutrition	10,048,762	11,530,653	-	-
Animal health products	125,595	183,578	-	-
Reclassified to discontinued operations (Note 32)	(362,816)	(894,678)		
	18,032,334	17,812,638	-	-

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.

	2022	2021
Profit for the year attributable to shareholders (Shs '000'):	187,414	179,175
Weighted average number of ordinary shares ('000')	75,707	75,707
Basic and diluted earnings per share:	2.48	2.37

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 (2021: Nil). Payment of dividend is subject to withholding tax at a rate of 10% for non-resident shareholders and 5% for resident shareholders. For resident shareholders, withholding tax is only deductible where the shareholding is below 12.5%.

8 Other income

	Group	
	2022	2021
	Shs'000	Shs'000
Sale of packing material	(798)	5,594
Gain on disposal of property, plant and equipment	73,284	2,733
Sundry income	42,755	13,087
Amortisation of capital grants	-	3,324
	115,241	24,738

Notes (continued)

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 feeds 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 2,837,465,000 (2021: Shs 1,918,877,000) under the animal health and nutrition segment accounts for more than 10% of the Group revenue.

Notes (continued)

9 Segmental reporting (continued)

	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Discontinuing Operations Shs'000	Consolidation Shs'000
Year ended 30 June 2022						
Revenue from external customers	8,210,093	10,838,165	-	(653,108)	(362,816)	18,032,334
Interest income	26,269	8,501	7,178	-	(869)	41,079
Other income	169,780	290,776	469,278	-	(814,593)	115,241
Interest expense	185,439	82,690	-	-	(683)	267,446
Depreciation and amortisation	162,219	90,043	15,585	-	(16,496)	251,351
Reportable segmental profit	(454,475)	56,104	485,357	-	(807,963)	(720,978)
Income tax expense	127,893	99,278	(2,795)	-	5,439	229,815
Other material non-cash items:						
Reportable segment assets	5,265,244	5,205,774	6,667,612	(6,850,980)	-	10,287,650
Capital expenditures for non-current assets	38,356	63,208	-	-	-	101,564
Reportable segmental liabilities	3,171,400	2,737,170	775,985	(3,098,719)	-	3,585,836

Notes (continued)

9 Segmental reporting (continued)

	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Discontinuing Operations Shs'000	Consolidation Shs'000
Year ended 30 June 2021						
Revenue from external customers	7,771,217	11,714,231	-	(778,132)	(894,678)	17,812,638
Interest income	5,344	6,221	9,249	-	(1,217)	19,597
Other income	10,786	12,577	4,385	-	(3,010)	24,738
Interest expense	94,267	59,960	(1,986)	-	(1,674)	150,567
Depreciation and amortisation	203,331	83,368	826	-	(64,286)	223,240
Reportable segmental profit	53,278	491,503	(28,416)	-	(31,133)	485,232
Income tax expense	(53,912)	(165,991)	(2,527)	-	44,164	(178,266)
Other material non-cash items:						
Reportable segment assets	5,850,281	4,272,467	2,139,211	(2,497,766)	284,586	10,048,779
Capital expenditures for non-current assets	63,283	84,779	-	-	-	148,062
Reportable segmental liabilities	3,513,927	2,083,782	497,571	(2,497,766)	61,350	3,658,864

Notes (continued)

10 Finance costs

	Group		Company	
	Shs'000	Shs'000	Shs'000	Shs'000
Finance income:				
Interest income on deposits	41,079	19,597	32	56
Finance costs:				
Interest expense on bank loans	71,908	82,750	-	-
Interest expense on bank overdrafts	13,844	-	-	-
Interest expense on trade finance	18,482	31,952	-	-
Finance charge on leases	8,627	4,036	-	-
Net foreign exchange losses	154,585	31,829	-	-
	267,446	150,567	-	-

11 Breakdown of expenses by nature

The operating (loss)/profit is arrived at after charging:				
Staff costs (Note 12)	883,692	859,941	-	-
Outsourced selling and distribution costs	71,000	-	-	-
Depreciation of property, plant and equipment (Note 22)	217,272	287,525	-	-
Depreciation of assets held for sale (Note 31)	16,496	-	-	-
Depreciation of right-of-use assets (Note 23)	16,075	37,916	-	-
Amortisation of intangible assets (Note 24)	1,508	10,089	-	-
Directors remuneration (Note 31(iv))	24,180	23,190	24,180	23,190
Auditor's fees	14,503	14,503	84	84
Provision for expected credit losses (Note 20)	(21,304)	(242,714)	-	-
Impairment of property, plant and equipment (Note 22)	491,721	18,426	-	-

12 Staff costs

	Group	
	2022	2021
	Shs'000	Shs'000
Salaries and wages	761,933	671,007
Redundancy costs	7,831	67,680
Retirement benefits obligation (Note 27)	57,205	59,033
Social security costs (NSSF) contributions	795	1,007
Other staff cost	55,928	49,455
Service gratuity (Note 27)	-	11,759
	883,692	859,941

The average number of employees of the Group during the year was as follows:	2022	2021
Production	103	134
Sales and distribution	39	126
Management and administration	141	140
	283	400

Notes (continued)

13 Income tax expense

The income tax expense has been calculated using income tax rate of 30% as at 30 June 2022 (2021: 25 & 30%).

	2022 Shs'000	2021 Shs'000
Current income tax	12,617	142,637
Overprovision for current income tax in prior year	(7,192)	(6,506)
Deferred income tax (Note 18)	(229,801)	86,300
Income tax (credit)/ expense	(224,376)	222,431

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:

	2022 Shs'000	2021 Shs'000
(Loss)/ profit before income tax from:		
Continuing operations	(720,978)	485,232
Discontinuing operations	807,963	30,676
Profit before income tax	86,985	515,908
Tax calculated at the statutory income tax rate of 30% (2021– 25% 30%)	26,096	141,875
Tax effects of:		
Expenses not deductible for tax purposes	31,994	29,399
Income not subject to tax	(274,433)	(15,611)
Over-provision of current income tax in prior years	(7,192)	(6,506)
(Under)/ over provision of deferred income tax in prior years	(4,771)	23,949
Deferred income tax asset not recognised (Note 18)	3,930	36,068
Effect of change in tax rate	-	13,257
Income tax (credit)/ expense	(224,376)	222,431
Income tax (credit)/ expense is attributable to:		
Continuing operations	(229,815)	178,267
Discontinued operation	5,439	44,164
	(224,376)	222,431

Notes (continued)

14 Share capital

	Number of Shares (Thousands)	Ordinary Shares Shs'000	Share premium Shs'000
Authorised:			
Balance at 1 July 2020, 30 June 2021 and 30 June 2022	82,760	413,800	73,148
Issued and fully paid:			
Balance at 1 July 2020, 30 June 2021 and 30 June 2022	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 or electronically, 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.

15 Other reserves

Other reserves comprise the following:

	Currency translation differences Shs'000	Re-measurement of retirement benefit asset Shs'000	Total Shs'000
Year ended 30 June 2022			
At start of year	(38,450)	5,281	(33,169)
Credit to other comprehensive income	(5,439)	5,790	351
At end of year	(43,889)	11,071	(32,818)
Year ended 30 June 2021			
At start of year	(30,457)	(10,841)	(41,298)
Credit to other comprehensive income	(7,993)	16,122	8,129
At end of year	(38,450)	5,281	(33,169)

Other reserves as included above are non-distributable.

16 Non-controlling interests

Group	2022 Shs'000	2021 Shs'000
At start of year	2,161,955	2,050,498
Share of profit for the year	123,947	114,302
Share of other comprehensive income	188	(2,845)
At end of year	2,286,090	2,161,955

Summary of Non-controlling interest:

	2022 Shs'000	2021 Shs'000
Unga Holdings Limited:		
35% Equity interest held by Seaboard Corporation in Unga Holdings Limited	2,286,090	2,161,955

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	2022 Shs'000	2021 Shs'000
Current assets	6,019,267	6,209,800
Current liabilities	(3,466,924)	(2,711,007)
Liabilities associated with assets held for sale	-	(61,350)
Total current net assets	2,552,343	3,437,443
Non-current assets	4,481,748	3,713,670
Assets Held for sale	-	284,586
Non-current liabilities	(161,529)	(917,809)
Total non-current net assets	4,320,219	3,080,447
Total net assets	6,872,562	6,517,890

Unga Holdings Limited summarised statement of comprehensive income		
Revenue	18,032,334	17,812,638
(Loss)/ profit before income tax	(678,943)	517,210
Income tax (credit)/ expense	230,552	(177,144)
(Loss)/ profit from continuing operations	(448,391)	340,066
Profit/ (loss) from discontinuing operations	802,524	(13,488)
Other comprehensive income	539	8,129
Total comprehensive income	354,672	334,707

Unga Holdings Limited summarised cash flows		
Net cash generated from operating activities	70,092	1,044,237
Net cash used in investing activities	(517,615)	(133,507)
Net cash used in financing activities	(332,117)	(59,110)
Net (decrease)/ increase in cash and cash equivalent	(779,640)	851,620
Cash and cash equivalent at start of year	1,463,506	607,449
Net (decrease)/ increase in cash and cash equivalent	(779,640)	851,620
Effect of exchange rates	(8,368)	4,437
At end of year	675,498	1,463,506

Notes (continued)

17 Borrowings	2022 Shs'000	2021 Shs'000
Group		
Bank loans	493,084	797,880
The borrowings are classified as follows:		
Current		
Bank borrowings repayable within 1 year	493,084	239,718
Non- current		
Bank borrowings repayable between 2-5 years	-	558,162
	493,084	797,880
Movement in borrowings:		
At start of year	797,880	829,701
Repaid during the year	(304,796)	(31,821)
At end of year	493,084	797,880

Bank loans comprise the following facilities to the subsidiary Companies;

Unga Limited

Bank loan is comprised of a 6-year term loan of Shs 860,000,000 taken in 2018 with ABSA bank 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 loan is repayable in equal instalments after the end of the 12 months moratorium. The entire loan had been drawn down as at 30 June 2022. The effective interest rate on the facility at 30 June 2022 was 12% (2021: 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.

Under the terms of the "facility agreement" dated 26 April 2017, the Company is required to comply with certain financial covenants. The following financial covenants had not been complied with as at 30 June 2022:

- Interest Cover - EBIT shall not fall below 2.5 times finance charges for such relevant period (ratio as at 30 June 2022 was 2.2).
- Debenture cover should not be less than 2 (ratio as at 30 June 2022 was 1.04).

Consequently, the Directors have reclassified the borrowings from non-current to current liabilities as the breach gives the bank a right to recall the loan immediately. However, the Company received a letter from the lender confirming that the breach had been condoned as at year end.

Unga Farm Care (EA) Limited

A 3-year term loan of Shs 294,000,000 taken in 2019 with NCBA bank 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 2022 was 12% (2021:12%).

The borrowing is secured by a specific asset debenture for Shs 294 million on the soya bean mill. Under the terms of the "facility agreement" dated 7 December 2018, the Company is required to comply with certain financial covenants. The following financial covenant had not been complied with as at 30 June 2022:

- Liquidity ratio 1:1 (ratio as at 30 June 2022 was 0.76)

Consequently, the Directors have reclassified the borrowings from non-current to current liabilities as the breach gives the bank a right to recall the loan immediately.

Notes (continued)

18 Deferred income tax

Deferred income tax is made up of the following.

	Group	
	2022 Shs'000	2021 Shs'000
Deferred income tax assets	4,716	4,716
Deferred income tax liabilities	(137,078)	(363,062)
Net deferred income tax liabilities	(132,362)	(358,346)

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The movement in the net deferred income tax liabilities is as follows:

	2022 Shs'000	2021 Shs'000
At start of year	(358,346)	(265,137)
Charge/ (credit) to profit or loss	229,801	(86,300)
Charge to other comprehensive income	(3,817)	(6,909)
At end of year	(132,362)	(358,346)

Group

Year ended 30 June 2022	01.07.2021 Shs'000	Charged/ (credited) to P/L Shs'000	Credit to OCI Shs'000	30.06.2022 Shs'000
Deferred income tax liabilities				
Property plant and equipment	829,811	(291,765)	-	538,046
Retirement benefits obligation	12,839	-	3,817	16,656
	842,650	(291,765)	3,817	554,702
Deferred income tax assets				
Unrealized exchange losses	(1,713)	2,061	-	348
Other deductible differences	(86,424)	37,913	-	(48,511)
Tax losses carried forward	(572,492)	18,059	-	(554,433)
	(660,629)	58,033	-	(602,596)
Deferred income tax asset not recognised	176,326	3,930	-	180,256
Net deferred income tax	358,347	(229,802)	3,817	132,362

Notes (continued)

18 Deferred income tax (continued)

Year ended 30 June 2021	01.07.2020	Charged/ (credited) to P/L	(Charge) to OCI	30.06.2021
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities				
Property plant and equipment	725,177	104,634	-	829,811
Retirement benefits obligation	5,930	-	6,909	12,839
	731,107	104,634	6,909	842,650
Deferred income tax assets				
Unrealized exchange losses	(7,933)	6,220	-	(1,713)
Other deductible differences	(132,647)	46,223	-	(86,424)
Tax losses carried forward	(465,648)	(106,845)	-	(572,493)
	(606,228)	(54,402)	-	(660,630)
Deferred income tax asset not recognised	140,258	36,068	-	176,326
Net deferred income tax	265,137	86,300	6,909	358,346

The Group has not recognised the deferred income tax asset arising from tax losses carried forward in 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 includes 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	
	2022	2021
	Shs'000	Shs'000
Raw materials	1,389,457	1,761,439
Finished products	473,701	521,362
Packing materials	60,832	71,754
Engineering spares	130,452	118,729
Reclassified to held for sale (Note 32)	-	(11,560)
	2,054,442	2,461,724

Inventories expensed in cost of sales amounted to Shs 15.41 billion (2021: Shs 17.42 billion)

Notes (continued)

20 Trade and other receivables

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade receivables	1,887,518	1,576,547	-	-
Related party trade receivables (Note 31)	649,881	318,081	-	-
Less: Provision for expected credit losses	(238,064)	(259,368)	-	-
	2,299,335	1,635,260	-	-
VAT recoverable	328,240	284,888	-	-
Other receivables and prepayments	312,023	127,233	4,547	4,233
Due from related parties (Note 31)	607	-	56,696	56,696
	2,940,205	2,047,381	61,243	60,929

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

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
At start of year	259,368	502,082	-	-
Charge to profit or loss in the year	(21,304)	(242,714)	-	-
At end of year	238,064	259,368	-	-

Expected credit losses are made up as follows:

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade receivables	238,064	259,368	-	-
Other receivables	-	-	-	-
	238,064	259,368	-	-

21 Trade and other payables

	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade payables	1,522,562	888,680	-	-
Other payables and accrued expenses	1,052,732	857,310	8,191	2,632
Due to related parties (Note 31)	322,815	626,885	272,312	222,359
	2,898,109	2,372,875	280,503	224,991

Notes (continued)

22 Property, plant and equipment

	Buildings Shs'000	Plant and equipment Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 30 June 2022					
Opening net book value	1,050,896	2,121,040	11,685	340,690	3,524,311
Additions	-	50,887	18,099	6,037	75,023
Transfers	41,954	(15,202)	-	(26,752)	-
Disposals	(2,709)	-	(2,296)	-	(5,005)
Impairments	-	(491,721)	-	-	(491,721)
Depreciation charge	(19,210)	(185,118)	(12,944)	-	(217,272)
Depreciation on transfers	(5,853)	5,853	-	-	-
Depreciation on disposals	1,708	-	2,296	-	4,004
Closing net carrying amount	1,066,786	1,485,739	16,840	319,975	2,889,340
At 30 June 2022					
Cost	1,157,699	2,886,701	206,171	319,975	4,570,546
Accumulated depreciation	(90,913)	(1,400,962)	(189,331)	-	(1,681,206)
Net carrying amount	1,066,786	1,485,739	16,840	319,975	2,889,340

	Buildings Shs'000	Plant and equipment Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 30 June 2021					
At start of the year	1,001,872	2,676,413	33,415	252,051	3,963,751
Additions	4,416	48,475	-	88,639	141,530
Disposals	-	(7,987)	(3)	-	(7,990)
Depreciation charge	(27,267)	(239,515)	(20,743)	-	(287,525)
Reclassified to held for sale (Note 32)	(5,745)	(266,297)	(984)	-	(273,026)
Currency translation differences	77,620	(90,049)	-	-	(12,429)
Closing net carrying amount	1,050,896	2,121,040	11,685	340,690	3,524,311
At 30 June 2021					
Cost	1,118,454	3,342,737	190,368	340,690	4,992,249
Accumulated depreciation	(145,178)	(1,131,486)	(178,683)	-	(1,455,347)
Currency translation differences	77,620	(90,211)	-	-	(12,591)
Net carrying amount	1,050,896	2,121,040	11,685	340,690	3,524,311

The Group has pledged assets with net book value of 17,922,000 (2021: Shs 18,403,000) to secure bank borrowings (see Note 17).

Work in progress relates to Silo rehabilitation & gantry project in Nairobi feeds and Fawema lines relocation Eldoret.

Transfers relate to building capitalized after venture asset transfer within the year.

Notes (continued)

22 Property and equipment (Continued)

Impairment assessment

Decline in business performance occasioned by a challenging operating environment gave rise to indicators of potential impairment of certain milling assets. As required by the International Financial Reporting Standards, management prepared a projected cash flows model to assess for impairment.

The following table describes the key assumptions used by management in the value in use calculations that were prepared to test the assets with a net book value of Shs 1,321,846,000 for impairment:

Assumption	Approach used to determine values:
Discount rate	Based on specific risks relating to the industry and country for KES denominated cash flows. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.
Volume growth	This is based on management's market sizing and market share projection.
Gross margin	Based on past experience and management expectations of the future.
Expenses as percentage of revenue	Based on past experience and management expectations of the future.

Based on the assumptions described above, the recoverable amount of the assets was lower than the carrying amount at 30 June 2022 by Shs. 491,721,000 (2021: 18,426,000). The impairment has been adjusted in the statement of profit or loss and recognised against plant and equipment.

Sensitivity analysis

The potential Impact of possible adverse shift in key model input, judgements and assumptions are as follows;

- If volumes decline by 2% per year over the plan period, lower than management have estimated and all other assumptions remain unchanged, the impairment increases by Shs. 36 million.
- If gross profit margin reduces from by 1%, lower than management have estimated and all other assumptions remain unchanged, the impairment increases by Shs. 219 million.
- If expenses increase by 0.5% of revenue, higher than management have estimated and all other assumptions remain unchanged, the impairment increases by Shs. 160 million.
- If the discount rate increases by 1%, higher than management have estimated and all other assumptions remain unchanged, the impairment increases by Shs. 48 million.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause significant misstatement of the value-in-use calculations used to estimate the recoverable amount of the cash generating units (CGU).

Notes (continued)

23 Leases

(i) Right-of-use assets

	Leasehold land	Warehouse	Motor vehicles	Total
	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2022				
Cost				
At start of year	153,930	82,561	69,299	305,790
Additions	26,541	9,736	4,887	41,164
Transfers	(6,671)	6,671	-	-
	173,800	98,968	74,186	346,954
Amortisation				
At start of year	51,540	57,928	65,655	175,123
Charge for the year	(13,311)	(3,515)	751	(16,075)
At end of year	38,229	54,413	66,406	159,048
Carrying amount at end of year	135,571	44,555	7,780	187,906
Year ended 30 June 2021				
Cost				
At start of year	151,230	77,406	54,670	283,306
Additions	2,700	5,155	14,629	22,484
	153,930	82,561	69,299	305,790
Amortisation				
At start of year	42,216	40,321	54,670	137,207
Charge for the year	9,324	17,607	10,985	37,916
At end of year	51,540	57,928	65,655	175,123
Carrying amount at end of year	102,390	24,633	3,644	130,667

The operating lease prepayment relates to leasehold land. 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.

The Group has pledged leasehold land with a net book value of Shs 17,922,000 (2021: Shs 18,403,000) to secure borrowings granted to it (see Note 17).

Notes (continued)

23 Leases (continued)

(ii) Lease liabilities	2022 Shs '000'	2021 Shs '000'
Current	30,860	19,464
Non-current	24,451	-
	55,311	19,464

(iii) Lease liability movement		
Start of the year	19,463	38,858
Additions	63,169	19,784
Finance charge	8,627	4,036
Finance charge payments	(8,627)	-
Principal payments	(27,321)	(27,289)
Early lease termination	-	(10,283)
Gain on lease termination	-	(5,642)
At end of year	55,311	19,464

24 Intangible assets

Computer software		
Group		
Cost		
At start of year	395,351	395,351
Additions	-	-
At end of year	395,351	395,351
Amortisation		
At start of year	381,325	371,236
Amortisation for the year	1,508	10,089
At end of year	382,833	381,325
Net book value	12,518	14,026

Notes (continued)

25 Investment in subsidiaries – Company

Unquoted investment at cost in wholly owned subsidiary	2022 Shs'000	2021 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

26 Capital grants

Capital grants relate to amounts received from the Dutch government as a partial funding for the construction of a new fish feed milling plant at the Dakar Road premises. The grant was written back in other income following transfer of fish feed plant to the venture with Nutreco in Kenya.

	2022 Shs'000	2021 Shs'000
At start of year	-	64,674
Grant received in the year	-	-
Amortisation to profit or loss	-	(3,324)
Transfer to held for sale (Note 32)	-	(61,350)
At end of year	-	-

Notes (continued)

27 Post-employment benefits obligation

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

	2022	2021
Assets		
Retirement benefits scheme	29,494	43,698
Liabilities		
Service gratuity scheme	-	14,010

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;

	2022 Shs'000	2021 Shs'000
At start of year	14,010	3,543
Charge/ (credit) to profit or loss	-	11,759
Payments in the year	(14,010)	(1,292)
At end of year	-	14,010

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.

The retirements benefits scheme asset represents the Group's share of the actuarial 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 company as a result of the scheme being in an actuarial surplus position.

During the year, management resolved to redesign its retirement benefits arrangement by moving from a hybrid (defined benefit and defined contribution) arrangement to a defined contribution arrangement under a multi-employer umbrella arrangement. All new and pensionable employees will be eligible to join the new scheme. Existing active members will be invited to join the new arrangement. In respect of the past service benefits earned for service up to 31 December 2021, management will provide members with an opportunity to transfer these benefits to the new scheme, once the initial on-boarding is complete. The redesign was still in progress as at 30 June 2022.

Notes (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (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:

	2022 Shs'000	2021 Shs'000
Present value of funded obligations	923,026	926,634
Fair value of plan assets	(982,014)	(1,014,030)
Surplus on funded plan	(58,988)	(87,396)
Impact of asset ceiling	29,494	43,698
Retirement benefit scheme as recognised in the statement of financial position	(29,494)	(43,698)

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

Year ended 30 June 2022	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	926,634	(1,014,030)	(87,396)	43,698	(43,698)
Current service cost	79,507	-	79,507	-	79,507
Interest expense/ (income)	101,615	(123,917)	(22,302)	-	(22,302)
Charge to profit or loss	181,122	(123,917)	57,205	-	57,205
Re measurements:					
Return on plan assets	-	130,344	130,344	-	130,344
Change in experience	(8,651)	(39,782)	(48,433)	-	(48,433)
Change in assumptions	(120,213)	39,782	(80,431)	-	(80,431)
Change in asset ceiling	-	-	-	(14,204)	(14,204)
Charge to other comprehensive income	(128,864)	130,344	1,480	(14,204)	(12,724)
Contributions:					
- Employees	-	(11,030)	(11,030)	-	(11,030)
- Employer	-	(19,247)	(19,247)	-	(19,247)
- Payments from plan	(55,866)	55,866	-	-	-
	(55,866)	25,589	(30,277)	-	(30,277)
At end of year	923,026	(982,014)	(58,988)	29,494	(29,494)

Notes (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (continued)

Year ended 30 June 2021	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	871,309	(915,473)	(44,164)	44,164	-
Current service cost	73,728	-	73,728	-	73,728
Interest expense/ (income)	94,933	(109,628)	(14,695)	-	(14,695)
Charge to profit or loss	168,661	(109,628)	59,033	-	59,033
Re measurements:					
Return on plan assets	-	(54,038)	(54,038)	-	(54,038)
Change in experience	31,473	-	31,473	-	31,473
Change in asset ceiling	-	-	-	(466)	(466)
Charge to other comprehensive income	31,473	(54,038)	(22,565)	(466)	(23,031)
Contributions:					
- Employees	-	(42,665)	(42,665)	-	(42,665)
- Employer	-	(37,035)	(37,035)	-	(37,035)
- Payments from plan	(144,809)	144,809	-	-	-
	(144,809)	65,109	(79,700)	-	(79,700)
At end of year	926,634	(1,014,030)	(87,396)	43,698	(43,698)

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

Discount rate	At current discount rate Shs 'million	1% Increase Shs ' million	1% Decrease Shs ' million
At 30 June 2022			
Present value of obligation	922.6	913.7	932.5
At 30 June 2021			
Present value of obligation	926.6	917.3	935.8

Notes (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (continued)

The significant actuarial assumptions were as follows;

	2022	2021
Discount rate	14.20%	12.4%
Rate of salary escalation	12.20%	10.4%
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;

	2022 Shs'000	2022 %	2021 Shs'000	2021 %
Quoted equities	253,639	26	299,697	29
Offshore investments	61,163	6	41,509	4
Government bonds	676,319	69	655,475	65
Commercial paper and corporate bonds	-	-	5,000	-
Fixed and time deposits	2,000	-	26,334	3
Net current liabilities	(11,107)	(1)	(13,986)	(1)
Total	982,014	100	1,014,029	100

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

Asset volatility

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

Changes in bond yields

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

Notes (continued)

28 Cash generated from operations

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

Group	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Profit/ (loss) before income tax from:				
Continuing operations	(720,978)	485,232	(55,187)	(35,759)
Discontinuing operations	807,963	30,676	-	-
Profit/ (loss) before income tax	86,985	515,908	(55,187)	(35,759)
Adjustments for:				
Depreciation (Note 22)	217,272	287,525	-	-
Depreciation of assets held for sale (Note 31)	16,496	-	-	-
Amortisation of leases (Notes 23)	16,075	27,633	-	-
Interest paid	112,861	114,702	-	-
Finance charge on leases	8,628	4,036	-	-
Amortisation of intangible assets (Note 24)	1,876	10,089	-	-
Amortisation of capital grant (Note 26)	(61,350)	(3,324)	-	-
Gain on disposal of property, plant and equipment	(665,275)	(2,733)	-	-
Post-employment benefits obligation	26,928	(10,200)	-	-
Gain on lease termination	-	(5,642)	-	-
Impairment	491,721	-	-	-
Share of profit in associate	(7,429)	-	-	-
Changes in working capital:				
-inventories	407,282	2,142,469	-	-
-trade and other receivables	(887,579)	507,053	(314)	5,928
-trade and other payables	525,234	(2,374,211)	55,512	29,859
Cash generated from operations	289,725	1,213,305	11	28

29 Cash and bank balances

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.

Cash and bank balances	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Bank balances	734,378	1,520,663	3,001	2,990
Cash balances	341	387	-	-
Cash and cash equivalents	734,719	1,521,050	3,001	2,990
Net debt reconciliation				
Cash and cash equivalent	734,719	1,521,050	-	-
Borrowings	(493,084)	(797,881)	-	-
Lease liability	(55,311)	(19,464)	-	-
Net debt	186,324	703,705	-	-

Notes (continued)

30 Capital commitments

	Group	
	2022 Shs'000	2021 Shs'000
Authorised but not contracted for	521,081	1,011,521

The bulk of the commitments are related to purchase of instant porridge extruder, purchase of one 1Mva transformers, Upgrade in the Famila® electrical panel, replacement of the old wheat power factor correction panel and construction of silo trench drains. It also includes silo and gantry project across Nairobi Feeds Plant and the soya plant, silo refurbishments at Nairobi Feeds site which have been ongoing since 2021.

31 Related party transactions

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

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

		Group		Company	
(i)	Sale of goods and services:	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
	Sale of finished goods				
	Kenchic Limited	2,837,465	1,918,872	-	-
	Tunga Nutrition Kenya Limited	122,815	-	-	-
	Tanbreed Poultry Limited	38,114	-	-	-
		2,998,394	1,918,872	-	-
(ii)	Purchase of goods and services:				
	Purchases of raw materials				
	- Seaboard Overseas Limited	2,907,087	3,680,098	-	-
	Purchase of equipment and spares				
	- Seaboard Overseas Group	29,872	9,236	-	-
	Interest charged on trade finance				
	- Seaboard Overseas Group	18,482	31,952		
		2,955,441	3,721,286	-	-

Seaboard is affiliated by virtue of being part of the non-controlling interest as set out in Note 16. 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)

31 Related party transactions

iii) Key management compensation	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Salaries and other short-term employment benefits	153,953	142,947	-	-

iv) Directors' remuneration	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Fees for services as director	24,180	23,190	24,180	23,190
Other emoluments	72,610	35,937	-	-
	96,790	59,127	24,180	23,190

v) Due to related parties	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade payables:				
Tunga Nutrition (K) Limited	1,711	-	-	-
Seaboard Corporation	267,882	626,885	-	-
	269,593	626,885	-	-
Other payables:				
Unga Limited	-	-	155,463	125,519
Unga Farm Care (E.A) Limited	-	-	116,849	96,840
Seaboard Corporation	53,222	-	-	-
	322,815	626,885	272,312	222,359

vi) Due from related parties	Group 2022 Shs'000	Group 2021 Shs'000	Company 2022 Shs'000	Company 2021 Shs'000
Trade receivables:				
Kenchic Limited	495,428	318,081	-	-
Tanbreed Poultry Limited	13,089	-	-	-
Tunga Nutrition Kenya Limited	122,137	-	-	-
Tunga Nutrition Uganda Limited	16,698	-	-	-
Seaboard Corporation	2,529	-	-	-
	649,881	318,081	-	-
Other receivables:				
Unga Feeds Limited	-	-	7,000	7,000
Unga Holdings Limited	-	-	49,696	49,696
Seaboard corporation	607	-	-	-
	650,488	318,081	56,696	56,696

Notes (continued)

32 Discontinued operations and assets held for sale

(i) The board of directors approved for its subsidiary, Unga Farm Care (E.A.) Limited to enter into a partnership arrangement with Nutreco International B.V. In the venture, Unga Farm Care (E.A.) Limited contributed its fish feed plant and fish feed business to the new venture company, Tunga Nutrition (K) Limited, incorporated in Kenya (further details in Note 33). The financial results for the fish feed business have also been stripped out and disclosed net separately, in the statement of comprehensive income as discontinuing operations.

(ii) The board of directors also approved for its Uganda Subsidiary, Unga Millers (U) Limited to enter into another partnership arrangement with Nutreco International B.V. In the venture, Unga Millers (U) Limited contributed its property to the new venture company, Tunga Nutrition (U) Limited, incorporated in Uganda (Further details in Note 33).

(iii) The directors made a decision to discontinue the baking business that trades as Ennsvalley Bakery Limited in the prior year. As part of the liquidation plan for the subsidiary, management has sold plant and equipment, inventory and other rights. The financial results of the subsidiary have been presented as part of discontinuing operations. Trading operations in Ennsvalley Bakery Limited ceased in October 2021.

Financial information relating to the discontinued operation as at 30 June 2022 is shown below:

(a) Financial performance and cash flow information

	2022 Shs'000	2021 Shs'000
Revenue from contracts with customers	362,816	894,678
Expenses	(369,547)	(864,002)
Profit before income tax	(6,731)	30,676
Profit on disposal of business operations	814,694	-
Profit before income tax from discontinued operations	807,963	30,676
Income tax expense	(5,439)	(44,164)
Profit after income tax of discontinued operations	802,524	(13,488)
Net cash inflow from operating activities	144,456	11,323
Net cash outflow from investing activities	(306,838)	(10,168)
Net cash outflow from financing activities	(79,938)	-
Net cash (used in)/ generated from discontinued operations	(242,320)	1,155

Notes (continued)

32 Discontinued operations and assets held for sale (continued)

(b) Assets and liabilities of disposal group classified as held for sale	2022	2021
	Shs'000	Shs'000
Assets classified as held for sale		
Plant and equipment:		
Cost	535,451	535,451
Accumulated depreciation	(262,425)	(262,425)
Depreciation charge for the year	(16,496)	-
Disposals	(535,450)	-
Depreciation on disposals	278,920	-
Closing net book value	-	273,026
Inventories	-	11,560
Total assets held for sale	-	284,586
Liabilities directly associated with assets classified as held for sale		
Capital grant:		
At start of year	(61,350)	-
Reclassification from non-current liabilities	-	(61,350)
Accelerated amortisation	61,350	-
Capital grant	-	(61,350)

33 Investment in associate

During the year, management finalized the formation and commissioning of two ventures namely Tunga Nutrition (K) Limited and Tunga Nutrition (U) Limited.

Tunga Nutrition (K) Limited brings together the total existing aquafeed business of Unga Farm Care (E.A.) Limited and Nutreco within the East Africa region, into a 50/50 venture with Nutreco having management control over the venture. Unga Farm Care (E.A.) Limited contributed its fish feed plant, its aquafeed customers and cash while Nutreco contributed its aquafeed customers and cash.

Tunga Nutrition (U) Limited brings together the animal nutrition businesses of Unga Farm Care (E.A.) Limited and Nutreco B.V. within Uganda into a 50/50 venture, with Nutreco B.V. having management control of the venture. Unga Millers (U) Limited contributed its property plant and equipment, Unga Farm Care animal nutrition customers in Uganda and cash to the venture, while Nutreco contributed its animal nutrition customers in Uganda and cash.

Notes (continued)

33 Investment in associate (continued)

In determining the cost of investment, management has applied significant judgment in determining the fair value of customer relationships contributed to the associates. The equity investment value together with the customer relationships fair value determined by management is as follows:

(i) Business contribution at fair value:	Tunga N Kenya 2022 Shs'000	Tunga N Uganda 2022 Shs'000	Total 2022 Shs'000
Cash	251,521	223,364	474,885
Property, plant and equipment	210,540	222,848	433,388
Intangible asset - customer relationships	174,300	36,494	210,794
Add: directly attributable costs	14,851	-	14,851
Total consideration	651,212	482,706	1,133,918
Gain on acquisition	-	216,893	216,893
Investment value as at 31 January 2022	651,212	699,599	1,350,811
Goodwill	(10,817)	-	(10,817)

The Shs 10.8 million goodwill is attributable to synergies anticipated on combining the contributed businesses in the Tunga Nutrition (K) Limited joint venture.

(ii) Summarised financial information for associates

The tables below provides summarised financial information for the two associates accounted for using the equity method:

Summarised balance sheet at 30 June	Tunga N Kenya 2022 Shs'000	Tunga N Uganda 2022 Shs'000	Total 2022 Shs'000
Current assets:			
- Cash and cash equivalents	325,582	570,543	896,125
- Other current assets	555,001	112,261	667,262
Non-current assets:			
Property, Plant and Equipment	245,953	549,174	795,127
Intangible assets – customer relationships	459,433	222,660	682,093
Current liabilities:			
- Financial liabilities (excluding trade payables)	-	-	-
- Other current liabilities	(299,268)	(46,495)	(345,763)
Non-current liabilities:			
- Financial liabilities (excluding trade payables)	-	-	-
- Other non-current liabilities	-	-	-
Net assets	1,286,701	1,408,143	2,694,844

Notes (continued)

33 Investment in associates (continued)

Summarised statement of comprehensive income- 5 months ended 30 June 2022	**Tunga N Kenya 2022 Shs'000**	**Tunga N Uganda 2022 Shs'000**	**Total 2022 Shs'000**
Revenue	649,603	107,643	757,246
Expenses	(572,589)	(99,052)	(671,641)
Net interest income/ (expenses)	-	35,203	35,203
Depreciation and amortisation	(53,014)	(19,728)	(72,742)
Income tax expense	(18,089)	(15,120)	(33,209)
Profit for the period	5,911	8,946	14,857
Other comprehensive income	-	-	-
Total profit and other comprehensive income	5,911	8,946	14,857
Group share of profit (50%)	2,956	4,473	7,429
Reconciliation to carrying amounts:			
Opening investment value as at 1 February 2022	651,212	699,599	1,350,811
Share of profit in associates	2,956	4,473	7,429
Investment carrying amount	654,168	704,072	1,358,240

Intangible assets arising from the fair value of customer relationships are amortised over 5 years.

The financial year ends for Tunga Nutrition (K) Limited and Tunga Nutrition (U) Limited is 31 December which is different from the Group's reporting year end as the respective ventures have followed Nutreco B.V. year end reporting dates as the controlling partner.

(iii) Customer relationships fair value – Tunga Nutrition (K) Ltd

Customer relationships fair value has been calculated using Multi-period excess earnings method (MPEEM). In MPEEM, the intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. The model is based on the following input, judgements and assumptions:

Projected customer relationships life	Estimated to be 10 years
Revenue growth rate	Projected to be 5.22% per annum
Customer attrition rate	Projected to be 10% of revenue year on year
Net margin percentage	Estimated to 15% of revenue
Contributory asset charge	Estimated to be 5% of revenue
Discount rate	Weighted average cost of capital, 14.46%

Based on the above, the fair value of customer relationships was calculated to be Shs 174,300,000 from Unga Farm Care (E.A.) Limited.

Notes (continued)

33 Investment in associates (continued)

(iii) Customer relationships fair value - Tunga Nutrition (K) Ltd

Sensitivity analysis

The results of Impact of possible adverse shift in key model input, judgements and assumptions are as follows;

If the growth rate applied to the cash flow projection had been 1%, lower than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 4,906,000.

If the customer attrition rate had been 2%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 12,883,000.

If the net margin percentage expected had been 2%, lower than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 34,851,000.

If the contributory asset charge percentage expected had been 1%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 17,425,000.

If the discount rate applied to the cash flow projection had been 1%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 5,950,000.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the significant misstatement of the customer relationships fair value.

(iv) Customer relationships fair value - Tunga Nutrition (U) Ltd

Customer relationships fair value has been calculated using Multi-period excess earnings method (MPEEM). In MPEEM, the intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. The model is based on the following input, judgements and assumptions:

Projected customer relationships life	Estimated to be 10 years
Revenue growth rate	Projected to be 8% per annum
Customer attrition rate	Projected to be 10% of revenue year on year
Net margin percentage	Estimated to 17.8% of revenue
Contributory asset charge	Estimated to be 5% of revenue
Discount rate	Weighted average cost of capital, 14.46%

Based on the above, the fair value of customer relationships recognised as intangible assets in Tunga Nutrition (U) Limited was Shs 242,502,000. Contribution from Unga Farm Care (E.A.) Limited and Nutreco B.V. was Shs 36,494,000 and Shs 206,008,000 respectively.

Notes (continued)

33 Investment in associates (continued)

(iv) Customer relationships fair value - Tunga Nutrition (U) Ltd

Sensitivity analysis – Tunga Nutrition Uganda Ltd

The results of Impact of possible adverse shift in key model input, judgements and assumptions are as follows;

If the growth rate applied to the cash flow projection had been 1%, lower than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 7,058,000.

If the customer attrition rate had been 2%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 18,842,000.

If the net margin percentage expected had been 2%, lower than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 37,890,000.

If the contributory asset charge percentage expected had been 1%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 18,945,000.

If the discount rate applied to the cash flow projection had been 1%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 8,654,000.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the significant misstatement of the customer relationships fair value.

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