

UNGA GROUP Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

UNGA
LIMITED



Your Nutrition Partner

Table of contents	Page No.
Corporate information	1
Chairman's statement	2 - 4
Group managing director's statement	5 - 7
Directors' report	8 - 9
Directors' remuneration report	10 - 15
Statement of directors' responsibilities	16
Report of the independent auditor	17 - 21
Financial statements:	
Consolidated statement of profit or loss	22
Consolidated statement of comprehensive income	23
Company statement of profit or loss and other comprehensive income	24
Consolidated statement of financial position	25
Company statement of financial position	26
Consolidated statement of changes in equity	27 - 28
Company statement of changes in equity	29
Consolidated statement of cash flows	30
Company statement of cash flows	31
Notes	32 - 73

CORPORATE INFORMATION

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

*British

SECRETARY	Ms Winniefred N Jumba Stamford Corporate Services LLP 5th Floor, West Wing, ICEA Lion Centre Riverside Park, Chiromo Road, PO Box 10643-00100, Nairobi
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REGISTERED OFFICE	Plot No.209/6841 Ngano House, Commercial Street Industrial Area P O Box 30096, 00100 Nairobi Tel: +254(020)3933000
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REGISTRARS	Custody & Registrars Services Limited 6th Floor, Bruce House Standard Street P O Box 8484, 00100 Nairobi
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AUDITORS	PricewaterhouseCoopers LLP Certified Public Accountants (Kenya) PwC Tower, Waiyaki Way/ Chiromo Road, Westlands P O Box 43963, 00100 Nairobi
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BANKERS	ABSA Bank Kenya Limited The West End, Waiyaki Way P O Box 30120, 00100 Nairobi
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ADVOCATES	Kaplan & Stratton Williamson House 4th Ngong Avenue P O Box 40111, 00100 Nairobi
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CHAIRMAN'S STATEMENT

Without doubt 2019/20 proved to be a difficult year marked by significant global and local financial and economic developments that negatively impacted our business. The Kenyan economy pre-Covid 19 was already depressed and this was made worse when in March, Kenya was faced with the first case of the pandemic.

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

The Economy

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

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

Financial Results in Summary

Due to the unfavorable local and global conditions already mentioned, 2019/20 was without any doubt a very challenging year. The Group's profit for the year of Kes 66.1 million was down 88% from the previous year. Apart from the unfavorable economic conditions pre and post Covid-19 periods, the company experienced very stiff competition from cheaper brands forcing it to accept reduced margins resulting in lower profitability.

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

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

CHAIRMAN'S STATEMENT (CONTINUED)

Covid-19 and our New Normal

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

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

The Future

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

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

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

CHAIRMAN'S STATEMENT (CONTINUED)

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

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

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

The Board of Directors

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

The Board continues to deliberate over and act on the recommendations of the external Governance Audit carried during the 2020 financial year and are looking forward to reviewing the results of the ongoing external Legal & Compliance audit.

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

Dividend

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

Appreciation

In conclusion, 2019/20 has been an interesting and challenging year for us all. I wish to convey my appreciation to our shareholders for their continued confidence in their company. Secondly to our consumers, who despite being faced with many other choices in the market have stayed with their trusted Unga brand. Thirdly to management; your concerted effort made it possible for the company to smoothly continue with operations, sometimes under very difficult conditions and especially following the onset of the Covid-19 pandemic. You did everything you could to ensure that we maintained our presence and remained a major player in both the human and animal nutrition segments of the market during this difficult year.

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


Isabella Ochola-Wilson (Mrs)
Chairman

GROUP MANAGING DIRECTOR'S STATEMENT

Group Managing Director's Report

Year in review

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

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

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

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

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

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

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

GROUP MANAGING DIRECTOR'S STATEMENT (CONTINUED)

Impact of the Covid-19 pandemic

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

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

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

Moving Ahead

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

We will continue to place focus on our strategic pillars of Customer Intimacy, People, Geographic Expansion, Product Diversification and Supply Chain Optimisation. I believe these priorities enable us to focus on areas we can improve and allow us to respond more effectively to our operating environment. They will focus us on delivering improved performance and better returns for shareholders over both the short and long term, as well as a broader societal contribution.

Customer Intimacy

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

People

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

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

GROUP MANAGING DIRECTOR'S STATEMENT (CONTINUED)

Geographic Expansion

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

Product Diversification

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

Supply Chain Optimisation

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

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

Appreciation

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

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

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



Nick Hutchinson
Group Managing Director

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

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

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

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

Summary financial performance

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

RESULTS AND DIVIDEND

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

DIRECTORS

The directors who served during the year and to the date of this report are set out on page 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 continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

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

APPROVAL OF FINANCIAL STATEMENTS

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

By order of the Board



Winniefred N Jumba

SECRETARY

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

Dear Shareholder

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

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

This report contains:

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

Role of the Committee

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

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

The Committee has specific terms of reference which are placed on the Group's website at www.unga-group.com. It considers and recommends to the Board the Group's remuneration policy and agrees the individual remuneration package of the Group Managing Director.

The Company appointed Career Connections during the year to advice on the leadership development program.

Our remuneration principles

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

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

Value creation and pay for performance is at the center of our remuneration policy and practices. The success of the Group depends upon the performance and commitment of talented employees. The Group's reward programs support and drive its business strategy and reinforce its values. The principles for setting executive remuneration are outlined below and in more detail on page 12.

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

Delivery of Business Strategy	Sustainable performance	Competitive remuneration	Alignment with shareholder interests
<ul style="list-style-type: none">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	<ul style="list-style-type: none">A portion of remuneration 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.	<ul style="list-style-type: none">Competitive reward that reflects the nature of the Group and enables it to attract and retain talented executives of the highest quality. Executive decisions are made in the context of the broader external environment.	<ul style="list-style-type: none">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 benchmarked to the relevant market in which the individual is employed. Potential total compensation is set at the 50th quartile for excellent individual and business performance.

In addition:

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

Approach to recruitment remuneration

Unga is a regional organization with local presence in Kenya and Uganda. The Board Nominations and Remunerations Committee'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.

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

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

Service contracts and policy on payment for loss of office

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

Overview of the Executive Director's Remuneration in 2020

	Key features	Purpose and link to strategy	Implementation in 2020
Salary	<ul style="list-style-type: none"> Reviewed annually in May of every year. Salaries take account of external market and internal employee context. 	<ul style="list-style-type: none"> Supports the attraction and retention of talent with the capacity to deliver Unga's strategy. 	<ul style="list-style-type: none"> Effective 01 May 2020. 2.3% increase (8% average pay increase for other employees).
Allowances and benefits	<ul style="list-style-type: none"> Provision of competitive benefits including pension, house and car Maximum company pension contribution is 6%. (7.5% of base salary for other employees 	Provision of market competitive and cost-effective benefits supports attraction and retention of talent.	<ul style="list-style-type: none"> Unchanged from prior year 6% of employee contribution
Annual incentive	<ul style="list-style-type: none"> Target performance bonus opportunity is a maximum of 25% of salary based on Unga's and Seaboard's corporate performance. Paid out in cash in February of each year. 	<ul style="list-style-type: none"> Incentivises delivery of Unga's annual financial and strategic targets. Provides focus on key financial metrics and the individual's contribution to the company's performance. 	Unchanged from prior year
Long term incentives	<p>There is presently no long-term incentive scheme within the Group.</p> <p>Non-financial incentives include - Executive training and development programs</p>	<ul style="list-style-type: none"> Rewards long-term consistent performance in line with Unga's Business strategy. Provides focus on delivering superior long-term returns to the shareholders. 	<p>Leadership Development Program</p> <ul style="list-style-type: none"> A 360° feedback program – bespoke was launched during quarter 1 of F20.
Shareholding requirement	There is presently no Employee Share Ownership Plan.	<ul style="list-style-type: none"> Ensure alignment between the interests of Executive Directors and shareholders 	N/A

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

Commentary on Significant Changes to Directors' Remuneration

During the year, the Committee's work was centred on overseeing the implementation of the policy.

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

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

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

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

The results on voting were as follows:

Agenda No.	Resolution	For	Against	Withheld	spoilt	Total
As a percentage of the total votes cast at the meeting						
7 (a)	Approval of the Directors' Remuneration Policy.	85.44694%	0.00105%	13.47911%	1.07290%	100.0%
7 (b)	Approval of the Directors' Remuneration Report.	85.44694%	0.00105%	13.47911%	1.07290%	100.0%

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

The Current Directors' Remuneration Policy and Strategy

Current Policy

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

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

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

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

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

Payments to past Directors

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

Approval by shareholders

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

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

2.0 INFORMATION SUBJECT TO AUDIT

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

Year ended 30 June 2020

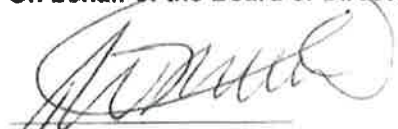
	Salary	Fees	Bonuses	Expense allowances	Loss of office/ Termination	Estimated value of non-cash benefits	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Nicholas Hutchinson	27,114	-	5,573	1,177	-	9,468	43,332
Isabella Ochola Wilson	-	3,468	-	-	-	-	3,468
Alan McKittrick	-	2,352	-	-	-	-	2,352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

Year ended 30 June 2019

Nicholas Hutchinson	26,803	-	6,586	1,086	-	9,914	44,389
Isabella Ochola Wilson	-	3,424	-	-	-	-	3,424
Alan McKittrick	-	2,347	-	-	-	-	2,347
Andrew Stewart Ndegwa*	-	2,328	-	-	-	-	2,328
Patrick Obath	-	2,032	-	-	-	-	2,032
Jinaro Kipkemoi Kibet	-	1,881	-	-	-	-	1,881
Vitalis Ondeke Ojode	-	2,124	-	-	-	-	2,124
Shilpa Haria	-	2,208	-	-	-	-	2,208
	26,803	16,344	6,586	1,086	-	9,914	60,733

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

On behalf of the Board of Directors



Patrick Obath
 Chairman, Nomination and Remuneration Committee

24 September 2020

Unga Group Plc
Statement of Directors' Responsibilities
For the year ended 30 June 2020

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

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

- i. Designing, implementing and maintaining such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and applying them consistently; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

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

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

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

I Ochola- Wilson (Mrs)

N Hutchinson



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 22 to 73 which comprise the consolidated statement of financial position at 30 June 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position as at 30 June 2020, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Unga Group Plc give a true and fair view of the financial position of the Group and the Company at 30 June 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

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

Key audit matters

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

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

*PricewaterhouseCoopers LLP, PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke*

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti



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

Key audit matter	How our audit addressed the key audit matter
<p><i>Credit risk and estimation of expected credit losses on trade receivables</i></p> <p>The group is exposed to credit risk arising, mainly, from credit sales of goods to customers. The credit risk was heightened in the year by the increased market competition and tougher economic environment driven by the Covid-19 pandemic. The recognition of credit loss allowances on financial assets, as required by IFRS 9, involves the use of significant judgements and estimates by management. This makes this an area of focus.</p> <p>Management have applied significant judgements and estimates in the following areas as described in note 3 of the financial statements:</p> <ul style="list-style-type: none"> (i) The determination and application of IFRS 9 risk parameters i.e. probably of default (PD), loss given at default (LGD) and exposure at default (EAD) to trade receivables; and (ii) The definition of default and determination of probability of default. (iii) Determination of expected timing for settlement of government trading debt. <p>Disclosures on the application of IFRS 9 are set out in notes 2 and 4 of the financial statements.</p>	<p>We assessed the Group’s accounting policies for applicable compliance with the principles of IFRS 9.</p> <p>We assessed and tested the key modelling assumptions for reasonableness, including the expected timing of the settlement of receivables from the government.</p> <p>We validated the key inputs into the expected credit loss model against source documents/reports and checked for the mathematical accuracy of the model.</p> <p>We evaluated the adequacy of disclosures in the financial statements in accordance with the requirements of the International Financial Reporting Standards.</p>

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 we do not and will not express any form of assurance conclusion thereon.



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

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

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

Auditor's responsibilities for the audit of the financial statements

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



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.



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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

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

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 15 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

**Certified Public Accountants
Nairobi**

24 September 2020

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

Consolidated statement of profit or loss

For the year ended 30 June	Notes	2020 Shs '000	2019 Shs '000
Revenue from contracts with customers	5	18,260,544	17,895,670
Cost of sales		(16,474,989)	(15,363,481)
Gross profit		1,785,555	2,532,189
Other income	8	32,219	46,322
Selling and distribution costs		(854,949)	(993,193)
Administrative expenses		(662,162)	(866,358)
Operating profit		300,663	718,960
Finance income	10	19,248	62,990
Finance costs	10	(203,002)	(166,748)
Profit before income tax		116,909	615,202
Income tax expense	13	(50,748)	(70,388)
Profit for the year		66,161	544,814
Attributable to:			
Owners of the parent		34,146	342,147
Non-controlling interests		32,015	202,667
		66,161	544,814
Earnings per share attributable to owners of the Company (expressed in Kenya shilling).			
		2020	2019
Basic and diluted earnings per share	6	0.45	4.52

Consolidated statement of comprehensive income

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

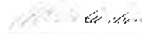
Company statement of profit or loss and other comprehensive income

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

Consolidated statement of financial position

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

The financial statements on pages 22 to 73 were approved for issue by the Board of Directors on 24 September 2020 and signed on its behalf by:


I Ochola- Wilson (Mrs)
 Director


N Hutchinson
 Director

Company statement of financial position

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

The financial statements on pages 22 to 73 were approved for issue by the Board of Directors on 24 September 2020 and signed on its behalf by:



I Ochola- Wilson (Mrs)

Director



N Hutchinson

Director

Consolidated statement of changes in equity

	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to equity holders	Non-controlling interests	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Year ended 30 June 2019							
At start of year	378,535	73,148	(31,329)	3,367,537	3,787,891	1,821,184	5,609,075
Profit for the year	-	-	-	342,147	342,147	202,667	544,814
Other comprehensive income for the year	-	-	(14,802)	-	(14,802)	(7,970)	(22,772)
Total comprehensive income for the year	-	-	(14,802)	342,147	327,345	194,697	522,042
Transactions with owners							
Dividend paid to equity holders (Note 7)	-	-	-	(75,707)	(75,707)	-	(75,707)
At end of year	378,535	73,148	(46,131)	3,633,977	4,039,529	2,015,881	6,055,410

Consolidated statement of changes in equity (continued)

	Share capital	Share premium	Other reserves	Retained earnings	Equity attributable to equity holders	Non-controlling interests	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Year ended 30 June 2020							
At start of year	378,535	73,148	(46,131)	3,633,977	4,039,529	2,015,881	6,055,410
Profit for the year	-	-	-	34,146	34,146	32,015	66,161
Other comprehensive income for the year	-	-	4,833	-	4,833	2,602	7,435
Total comprehensive income for the year	-	-	4,833	34,146	38,979	34,617	73,596
Transactions with owners							
Dividend paid to equity holders (Noted 7)	-	-	-	(37,853)	(37,853)	-	(37,853)
At end of year	378,535	73,148	(41,298)	3,630,270	4,040,655	2,050,498	6,091,153

Company statement of changes in equity

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

Consolidated statement of cash flows

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

Company statement of cash flows

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

Notes

1 General information

Unga Group Plc is incorporated in Kenya under the Companies Act as a limited liability company and is domiciled in Kenya. The address of its registered office is:

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis. All values are shown in thousands of Kenya Shillings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

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

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

IFRIC 23, *Uncertainty over Income Tax Treatments*

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

Amendments to IFRS 9 Prepayment Features with Negative Compensation

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Annual Improvements to IFRS Standards 2015-2017 Cycle

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

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

Amendments to IAS 1 and IAS 8; Definition on material

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

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

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

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

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

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.

2 Summary of significant accounting policies (continued)

(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)

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(iii) Initial measurement

On initial recognition:

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

(iv) Subsequent measurement

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

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

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

(v) Impairment

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

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

(vi) Presentation

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(vi) Presentation

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

(vii) Derecognition/write off

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

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

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

(viii) Offsetting

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

(n) Leases

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

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

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.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

Critical judgements in determining the lease term

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

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

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

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

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

(o) Employee benefits

(i) Retirement benefit scheme assets

The Group operates defined benefit retirement schemes for its employees. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability/ asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees.

The Group employees also contribute to the appropriate National Social Security Funds, which is a defined contribution scheme.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) Employee benefits

(ii) Other post-employment obligations

The Group operates an unfunded service gratuity benefit scheme for unionisable employees based on basic salary and years of service. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

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

(p) Current and deferred income tax

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

The current income tax charge is calculated based on the tax law enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate based on amounts expected to be paid to the tax authorities.

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

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

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

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

(q) Borrowings

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(r) Dividend distribution

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

(s) Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Grants

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

(i) Revenue Grants

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

(ii) Capital Grants

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

(u) Other income

Interest Income is recognised using the effective interest method.

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

3 Critical accounting estimates and judgements

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

(i) Critical accounting estimates and assumptions

Useful lives of plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. The depreciation rates applied in the year are set out in Note 2 (f). Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

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

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

Impairment losses on financial assets

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

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

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

4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including liquidity risk, credit risk, the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the finance department under guidance of the Board of Directors.

Market risk

(i) Interest rate risk

Group

Interest rate risks arise from fluctuations in the bank borrowing rates. The interest rates vary from time to time depending on the prevailing economic circumstances. The Group closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

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

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

Company

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

(ii) Price risk

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Market risk (continued)

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

Company

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

Credit risk

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

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

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

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

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

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

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

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

Group

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

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

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

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

Concentration risk

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

	2020 Shs'000	%	2019 Shs'000	%
Kenchic Limited	2,185,905	12%	2,378,356	13%
Others	16,074,639	88%	15,517,314	87%
Total	18,260,544	100%	17,895,670	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 2020				
Liabilities:				
Trade payables (Note 21)	864,676	-	-	864,676
Other payables (Note 21)	1,872,855	-	-	1,872,855
Due to related parties (Note 30)	2,009,555	-	-	2,009,555
Borrowings	312,596	693,975	-	1,006,571
Lease liability	30,563	13,220	-	43,783
Total financial liabilities	5,090,245	707,195	-	5,797,440

Notes (continued)

4 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

At 30 June 2019	Below one year	2-5 years	Over 5 years	Totals
Liabilities:	Shs'000	Shs'000	Shs'000	Shs'000
Trade payables (Note 21)	617,393	-	-	617,393
Other payables (Note 21)	1,677,247	-	-	1,677,247
Due to related parties (Note 30)	817,373	-	-	817,373
Borrowings	381,519	1,011,370	-	1,392,889
Lease liabilities	36,486	36,826	-	73,312
Total financial liabilities	3,530,018	1,048,196	0	4,578,214

The Group has undrawn committed borrowing facilities amounting to Shs 687,702,481 and USD 700,000 (2019: Shs 383,106,286 and USD 2,700,000). The borrowing facilities consist of loans and bank overdrafts. Security for these borrowings includes an all assets debenture for Shs 2.3 billion issued by subsidiary companies, corporate guarantees by Group companies and legal charges over certain properties owned by subsidiary companies, and a property registered in the name of a Group company.

Company	Below one year	Over one year	Totals
At June 2020	Shs'000	Shs'000	Shs'000
Liabilities:			
Other payables (Note 21)	8,622	-	8,622
Due to related parties (Note 30)	186,510	-	186,510
	195,132	-	195,132
At June 2019			
Liabilities:			
Other payables (Note 21)	3,142	-	3,142
Due to related parties (Note 30)	180,105	-	180,105
	183,247	-	183,247

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

Fair value estimation

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

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

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

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

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

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

Notes (continued)

5 Revenue from contracts with customers

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

The above revenue is recognised at a point in time.

6 Earnings per share

Basic earnings per share has been calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit for the year attributable to shareholders (Shs '000'):	34,146	342,147
Weighted average number of ordinary shares ('000')	75,707	75,707
	<u>0.45</u>	<u>4.52</u>

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

7 Dividends

In respect of the current financial year, the directors do not propose the payment of dividend (2019: Shs 37,853,493). Payment of dividend is subject to withholding tax at a rate of 10% for non-resident shareholders and 5% for resident shareholders. For resident shareholders, withholding tax is only deductible where the shareholding is below 12.5%.

8 Other income

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

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 feed and mineral supplement products and distributes products for animal health.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Factors that management uses to identify the entity's reportable segments

Unga Group Plc segments are strategic business units that serve different market segments. They are managed separately because each business requires different technology and marketing strategies.

Information about major customers

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

Notes (continued)

9 Segmental reporting (continued)

Year ended 30 June 2020	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Consolidation Shs'000
Revenue from external customers	9,864,389	9,350,745	-	(954,590)	18,260,544
Inter-segment revenues	954,590	-	-	-	954,590
Interest income	4,081	3,802	11,365	-	19,248
Other income	14,420	15,924	1,875	-	32,219
Interest expense	142,185	60,604	213	-	203,002
Depreciation and amortisation	222,219	94,734	32,684	-	349,637
Reportable segmental profit	(49,706)	195,258	(28,643)	-	116,909
Income tax expense	10,063	(60,057)	(754)	-	(50,748)

Other material non-cash items:

Reportable segment assets	6,682,440	5,578,804	1,893,213	(2,103,581)	12,050,876
Capital expenditures for non-current assets	201,383	278,878	-	-	480,261
Reportable segmental liabilities	4,280,524	3,556,025	473,060	(2,349,886)	5,959,723

Year ended 30 June 2019	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Consolidation Shs'000
Revenue from external customers	9,094,558	9,500,171	-	(699,059)	17,895,670
Inter-segment revenues	699,059	-	-	-	699,059
Interest income	4,263	39,571	19,156	-	62,990
Other income	27,789	18,533	-	-	46,322
Interest expense	126,058	40,690	-	-	166,748
Depreciation and amortisation	286,059	120,796	-	-	406,855
Reportable segmental profit	75,022	712,484	(172,304)	-	615,202
Income tax expense	142,561	(216,918)	3,969	-	(70,388)

Other material non-cash items:

Reportable segment assets	6,678,676	4,209,581	6,091,936	(6,334,127)	10,646,066
Capital expenditures for non-current assets	451,648	513,346	-	-	964,994
Reportable segmental liabilities	4,256,703	2,356,889	627,387	(2,650,323)	4,590,656

Notes (continued)

10 Finance costs	Group		Company	
	2020	2019	2020	2019
Finance income:	Shs'000	Shs'000	Shs'000	Shs'000
Interest income on deposits	19,248	62,990	155	10,291
Finance costs:				
Interest expense on bank loans	113,499	76,686	-	-
Interest expense on bank overdrafts	13,413	149	-	-
Interest expense on trade finance	52,776	36,211	-	-
Finance charge on leases	4,722	21,398	-	-
Net foreign exchange losses	18,592	32,304	-	-
	203,002	166,748	-	-
11 Breakdown of expenses by nature			2020	2019
			Shs'000	Shs'000
The profit before taxation is arrived at after charging:				
Staff costs (Note 12)			1,274,533	1,286,745
Depreciation of property, plant and equipment (Note 23)			247,817	264,088
Depreciation of right-of-use assets (Note 24)			28,507	71,058
Amortisation of intangible assets (Note 25)			5,552	71,073
Directors remuneration (Note 30)			60,816	60,733
Auditor's fees			14,503	14,503
Provision for expected credit losses (Note 20)			52,260	29,674
12 Staff costs				
Salaries and wages			994,625	1,035,545
Retirement benefits obligation (Note 27)			68,236	52,802
Social security costs (NSSF) contributions			1,175	2,002
Accrued leave pay			-	52,341
Other staff cost			142,261	91,253
Service gratuity (Note 27)			68,236	52,802
			1,274,533	1,286,745
The average number of employees of the Group during the year was			2020	2019
Production			207	279
Sales and distribution			104	154
Management and administration			163	153
			474	586

Notes (continued)

13 Income tax expense	2020	2019
	Shs'000	Shs'000
Current income tax	32,385	147,579
Deferred income tax (Note 18)	18,363	(77,191)
	<hr/>	<hr/>
Income tax expense	50,748	70,388
	<hr/>	<hr/>

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:

	2020	2019
	Shs'000	Shs'000
Profit before income tax	116,909	615,202
	<hr/>	<hr/>
Tax calculated at the statutory income tax rate of 25% (2019– 30%)	29,227	184,561
Tax effects of:		
Expenses not deductible for tax purposes	23,319	39,186
Income not subject to tax	(2,058)	(12,448)
Additional investment deduction on capital projects	-	(150,905)
Under-provision of current income tax in prior years	-	(20,835)
Over-provision of deferred income tax in prior years	1,889	-
Deferred income tax asset not recognised	7,327	30,829
Change in tax rate	(8,956)	-
	<hr/>	<hr/>
Income tax expense	50,748	70,388
	<hr/>	<hr/>

14 Share capital

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

The total authorised number of ordinary shares is 82,760,000 with a par value of Shs 5 per share. The total number of ordinary shares issued 75,706,986 with a par value of Shs 5 per share. All issued shares are fully paid. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Notes (continued)

15 Other reserves

Other reserves comprise the following:

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

Other reserves as included above are non-distributable.

16 Non-controlling interests

Group	2020 Shs'000	2019 Shs'000
At start of year	2,015,881	1,821,184
Share of profit for the year	32,015	202,667
Share of other comprehensive income	2,602	(7,970)
	<hr/>	<hr/>
At end of year	2,050,498	2,015,881
	<hr/>	<hr/>

Summary of Non-controlling interest:

Unga Holdings Limited:

35% Equity interest held by Seaboard Corporation in Unga Holdings Limited	2,050,498	2,015,881
	<hr/>	<hr/>

Notes (continued)

16 Non-controlling interests (continued)

Summarised financial information on subsidiaries with material non-controlling interests

Unga Holdings Limited which has a 35% non-controlling interest operates as a holding company. A summary of its financial performance is set out below:

Unga Holdings Limited summarised statement of financial position

	2020 Shs'000	2019 Shs'000
Current assets	8,148,335	6,638,120
Current liabilities	(5,095,039)	(3,342,861)
Total current net assets	3,053,296	3,295,259
Non-current assets	4,134,938	3,965,682
Non-current liabilities	(864,994)	(1,177,047)
Total non-current net assets	3,269,944	2,788,635
Total net assets	6,323,240	6,083,894

Unga Holdings Limited summarised statement of comprehensive income

Revenue	18,260,544	17,895,670
Profit before income tax	142,219	644,206
Income tax expense	(50,748)	(65,157)
Profit after tax	91,471	579,049
Other comprehensive income	7,816	(22,772)
Total comprehensive income	99,287	556,277

Unga Holdings Limited summarised cash flows

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

Notes (continued)

17 Borrowings

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

Bank loans comprise the following facilities to the subsidiary Companies;

Unga Limited

- A 6-year term loan facility of USD 7,500,000 taken in 2013 to finance installation of a wheat milling plant in Nairobi (Commercial Street). Interest is charged at 4% above the 3 months LIBOR rate. The loan is repayable in equal instalments and was expected to be fully repaid by July 2019. The loan was fully paid as at 30th June 2020.
- A 6-year term loan of Shs 860,000,000 taken in 2018 to finance the purchase and construction of a new wheat milling plant in Eldoret. Interest charged is Central Bank Rate (CBR) plus 3% Margin. The facility has a moratorium of 12 months after the first drawdown which was made on 28 April 2018. The loan is repayable in equal installments after the end of the moratorium. The entire loan had been drawn down as at 30 June 2019. The effective interest rate on the facility at 30 June 2020 was 13.5% (2019:13.5%).

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

Unga Farm Care (EA) Limited

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

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

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

Notes (continued)

18 Deferred income tax

Deferred income tax is made up of the following:

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

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

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

Group

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

Notes (continued)

18 Deferred income tax (continued)

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

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

19 Inventories

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

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

Notes (continued)

20 Trade and other receivables

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

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

	Group		Company	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	449,822	420,148	-	-
Charge to profit or loss in the year	52,260	29,674	-	-
At end of year	502,082	449,822	-	-
Expected credit losses are made up as follows:				
Trade receivables	385,002	356,487	-	-
Other receivables	117,080	93,335	-	-
	502,082	449,822	-	-

21 Trade and other payables

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

Notes (continued)

22 Capital grants

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

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

23 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 2019					
At start of the year	554,641	1,778,018	69,759	788,024	3,190,442
Currency translation differences	-	(512)	-	-	(512)
Additions	157,844	687,899	20,186	8	865,937
Transfers	172,362	577,856	-	(750,218)	-
Transfer to leases (Note 18)	-	-	-	(15,690)	(15,690)
Disposals	-	(12,542)	-	-	(12,542)
Depreciation charge	(18,949)	(207,472)	(33,829)	-	(260,250)
	865,898	2,823,247	56,116	22,124	3,767,385
At 30 June 2019					
Cost	978,143	3,709,161	213,899	22,124	4,923,327
Currency translation differences	-	(512)	-	-	(512)
Accumulated depreciation	(112,245)	(885,402)	(157,783)	-	(1,155,430)
	865,898	2,823,247	56,116	22,124	3,767,385

Notes (continued)

23 Property, plant and equipment (continued)

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

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

Notes (continued)

24 Leases

(i) Right-of-use assets

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

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

The Group has pledged leasehold land with a net book value of Shs 25,723,000 (2019 – Shs 29,893,000) to secure borrowings granted to it (see Note 17).

Notes (continued)

24 Leases (continued)

(ii) Lease liabilities

	2020 Shs '000'	2019 Shs '000'
Current	27,637	34,652
Non-current	11,221	34,111
	<u>38,858</u>	<u>68,763</u>

(iii) Lease liability movement

Start of the year	68,763	-
Adoption of IFRS 16	-	132,076
Finance charge	4,722	21,398
Repayments in the year	(34,627)	(84,711)
	<u>38,858</u>	<u>68,763</u>

25 Intangible assets

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

Notes (continued)

26 Investment in subsidiaries – Company

Unquoted investment at cost in wholly owned subsidiary

	2020 Shs'000	2019 Shs'000
Unga Investments Limited	1,297,335	1,297,335

Details of the Company's subsidiaries are as follows:

Company name	Principal place of business	Principal activity	% Interest held	Share capital Shs'000
Unga Investments Limited	Kenya	Operates as a holding and an investment company.	100	22,200

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

Company name	Principal place of business	Principal activity	% Interest held	Share capital Shs'000
Unga Limited	Kenya	Milling of wheat and maize	100%	220,000
Unga Farm Care (EA) Limited	Kenya	Manufacture of animal nutrition products and distribution of animal health products	100%	22,520
Unga Feeds Limited	Kenya	Dormant company	100%	42,300
Unga Foods Limited	Kenya	Dormant company	100%	15,400
Unga Millers (U) Limited	Uganda	Milling of wheat and maize, and distribution of animal nutrition products	100%	7,280
Ennsvalley Bakery Limited	Kenya	Manufacture and sale of cakes, roles, breads and pastries	100%	250

Notes (continued)

27 Post-employment benefits obligation

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

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

Service gratuity scheme

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

	2020 Shs'000	2019 Shs'000
At start of year	9,469	9,351
Charge/ (credit) to profit or loss	960	2,712
Payments in the year	(6,886)	(2,594)
	3,543	9,469

Retirement benefits scheme

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

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

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

Notes (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (continued)

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

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

Notes (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (continued)

Year ended 30 June 2019	Present value of Obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact of asset ceiling Shs'000	Total Shs'000
At start of year	668,155	(717,502)	(49,347)	24,673	(24,674)
Current service cost	49,886	-	49,886	-	49,886
Interest expense/ (income)	97,387	(97,753)	(366)	3,282	2,916
Charge to profit or loss	147,273	(97,753)	49,520	3,282	52,802
<i>Re measurements:</i>					
Return on plan assets	-	38,184	38,184	-	38,184
Change in assumptions	21,009	-	21,009	-	21,009
Change in asset ceiling				(27,955)	(27,955)
Charge to other comprehensive income	21,009	38,184	59,193	(27,955)	31,238
<i>Contributions:</i>					
Employee	40,166	(40,166)	-	-	-
Employer	-	(37,175)	(37,175)	-	(37,175)
Payments from plan:	(37,831)	37,831	-	-	-
	2,335	(39,510)	(37,175)	-	(37,175)
At end of year	838,772	(816,581)	22,191	-	22,191

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

At 30 June 2020

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

Notes (continued)

27 Post-employment benefits obligation (continued)

Retirement benefits scheme (continued)

The significant actuarial assumptions were as follows;

	2020	2019
Discount rate	12.4%	12.9%
Rate of salary escalation	10.4%	10%
Rate of pension increases	0%	0%

Since the bulk of the benefits payable under the scheme are salary related and there are no pensions paid from the scheme, the sensitivity of the liability to a change in the salary escalation assumption is expected to be consistent with the sensitivity to the discount rates.

The plan assets are comprised of the following;

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

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

Asset volatility

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

Changes in bond yields

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

Notes (continued)

28 Cash generated from operations

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

Group	2020 Shs'000	2019 Shs'000
Profit before income tax	116,909	615,202
Adjustments for:		
Depreciation (Note 23)	274,817	264,088
Amortisation of leases (Notes 24)	28,507	71,058
Interest paid	179,688	113,046
Finance charge on leases	4,722	21,398
Amortisation of intangible assets (Note 25)	5,552	71,073
Amortisation of capital grant (Note 22)	(3,324)	(3,324)
Gain on disposal of property, plant and equipment	722	(9,002)
Post-employment benefits obligation	12,612	(15,401)
Changes in working capital:		
-inventories	(1,863,672)	(62,268)
-trade and other receivables	477,075	(203,655)
-trade and other payables	1,635,073	500,544
Cash generated from operations	868,681	1,362,759
Company		
Loss before income tax	(30,673)	(41,895)
Adjustments for:		
Changes in working capital:		
-trade and other receivables	56,847	19,103
-trade and other payables	11,885	(127,527)
Cash generated from operations	38,059	(150,319)

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

Group	2020 Shs'000	2019 Shs'000
Bank balances	607,067	753,106
Call deposits	-	87,809
Cash balances	54,419	423
Cash and cash equivalents	661,486	841,338
c) Net debt reconciliation		
Cash and cash equivalent	661,486	841,338
Borrowings	(829,701)	(1,062,865)
Lease liability	(38,858)	(68,763)
Net debt	(207,073)	(290,290)

Notes (continued)

28 Cash generated from operations (continued)

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

29 Capital commitments

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

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

30 Related party transactions

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

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

i) Sale of goods and services

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

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

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

Notes (continued)

30 Related party transactions (continued)

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

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

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

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