2023
INTEGRATED REPORT

REPOSITIONING FOR
BETTER **TOMORROW**

UNGA GROUP Plc

REPOSITIONING FOR BETTER TOMORROW

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

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01 ABOUT THIS REPORT

We are pleased to present our 2023 Integrated Report which provides insight into Unga's business model, governance processes and strategy. The report evaluates our commercial, economic, social and environmental outcomes which drive our prospects for value creation. It should be read together with our annual financial statements, which are contained as part of this report.

SCOPE AND BOUNDARY

This report covers material information for the financial year ended 30 June 2023. It covers the Group and subsidiaries and focuses on the main operations and activities that contribute to our performance. While this report is aimed primarily at providers of financial capital (to inform and support their capital allocation decisions), it also provides disclosure on the Group's most significant impacts on people, society and the environment.

Our integrated reporting boundary covers the material risks and opportunities arising from our strategy and operating context and includes insight into the quality of our relationships with key stakeholders whose interests affect Unga's creation of value. Accordingly, this report should be of interest to all stakeholders who seek to be informed about Unga's capacity to create value over time.

The Board and Management are confident that this report covers all qualitative and quantitative disclosures deemed to be material to the Group's ability to sustainably deliver value to its stakeholders. Other information in this report was drawn from internal documentation, management interviews and presentations, including market disclosures related to the Group's year-end results and other relevant announcements.

REPORTING FRAMEWORKS

The report has been prepared with the intention of adhering to the recommendations and guidelines of the fundamental concepts of the Integrated Reporting Framework as well as the Global Reporting Initiatives (GRI) Standards that aim to advance the practice of sustainability reporting, and enabling us and our stakeholders to take action that creates economic, environmental and social benefits for everyone.

Furthermore, we continue to adhere to the Kenya Companies Act, 2015, Capital Markets Authority guidelines, and Nairobi Securities Exchange (NSE) listing requirements, as we have done in the past, including the NSE's Environmental, Social, and Governance (ESG) disclosures manual for listed companies.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements based on the beliefs or expectations of Unga's directors and other members of its Executive and Senior Management. These include statements about, amongst others, future performance and prospects. Forward-looking statements are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors. Consequently, no guarantee or assurance can be given that forward-looking statements will prove to be accurate and stakeholders are advised not to place undue reliance on them.

BOARD RESPONSIBILITY AND APPROVAL

The Board acknowledges its responsibility of ensuring the integrity of the Integrated Report which, in the Board's opinion, addresses all material matters, fairly presents the integrated performance of the Group and offers a balanced view of Unga's strategy and how it translates into value creation in the short, medium and long term.

CORPORATE INFORMATION

DIRECTORS	I Ochola-Wilson (Mrs) J Choge J K Kibet V O Ojode A McKittrick P O Obath S Haria (Ms) A S M Ndegwa W Wangari (Mrs) C Miringu (Ms)	Chairman
SECRETARY	Winniefred Nyagoha Jumba Plot LR. No.209/6921 5th Floor, West Wing ICEA Lion Centre, Riverside Park Chiromo Road, Westlands Nairobi, Kenya	
REGISTERED OFFICE	Plot No.209/6841 Ngano House Commercial Street Industrial Area P O Box 30096, 00100 Nairobi, Kenya	
REGISTRARS	Custody & Registrars Services Limited 1st Floor, Tower B, IKM Place 5th Ngong Avenue P O Box 8484, 00100 Nairobi, Kenya	
AUDITOR	PricewaterhouseCoopers LLP Certified Public Accountants (Kenya) PwC Tower, Waiyaki Way/ Chiromo Road, Westlands P O Box 43963, 00100 Nairobi, Kenya	
BANKERS	NCBA Mara Rd. Upper-hill P.O. Box 44599-00100 Nairobi, Kenya	
LAWYERS	Coulson Harney LLP 5th Floor, West Wing, ICEA Lion Centre Riverside Park, Chiromo Road, Nairobi PO Box 10643-00100 Nairobi, Kenya	

02 UNGA GROUP AT A GLANCE

ABOUT THE GROUP

Unga Group Plc is a leading flour milling, food distribution and animal feeds, animal health production company in Kenya and has been in operation for over 115 years.

Unga operates as a strategic alliance between Unga Group and Seaboard Corporation, a US-based multinational whose diversified business has operations in North America, Central & South America, the Caribbean, Africa, South-East Asia, and Australia.

Seaboard provides technical support to Unga's production operations. Through its trading division, it also provides a platform through which Unga can optimise its procurement of internationally sourced materials and equipment.

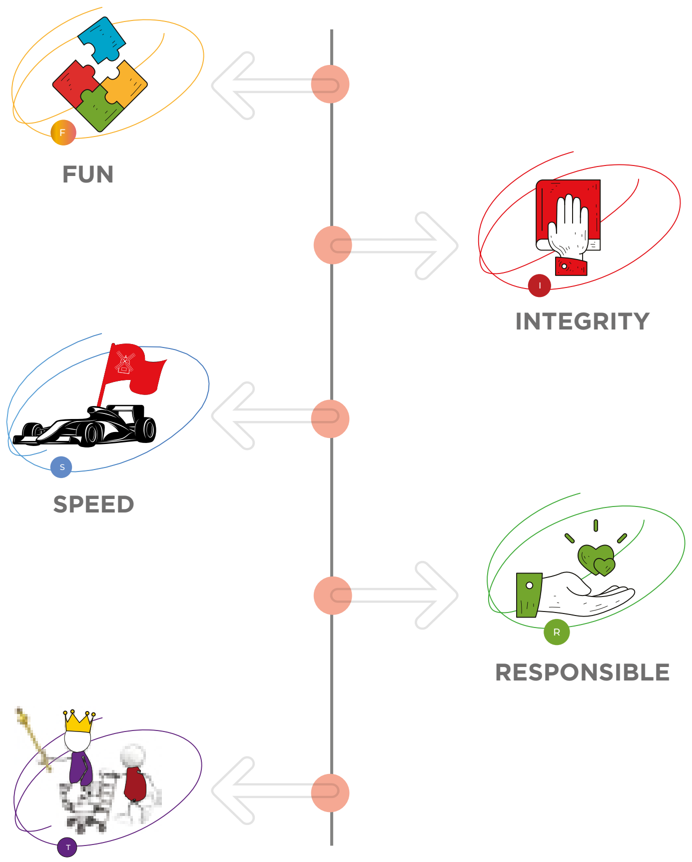
OUR PURPOSE

We provide food and farm-care solutions for better living, sustainably.

OUR VISION

To be the leading provider of high-quality, affordable products that nourish people and animals whilst supporting local communities and protecting the environment.

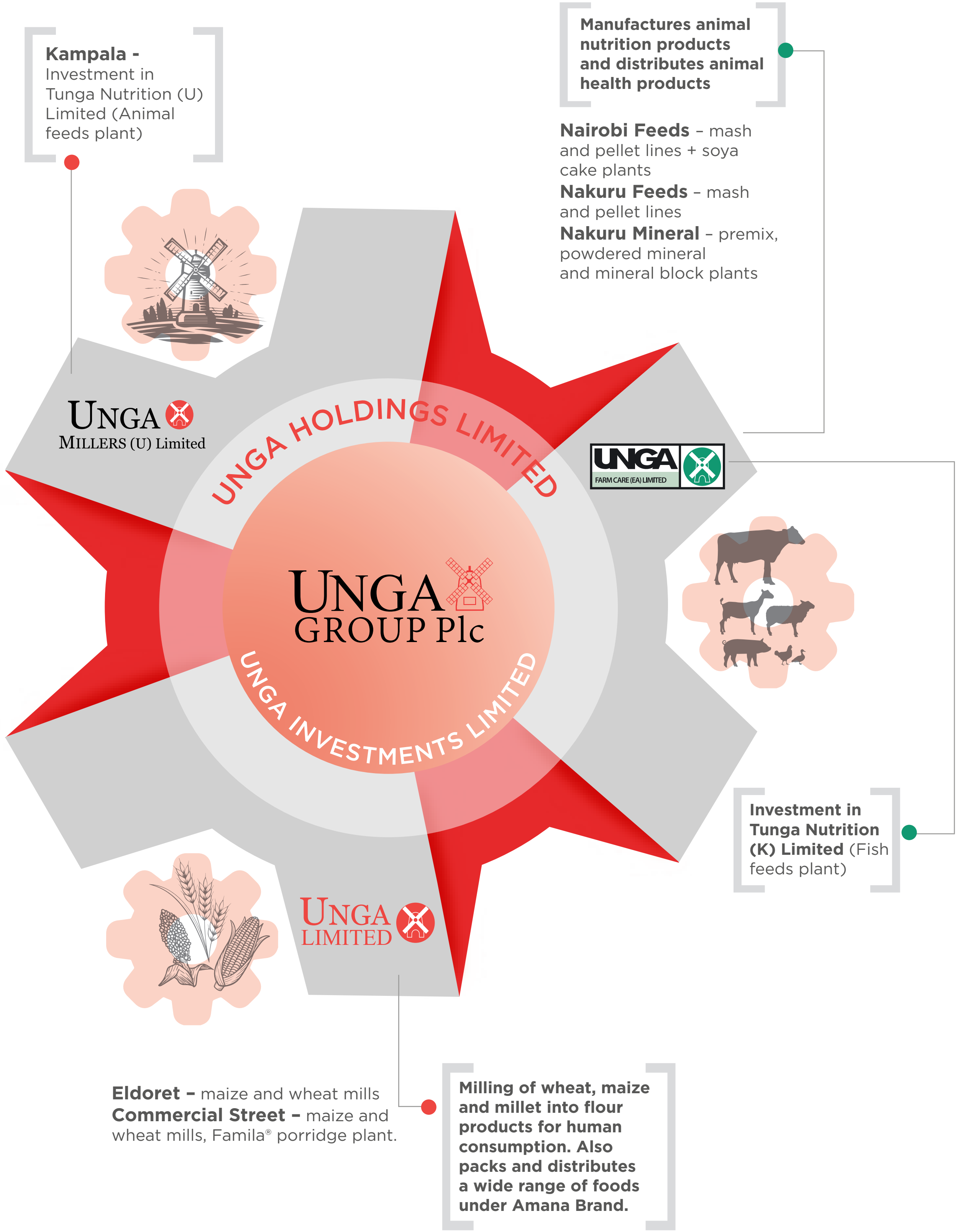
OUR CORE VALUES



STRATEGIC PRIORITIES

- Enhancement of Core Business
- Pursue Innovation and New Business Opportunities
- Foster a High-Performance Culture

OPERATIONAL STRUCTURE



OUR HISTORY

Unga's history in Kenya dates back over 115 years. Our presence and success attests to a heritage of consistent quality human and animal nutrition and health products across the East Africa region.

1904 - 1910

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

1908: Unga Limited incorporated on 28th December.

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

1911 - 1929

1921: New wheat mill commissioned in Njoro.

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

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

1928: Unga (1928) Limited incorporated.

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

1930 - 1939

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

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

1939: Leased wheat mill in Iringa, Tanzania.

1940 - 1949

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

1948: Doubled capacity of Eldoret mill.

1950 - 1959

1953: Proctor & Allan purchased.

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

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

1956: Nakuru Feeds plant opened.

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

1960 - 1969

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

1965: Acquired Maida Limited, Jogoo brand.

1967: Tanzania entity nationalised.

1970 - 1979

1970: Unga Millers Ltd renamed Mercat Ltd.

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

1976: Ugandan entity nationalised.

1980 - 1989

1981: Unga Feeds established.

1984: Chester House opened.

1986: Ufuta Ltd established.

1987: Mercat Ltd renamed Unga Group Ltd.

UNGA GROUP LIMITED

1990 - 1999

1991: Unga House opened.

1994: Elliot's Bakeries sold.

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

1999: Unga Farm Care (EA) Ltd established.

2000 - 2009

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

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

2009: 100 year anniversary.

2010 - 2019

2013: New wheat mill commissioned at Commercial Street.

2014: Interest in Bullpak Limited divested.

2015: Controlling interest acquired in Ennsvalley Bakery Ltd.

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

2018: New wheat mill commissioned in Eldoret.

2019: Soybean meal plant commissioned in Nairobi.

2020 - 2023

2021: Divested from bakery business and sold assets of Ennsvalley Bakery Limited

2022: Transfered business and assets of its fish feed business and invested in Tunga Nutrition (K) Limited and Tunga Nutrition (U) Limited.

2023: Commissioned the second fish feeds production line in Tunga Nutrition (K) Limited.

BRANDS PORTFOLIO

OUR PERFORMANCE HIGHLIGHTS 2023

FINANCIAL HIGHLIGHTS

- Revenue Ksh24bn (2022: Ksh18bn)
- Gross profit Ksh1.7bn (2022: Ksh1.4bn)
- Gross margin 5% (2022: 8%)
- (Loss)/profit (Ksh959m) (2022: Ksh311m)
- Total Assets Ksh11.5bn (2022: Ksh10.2bn)
- Dividends nil (2022: nil)
- Volumes Human nutrition +16%, Animal nutrition -4%

CONSUMER HIGHLIGHTS

- Launch of second wheat brand, *Pendo*
- Relaunched *Amana*® brand with a refreshed, attractive visual identity
- Entered a new category with the *Amana*® branded sugar
- Introduced a long grain rice segment
- Launch of *Afya Bora® Ndama*
- Revamped *Afya Bora® Maziwa Tele*
- Introducted a Pig Growers

EMPLOYEE HIGHLIGHTS

- Headcount (permanent 298, contract 18, outsourced 800)
- Gender diversity (male 75%, female 25%)
- Labour turnover 9.6% (4% lower than industry best average)
- Continous performance improvement
- Zero fatalities

GOVERNMENT HIGHLIGHTS

- Employee taxes Ksh179m (2022: Ksh185m)
- Company taxes Ksh14.8m (2022: Ksh95.6m)
- VAT and sales tax Ksh33m (2022: Ksh65m)
- Customs and excise duty Ksh682m (2022: 468m)
- Tax collected on behalf of government Ksh65.5m (2022: Ksh42m)

ENVIRONMENTAL HIGHLIGHTS

- Total CO_2 emissions 61,278 metric tonnes of CO_2 per annum
- 160kg CO_2/MT of finished product
- The penetration reliance on grid is 28% with reduction on cost in excess of 27%
- Panels to cut grid power usage by 27% and CO_2 emissions by 2,454 tonnes of CO_2 per year
- Overall winner of the 2022 Energy Management Awards by KAM

SUPPLIER HIGHLIGHTS

- Strategic partnership with soya bean producers
- Working with local farmers
- Field days are organised to support suppliers apply best practices and boost yields
- Partnerships with Kenya Plant Health Inspectorate Service, University of Eldoret
- Partnership with original equipment manufacturers

COMMUNITY HIGHLIGHTS

Provided support to:

- The Kenya Society for the Blind
- Kenya Society for the Deaf
- The Rotary Club

CUSTOMER OUTREACH HIGHLIGHTS

- Farmers' capacity building through regional seminars and training sessions
- Forums at ASK Shows and Trade Fairs by sales and technical teams
- Partnerships and promotions with retail stores and supermarkets
- Social Media - Facebook, X (formerly Twitter), and Instagram to connect with customers

STAKEHOLDER ENGAGEMENT HIGHLIGHTS

- Reporting through open and transparent communication with stakeholders
- Compliance with existing regulations and constructive engagement with regulatory authorities
- Regional seminars and training for knowledge exchange
- Quality assurance visits to provide training on grain handling techniques
- Investor relations through financial reporting, investor meetings and presentations

WHAT MATTERS TO US

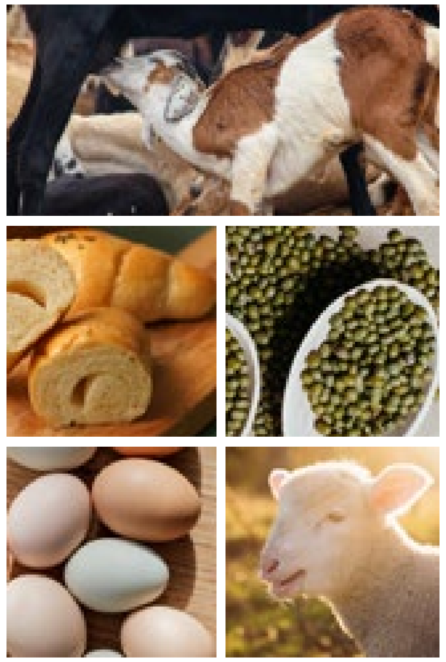
OUR PURPOSE

We provide food and farm-care solutions for better living, sustainably.

To be the leading provider of high-quality, affordable products that nourish people and animals whilst supporting local communities and protecting the environment.

UNGA aspires to establish itself as the foremost provider of high-quality consumer products, commanding a significant market share and driving customer loyalty.

The organisation is a trusted employer, a catalyst for community growth, and a driver of sustainable development.



OUR SUSTAINABILITY VISION

Unga is acutely aware of its responsibilities to its stakeholders to ensure a long-term sustainable business and recognises that sustainable business practices protect the environment, and promote human health, safety and well-being of our employees, communities where we operate, and society at large.

The Company will ensure adherence with Kenyan and international laws, regulations and conventions relating to sustainability; promote efficient use of all resources; minimise potential negative environmental impact; and promote human health, safety and well-being of our employees and the community where we operate.

The Board of Directors, through the Board Investment and Operations Committee (BIOC), has the overall responsibility for the sustainability agenda in the Company; and ensures that sustainability principles are integrated into the core business strategies and operations.

On the other hand, the management ensures that sustainable business initiatives are implemented in the Company, in accordance with applicable laws and regulations. Our employees are fully engaged in the implementation of both sustainability and corporate responsibility initiatives of the Company.

Furthermore, like-minded business partners and stakeholders are encouraged to embed sustainable initiatives in their processes; and with communities where they operate; in compliance with the relevant sustainability laws and regulations; and Unga's Code of Ethics and Conduct.

In order to convert our strategic themes into a meaningful contribution towards a sustainable future, we have selected the relevant United Nations' Sustainable Development Goals (SDGs) against which we have aligned our strategy and will use to guide our decisions and monitor our progress.

Sustainable Development Goals (SDGS) that we track

SDGs	Unga Group Imperative
2 ZERO HUNGER	Facilitate quality, safe, and nutritious foods. Prevent and eliminate threats to food security across the Company's value chain and ecosystems.
3 GOOD HEALTH AND WELL-BEING	Mainstream occupational health and safety among our employees including preventing and eliminating food and feed safety hazards in the company's operations and value chain to ensure safe food and feed for consumers, livestock and prevent harms to broader ecosystems.
5 GENDER EQUALITY	Deliberately balance gender within the organisation's workforce to ensure the employees are diverse and equitable.
8 DECENT WORK AND ECONOMIC GROWTH	Continuously strive to provide livelihoods to all stakeholders (employees, farmers, shareholders, etc.) including, but not limited, to generating revenue for the government.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Anchoring innovation as a business imperative to drive food security, creating employment, generating additional revenue, and protecting human rights.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Establish systems and process that accelerate sustainable waste management, responsible production, ethical sourcing, and disclosures.
13 CLIMATE ACTION	Rapidly reduce greenhouse gas emissions, aligning to a 1.5°C world, and mitigate air pollution throughout the Company's operations and value chain.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Maintain a responsive corporate governance system that augments justice and peace within the region.
17 PARTNERSHIPS FOR THE GOALS	Forge meaningful partnerships that accelerate achievement of the adopted Sustainable Development Goals (SDGs).

WHO LEADS US

Our Board of Directors

Isabella Ochola-Wilson (74)
Non-Executive Director

Isabella was appointed to the board in 2006 as a non-executive director and assumed the Chair's position in 2012. Bella brought with her several years of management and board experience obtained from previous board positions in both for-profit and non-profit organisations including the former NIC Bank, Basecamp Explorer, AMREF, and the councils of the University of Nairobi and the Technical University of Kenya.

In management positions, she worked for Johnson & Johnson (K) for several years rising to the CEO position before joining Kenya Wildlife Service to set up their commercial wing, and later worked as a consultant for DFID and UNDP.

Joseph Choge (43)
Executive Director

Joined Unga holdings Limited in December 2021. Joseph has worked in Eastern, Western and Southern Africa markets in telecoms, banking, insurance and FMCG. His prior roles include Chief Executive Officer - Premier Foods Limited and General Manager – Industrial Promotion Services (IPS).

He holds an MBA in International Management from University of London, B.Sc. Mathematics, Operations Research from University of Nairobi, Certified Public Accountant CPA (K), Certified Public Secretary, CPS (K) and Postgraduate Diploma in Professional Marketing by Chartered Institute of Marketing (CIM). He is the current Chairman of the food and beverage sector of the Kenya Association of Manufacturers and Chairman of the Board of the Institute of Customer Experience of Kenya (ICX).

Andrew Ndegwa (55)
Non-Executive Director

Appointed to the board in September 2001. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from University of Oxford. Andrew started his career in the banking industry, working with Citibank and then the Africa Mercantile Banking Company before moving to First Chartered Securities, an investment holding company.

In addition to being an executive director of First Chartered Securities, he is a non-executive board member of several other companies, including NCBA Group Plc.

Our Board of Directors

Jinaro Kibet (58)
Non Executive Director

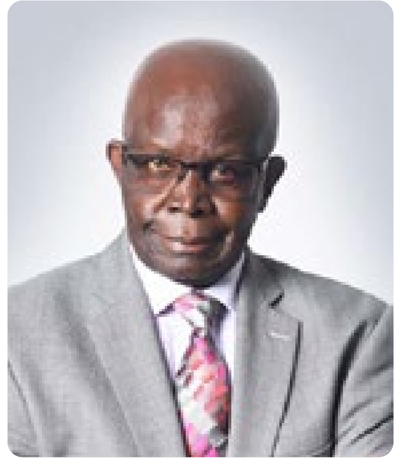
Appointed to the board in February 2005. He holds an LLB degree from the University of Nairobi and a diploma from the Kenya School of Law. He is a Senior Counsel, an advocate of the High Court of Kenya, Commissioner of Oaths and Notary Public.

He is one of the founding Partners of the law firm of Tripleoklaw LLP and holds other directorships including Prime Bank Limited, AA of Kenya and others.

Shilpa Haria (63)
Independent Non Executive Director

Appointed to the board in September 2016. She is a fellow of the Chartered Association of Certified Accountants (FCCA) and a member of the Institute of Certified Public Accountants (ICPAK).

Ms Haria has extensive experience in audit and business advisory garnered from over 14 years with PricewaterhouseCoopers. She is director at Housing Finance Company, Compulynx Limited and consultant CFO of Flame Tree Group. She chairs the Financial Evaluation Committee of Faraja Medical Fund.

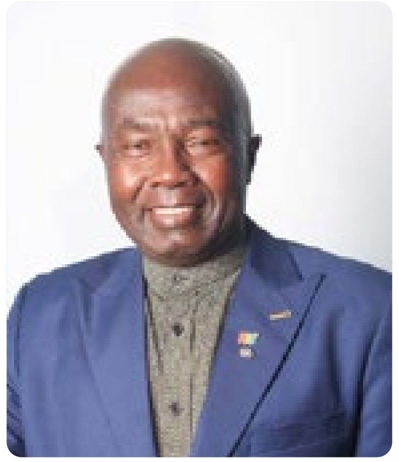


Vitalis Ojode (78)
Non Executive Director

Appointed to the board in May 2003. He is a BCom (Hons) graduate of the University of Nairobi; a fellow of the Association of Chartered Certified Accountants (FCCA) and a member of the Institute of Certified Public Accountants (ICPAK). He worked for UDV Kenya Limited for many years and held several group directorships in Kenya and Tanzania.

He was the Group's Finance Director between November 2001 and May 2006. He sits on the Finance Committee of Strathmore University and is currently a consultant in Financial Management.

Our Board of Directors



Alan McKittrick (68)
Non Executive Director

Appointed to the board in September 1998. He is an engineer by profession and has been Group Managing Director of NAS Holdings Limited for the past 24 years.

He has other directorships and considerable experience in the manufacturing and production sectors in Eastern and Southern Africa, including the livestock industry. He was the group's managing director between September 1998 and May 2003.

Ciru Miring'u (52)
Independent Non Executive Director

Appointed to the board in February 2020. She holds a Bachelor of Science degree from the University of Nairobi and a Master of Business Administration degree from USIU-Africa. Ciru has extensive experience in the Pharmaceutical, Consumer Healthcare and Food & Beverage sectors across sub-Saharan Africa. She has in the past held the positions of Managing Director, Nestle East Africa and General Manager, GSK Consumer Healthcare East Africa & Indian Ocean Islands.

She previously served on the boards of GlaxoSmithKline and Nestle as an executive director and Java House as a non-executive director. Ciru is currently the Managing Director of Imperial Managed Solutions East Africa, a member of the DP World group of companies, where she also serves as an executive board member.

Patrick Obath (68)
Independent Non Executive Director

Appointed to the board in September 2013. He is a BSc (Hons) Mechanical Engineering graduate of the University of Nottingham and is a member of the Institute of Engineers, Kenya, the Energy Institute (UK) and a member of the Institute of Directors (UK).

Mr. Obath has many years of business experience working for the Shell Group of companies in Europe, Asia, and Africa, finally serving as the CEO of Kenya Shell and Shell Tanzania. He has served on and continues to serve on many boards and is Chairman of PZ Cussons (EA) Limited, Java House Africa and Adrian Kenya Limited and a director of Trade Mark East Africa Limited, among others. He is a Certified Executive Leadership Coach and a consultant in Leadership, Integrity as well as in the Extractive sectors.

Our Board of Directors

Patrick K Mugambi (58) *Alternate to Andrew Ndegwa*

Patrick is an alternate director to Andrew Ndegwa. He is the Planning & Projects Director at First Chartered Securities Ltd (FCS), a company with interests in financial services, logistics, real estate, manufacturing, and agriculture. He is responsible for the FCS Group's projects and strategic planning.

He holds a BSC in Business Administration from USIU, a Certified Public Accountant, and an Advance Management Program from Strathmore University/IESE. He is an alumna of IESE Business School, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Overseas Technical Scholarship (AOTS) Japan. He previously worked for PWC, Shell Exploration & Production Kenya BV and Mitchell Cotts Kenya Group. He serves as a Non Executive director in several other companies.

Wangari Murugu (55)
Independent Non Executive Director

Appointed to the board in February 2020. Wangari is an entrepreneur with extensive marketing experience in FMCG and Telecommunication Industries, in East Africa.

She previously worked in senior management positions in the areas of Marketing at Safaricom Plc, The Coca-Cola Company, South and East Africa Division and PZ Cussons East Africa Ltd. She serves as a board member at Shujaaz Inc. Wangari holds a BSc. Degree in Biology and Chemistry from Trent University, Canada and a Global Executive Master's Degree of Business Administration from United States International University, in collaboration with Columbia University.

Winniefred Jumba (51)
Company Secretary

Appointed Company Secretary in 2011. She is a holder of a BCom degree and Masters in Business Administration, both from the University of Nairobi.

She is a Certified Public Secretary and a member of ICPSK, with many years' experience in company secretarial and registration services and an accredited governance auditor.

Our Management Team

Joseph Choge
Group Managing Director

Joined Unga holdings Limited in December 2021. Joseph has worked in Eastern, Western and Southern Africa markets in telecoms, banking, insurance and FMCG. His prior roles include Chief Executive Officer - Premier Foods Limited and General Manager – Industrial Promotion Services (IPS). He holds an MBA in International Management from University of London, B.Sc. Mathematics, Operations Research from University of Nairobi, Certified Public Accountant CPA (K), Certified Public Secretary, CPS (K) and Postgraduate Diploma in Professional Marketing by Chartered Institute of Marketing (CIM).

He is the current Chairman of the food and beverage sector of the Kenya Association of Manufacturers and Chairman of the Board of the Institute of Customer Experience of Kenya (ICX).

James Nyutu
Group Finance and ICT Director

Joined Unga Holdings Limited in February 2013. He holds a B.Com degree from the University of Nairobi, an MBA from the Edinburgh Business School (UK) and a postgraduate diploma from the Institute of Management Information Systems (UK).

He is a member of the Institute of Certified Public Accountants. He has wide experience in strategy, finance management and information systems.

Started his career in the financial services industry holding various positions at Corporate Insurance and British American Insurance Company, joining Unga from NAS Airport Services.

Anne Tiba
Head of Risk & Compliance

Joined Unga Holdings Limited as a Management Trainee in November 1994. She is an experienced Food Scientist who has risen through the ranks working as a Quality Assurance Officer, Continual Improvement Coordinator, Production Manager, Plant Manager (Nakuru and Nairobi), and Continual Improvement Manager. She has extensive experience in Strategy Management through Hoshin Kanri and Business improvement through the application of Kaizen methods.

Anne holds an MA degree in Project Planning and Management from the University of Nairobi and is a Certified Kaizen Practitioner.

Our Management Team

Symon Bargurei
Group Strategy & Innovations Director

Joined Unga Holdings Limited in April 2022. He holds an MBA for Executives, Business Administration, Management and Operations from Strathmore Business School and a Bachelor of Arts (Economics) from the University of Nairobi.

He is an alumnus of Said Business School, University of Oxford. He has wide experience in strategic commercial executions, brand communications, change management and new business development. He joined Unga from the Nation Media Group Limited and previously worked at The Standard Group Limited where he held various commercial positions.

Jayne Ng'ethe
Group Human Resources & Legal Director

Joined Unga Holdings Limited in February 2019. She holds a Bachelor of Education (Hons) degree from Kenyatta University and a Masters in Business Administration. She also has a Bachelor of Laws (LLB) degree from Nairobi University.

She has a certificate in Strategic Human Resources Management from Cornell University (USA) and a practitioner diploma in Executive Coaching from Academy of Executive Coaching (UK). She is an accomplished HR professional with vast HR generalist experience in printing and publishing, FMCG and manufacturing industries at senior management level.

Anton Oosthuizen
Group Technical & Supply Chain Director

Joined Unga Holdings Limited in July 2019. He previously spent 20 years with Nestle in different roles ranging from quality, supply chain, plant management, TPM and continuous improvement in both South Africa and New Zealand.

He has a programme in engineering management qualification from the University of Pretoria, South Africa and holds a certificate in Project Management, Auckland New Zealand. He also acquired the Head Miller Qualification at the Buhler African Milling School.

Our Management Team

Billy Okong'o
Group Production Director

Has worked for Unga since 1995, joining Unga Feeds Limited as a Management Trainee. He has risen through the ranks as a Production Supervisor, Animal Nutritionist, Plant Manager (Nakuru and Eldoret) and Sales Operations Manager.

He has worked as manager at Cooper K-Brands Limited and holds a MSc in Animal Nutrition (University of Nairobi) and an Advanced Certificate in Flour Milling (National Association of British and Irish Millers - NABIM). He is a member of the Kenya Institute of Supplies Management (KISM) and a Board member at the Eastern Africa Grain Council (EAGC).

Kenneth Gichubi
Group Commercial Director

Joined Unga Holdings Limited in May 2023. Ken is a business leader with an 18-year track record of delivering outstanding commercial results in the tobacco industry. He previously worked for British American Tobacco in various commercial and strategy roles in Kenya, Eritrea, Vietnam, and South Africa. He has an MBA (Strategic Management) from the University of Nairobi and a BSc (Computer Science) from Nazarene University.

Evans Nyambane
Head of Internal Audit

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

Our Value-Creating Business Model

Unga is on a mission to deliver exceptional value to its stakeholders through a commitment to product excellence, market expansion, operational efficiency, and impactful sustainability initiatives.

Our purpose: We provide food and farm-care solutions for better living, sustainably.

Financial
Funding available to Unga includes equity and debt funding, as well as retained earnings.

Manufactured
Our physical infrastructure of state-of-the-art manufacturing facilities, distribution capacity and logistics operations are supported by our modern technology platform.

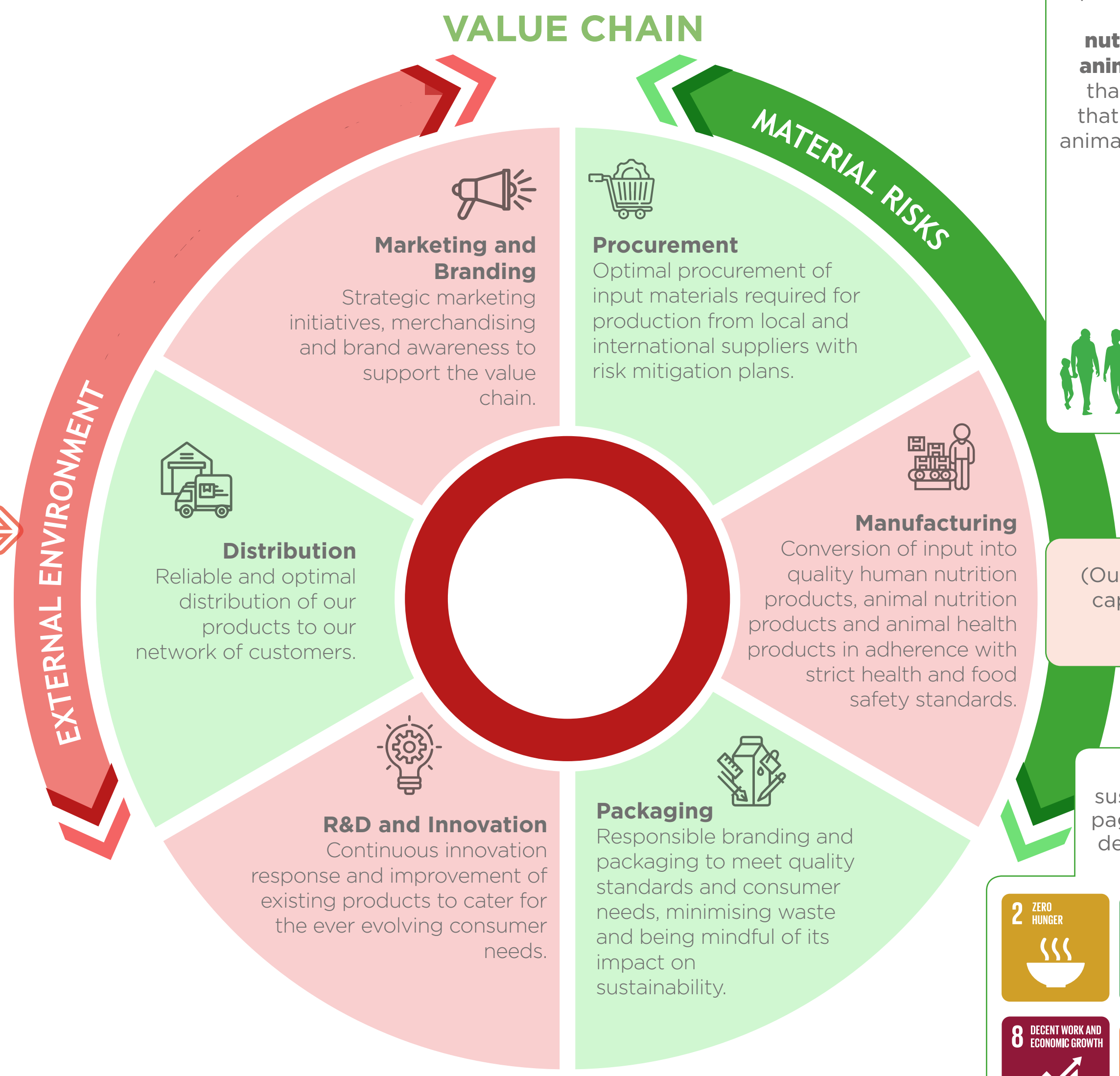
Human
We deliver on our purpose through our skilled workforce, supported by our top-tier management and Board, motivated by our culture.

Social and relationship
The stakeholders in our business who share our common value-creation goal include customers, consumers, suppliers, regulators, investors and the communities we serve.

Intellectual
Our long operating history, respected brands, innovative and agile mindset, intellectual property and operating systems and processes, coupled with excellence in execution.

Natural
The natural resources that are critical in the manufacture, distribution and sale of our products. We are committed to using fewer natural and scarce resources in our operations.

Our business model positions us to create long-term sustainable value for all our stakeholders through the mindful use of our six capital inputs and relentless commitment to our strategic intent.



DIRECT OUTPUTS

To be the leading provider of high-quality **human** and **animal nutrition products** and **animal health products** that are affordable and that nourish people and animals whilst supporting local communities and protecting the environment.

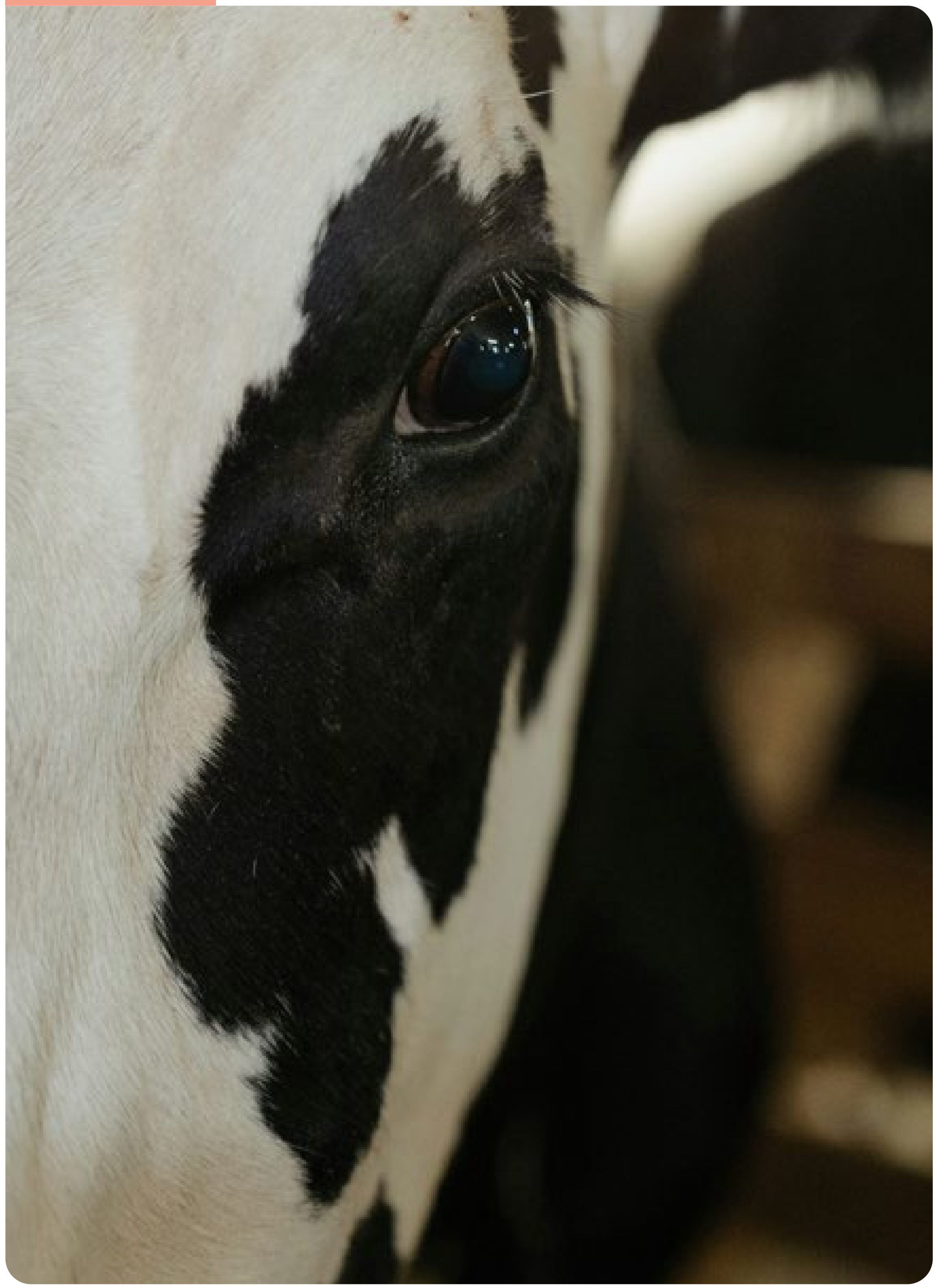
OUTCOMES

(Outlined in our various capital highlights from pages **50** to **69**)

UN SDGs

(Refer to our sustainability section on pages **45** to **47** for more details on our approach to sustainability)

03 OPERATIONAL OVERVIEW



Reflections from the Chairman

We remain optimistic about the ***future and we are directing our energies and resources*** *towards the transformation of our business from our legacy positioning into* ***a future-fit organisation. The new Strategic Plan has effectively positioned Unga*** *to* ***thrive*** *in the ever-changing business landscape.*

Isabella Ochola-Wilson (Mrs)
Chairman

The macro-economic context

According to the Economic Survey 2023, Kenya's GDP expanded by 4.8 percent in 2022, down from 7.6 percent in 2021, owing to the contraction in the agriculture sector due to bad weather conditions. On the other hand, the manufacturing sector's growth rate dropped to 2.7% in 2022, from 7.3% in 2021 because of low agricultural productivity. In the year, maize production decreased from 36.7 million bags in 2021 to 34.3 million bags in 2022. As a result, the processing of dairy products, grain milling, and prepared animal feeds recorded a decline in the year under review.

For Unga, the difficult operating environment, combined with an election year, translated into unpredictable supply and high costs of maize, domestically and globally, because of the Russian-Ukrainian crisis and foreign currency supply constraints. Furthermore, demand for our products was low due to rising manufacturing costs and the lingering post-COVID-19 effects on incomes. We also faced severe competition from a slew of new small millers.

Strategic response and trade-offs

The aforementioned bottlenecks demanded agility in our response, especially regarding our supply chain and acquisition of raw materials. First, we shifted our focus from deep-sea imports to regional and local supply networks, increasing our reliance on maize and soybean meal from the region while exploring alternate future options. Second, we pursued advance wheat contracts to ensure availability and consistent pricing after the commencement of the Russia-Ukraine conflict. Third, we needed to buy wisely to guarantee that we had enough financing and foreign exchange for raw materials.

In the face of an uncertain operating landscape and to set the best

Our products have undergone a period of quality improvement and route-to-market reconstruction.

Reflections from the Chairman

course for Unga Group, the Board had to assess numerous trade-offs. A considerable trade-off exists in the allocation of resources between innovation and sustainability. This caused us to rethink our strategic plan and prioritize what to accomplish and what not to do.

We also had to strike a balance between investing in cutting-edge technologies and product innovations and upholding our environmental and ethical duties. This included the decision to continue investing in innovative technologies for future competitiveness, as well as the decision to solarize all of our facilities in order to reduce our environmental imprint from excessive power usage.

In addition, the Board backed efforts promoting knowledge transfer, sustainable livestock farming techniques, and mutually beneficial relationships, recognising the importance of empowering our local partners. This strategy is unique in that it not only improves the quality of our products but also promotes socioeconomic growth in our operating regions.

Our Measures of Success

Despite the prevailing challenges, we recorded several successes, which included the conclusion of establishing a new organisational structure whose development had started the previous year. This structure ensures a more cohesive team and that skills are deployed in the most appropriate areas.

We have also reinforced our brand with a customer-centric approach that has allowed us to connect with our customers more efficiently through a digital and influencer marketing strategy that has raised awareness about us.

At the same time, our products have undergone a period of quality improvement and route-to-market reconstruction.

Fourth, we improved our raw material supply chain by working more efficiently with farmers. This includes working with farmers to increase our raw material acquisition, which would benefit both our loyal customers and farmers in the end. We collaborated with numerous maize suppliers to improve their quality assurance capabilities by supporting them through maize grading and aflatoxin testing.

Lastly, as we transition into a general food company, we are utilizing digital technology to better capture data and information about our consumers, and we are witnessing advantages in winning over the youthful demographic through our marketing efforts. Through data analytics, we have developed a team charged with new product development, and the relaunch of our *Amana®* range of products is indicative of the success we are making on that front.

Realigning our focus areas through our new strategy

As a way of responding to the business realities, broaden our market reach, and position the business for efficiency and growth, we have developed a new Strategic Plan through which we are aligning our priority areas. We have thus chosen three priority areas that will guide us in the future.

The first is to reposition our company for growth. Under this pillar, human nutrition business is responding to changes in customer purchasing habits by repositioning itself as a holistic food company, as we adjust to how the market is developing by increasing the range and variety of products. For animal nutrition business, the goal is to reposition itself as the go-to partner for all animal nutrition, crop, and health products, complemented by farming solutions.

The second area of concentration is customer intimacy. As consumer spending power shifts to the younger generation, we are launching brand-building and awareness communication activities geared at them in preparation for our transformation to a food company. We have identified a younger market that is interested in nutritious plant-based foods, and we hope to be more engaging and involved through digital and e-commerce platforms.

Third, we seek to harness technology by depending on technology-driven distribution capabilities to serve our consumers in a more efficient, convenient, and cost-effective manner. This will allow us to enter new markets, explore new regions, and deliver services that are more efficient.

However, as we continue to break the mould in our business practices through these focus areas, we will continue to deliver on what we have been doing well: supply chain optimisation, targeting strategic partnerships, enabling sustainability, and looking for opportunities for growth and expansion.

The Strategic Plan will serve as an effective roadmap for Unga Group Plc, coordinating its activities toward achieving its strategic objectives. The strategy will lead the business in exploiting its strengths, addressing challenges, and capitalising on opportunities within its operational landscape using a comprehensive approach.

Looking ahead, we can expect Unga to continue its trajectory of growth and innovation. Building upon the foundation laid by the Strategic Plan, the company is likely to further diversify its product offerings, invest more in the convenience foods space, explore new markets, and strengthen its commitment to sustainability initiatives. Continued investments in technology, talent development, and operational excellence are anticipated to sustain its upward momentum.

Moreover, Unga's customer-centric approach, bolstered by the strategic plan, will likely drive the creation of value-added solutions that cater to evolving consumer preferences. By embracing emerging trends and maintaining a proactive stance in response to industry shifts, Unga is poised to remain a dynamic and influential player in its sector.

Our commitment to ESG and Sustainability

In this Annual Report, the Unga Group Plc Board is pleased to reiterate its unequivocal commitment to the principles of sustainability and Environmental, Social, and Governance (ESG) considerations. Recognising the profound impact of business operations on the environment, society, and corporate governance, the Board acknowledges its responsibility to uphold ethical practices and contribute to the betterment of the global community.

By aligning the company's strategies with these principles, we aim to not only deliver long-term value to shareholders but also to be a responsible corporate citizen that respects the environment, prioritises social well-being, and ensures robust governance practices.

From an environmental perspective, the Board is dedicated to minimising the ecological footprint of Unga's operations. This entails initiatives to reduce waste generation, optimize resource consumption, and integrate sustainable practices throughout the supply chain. The organisation's commitment to renewable energy, waste reduction, and responsible sourcing underscores its role in safeguarding the environment for future generations.

In 2022, we achieved significant progress in our sustainability initiatives. A highlight was the monitoring and analysis of our carbon footprint through collaboration with One Carbon World, which drew on the knowledge of the Kenya Association of Manufacturers. This endeavour prepared the way for the establishment of a comprehensive carbon reduction strategy, and the insights and analyses will assist us in implementing best practices to attain carbon neutrality.

On the social front, the Board is steadfast in its support of inclusivity, diversity, and fair labour standards. This entails fostering an inclusive workplace in which people are treated with dignity and given equal opportunity for advancement. Furthermore, the organisation actively engages with local communities, positively contributing to their well-being through social initiatives and partnerships.

Lastly, governance remains a cornerstone of Unga's approach. The Board prioritises transparency, accountability, and ethical conduct in all business dealings. This commitment is evident in the organisation's adherence to best corporate governance practices, stringent compliance protocols, and effective risk management strategies.

Corporate Governance and Board updates

The Board is responsible for the overall corporate governance of the organisation. It approves the strategic direction and financial objectives and oversees the performance and operation of the organisation. As a Board, we also establish goals for management and monitor the attainment of the same. We have put in place a robust governance structure that strengthens our ability to create value by promoting agility, strategic planning, resource allocation, sustainability, and responsible practices within the Company.

In terms of composition, the Board retains the right mix of individuals with relevant attributes, skills, knowledge, and experience and who jointly have the overall collective competence to deal with current issues and effectively guide management and ensure the highest performance of the organisation. The Board regularly review the skills, knowledge and experience represented on the Board against the skills and experience needed to

Reflections from the Chairman

effectively deliver the strategy of the organisation. The Board has established several committees to assist with the effective discharge of its duties. Each committee operates under specific terms of reference approved by the Board. Board committees conduct their own internal review of their performance, structure, objectives, and purpose from time to time. In the financial year under review, the Board has not seen the need to create more committees,

Dividend forecast

During the year under review, we operated in a volatile environment, implying that we did not perform as anticipated. We continue to ask our shareholders to be patient with us as we work our way out of the difficult period we have been through, with expectations that the new Strategic Plan will return the company to profitability.

We remain optimistic about the future and we are directing our energies and resources towards the transformation of our business from our legacy positioning into a future-fit organisation. The new Strategic Plan has effectively positioned Unga to thrive in the ever-changing business landscape. Moving forward, the organisation's dedication to strategic execution and continuous improvement will result in sustained growth, innovation, and enduring success. As a Board, we remain confident and supportive of the entire management team's ability and agility as it positions the business for the future.

The Path Ahead

In conclusion, while the world appears to be very fragile, with political tensions between various nations and the effect of climate change bearing down on us, Kenya's economy is expected to remain resilient in 2023, despite the weak global growth outlook. Economic performance in 2023 is likely to be bolstered by the Government's development agenda aimed at achieving economic turnaround and inclusive growth. Specifically, the agriculture sector is expected to recover in 2023 after two consecutive annual contractions, aided by favorable weather conditions and government-subsidised fertilizer.

For more than a century, we have built and maintained a presence in the East African flour-milling sector*. During this time, we have been committed to producing and distributing a comprehensive array of goods encompassing* ***human nutrition****,* ***animal nutrition****, and* ***animal health****. This over-115-year heritage provides as a solid basis, moving us forward to anticipate the future. With such a rich history,* ***our present focus*** *is on* ***providing our esteemed customers with improved services*** *and* ***a wider range of healthier choices****.*

Appreciation

I take this opportunity on behalf of the Board to recognise and celebrate our customers, consumers, suppliers, shareholders, partners, and government for their support. To our management team and employees, we recognise and celebrate your agility and resilience. Your commitment to the business, agility, creativity, and innovation continues to enable the organization to navigate the complex operating landscape.

To the Board, thank you for your support and critical input into our new approach. Let us continue collaborating for our organization's success.

Isabella Ochola-Wilson (Mrs)
Chairman

Stakeholders' Engagement

Stakeholder Type	Stakeholder	Purpose	Outcome
Suppliers (Maize & Wheat)	Large-Scale Farmers	• Bring down the cost of raw material through efficient supply chain measures • Ensure continuous supply of raw material through sourcing direct and forming contracts	• Visited several large-scale farmers who were able to supply a bulk of our needs
Suppliers (Animal Feeds)	Medium to Large-Scale Farmers	• Fostering lasting relationships between Unga and its livestock farming customers • Re-acquiring lost customers from competition • Understanding pain points and providing solutions	• Visited several medium to large livestock & fish farmers • Aligned on ways to increase efficiency to make their business sustainable • Visibility initiatives and advocacy for growth
Customers	Distributors	• Drive focus for our brands with distributors • Get knowledge, insights and identify gap areas with distributors	• Engaged with several distributors • Aligned on enhancing distribution, visibility initiatives, rebates & incentives
Government Representatives	County Governments	• Partner with County Governments to educate farmers on sustainable and smart farming through quality inputs and spotlighting demand products	• Met with Kisumu County Government to capitalise on financial facilities for farmers to encourage planting of Soya bean • Collaborated with National Irrigation Authority for large-scale farming and exploring growing fish farming through promoting cage fishing
Regulators	Regulatory Agencies and Affiliates	• Foster better working relationships between Unga and regulators that control our market to build partnerships and influence policy that favor market growth • Strengthen relations between Unga and KEBS to ensure continued cohesion between the company and the regulator • Streamline communication between Unga and KEBS to ensure smooth running of operations • Fast-track bottlenecks experienced in issuance of SMarks and other regulatory documents	• Built cohesion between Unga and key regulators toward enhanced safety policies and standards
Media	Media Houses	• To enhance effective communication and messaging for its brands and strategic direction, crisis management, explore potential areas of collaborations and strategies for enhancing our reputation and promoting our products.	• Shared industry insights and perspectives on market trends, consumer behavior, and other relevant topics • Identified areas of collaboration to position Unga as a thought leader in the nutrition space for both animal and human nutrition

Business Risks and Material Matters

Unga's Risk Management Committee performs a quarterly evaluation throughout the business to assess the company's risks.

While the Board retains overarching responsibility for risk management in the Group through the Board Audit and Risk Committee, line managers examine the risks for their role as part of their daily job management. Every week, formal reviews of risk triggers and Key Performance Indicators are performed. The risk office conducts Enterprise Risk Management (ERM) Assessments every quarter, with line managers responsible for reporting on the risks being assessed.

As we continue to strengthen our risk management, areas under materiality evaluation, Unga's commitment and actions, and relevant KPIs are incorporated into performance targets and their respective KPIs are examined. A sustainability questionnaire, which was distributed in November 2020, also highlighted the important commitment areas.

Enterprise Risk Management Policy

Unga is committed to managing risk in accordance with the process set out in ISO 31000:2018 to benefit the Group's operations and management of the cost of risk. To meet this commitment, risk management is to be every employee's business. All employees are required to be responsible and accountable for managing risk in reasonable ways within their area of responsibility.

Guided by the Enterprise Risk Management Policy the Group is committed to the management of risk as an integral part of its operations, focusing on strategies that will minimize risks and maximise opportunities for the Group's goals and objectives. The policy demonstrates the Group's commitment to implementing an Enterprise Risk Management Framework for efficient and effective operations

Material Risks

The new Unga Group strategic plan has identified a number of material risks that have the potential to affect the achievement of its strategic objectives. These are ***forex fluctuation, supply chain disruption, fluctuating commodity prices, product recalls and safety issues, changes in government regulations, and competition***.

1 Forex fluctuation

How it affects us:

- Forex losses, increased interest expenses and high cost of imported raw materials.
- Severely impacted our margins and profitability

2 Supply chain disruption and fluctuating commodity prices

How it affects us:

- Significant impact on sales turnover and financial performance
- Impacts our ability to deliver competitively priced products to customers on time, and in the right quantities

3 Competition

How it affected us:

- Stiff competition from numerous small millers entering the market
- Failure to achieve targeted volumes/ growth margin growth

4 Product recalls and safety issues

How it can affect us:

- Production of non-conforming products

5 Changes in government regulation

How it affected us:

- Regulatory changes remain a threat to the sustainability of our business

Risk Ranking and Mitigation Strategies

Material Risk	Risk Ranking	Mitigating Strategies
Forex fluctuation (Finance and Cash Flow Management)	High	• Continuous identification of alternative currency sources to limit exposure and to ensure availability and favorable prices.
Supply chain disruption and fluctuating commodity prices	High	• Optimisation of procurement costs and availability through aggregation of raw materials • Collateralising key commodities • Optimisation of storage capacity
Product recalls and safety issues	Low	• Building supplier and customer capacity to assure material, product, and service quality. • Embed Total Quality Management to achieve Quality Right First Time and reduce waste
Changes in government regulation	Medium	• Influence favourable policy and market transparency and ensure adequate representation in relevant associations
Competition	High	• Land and grow new products in both new and existing markets • Redefine marketing strategies • Enhance customer experience
Failure to Launch Successful New Products (UL)	Low	• Encourage proactivity, and agility in developing & launching market-driven new products
People and Culture	Medium	• Sustain culture transformation initiatives and encourage a positive attitude. • Develop value propositions that are aligned to both employee and business needs.
Sales Concentration	Medium	• Build best commercial practices

Risk Ranking and Mitigation Strategies

Material Risk	Risk Ranking	Mitigating Strategies
ESG	High	• Attain the highest standards of ethics and governance through compliance with codes of conduct, policies and procedures. • Strengthen community relations and local social investments in identified corporate social investments and other community engagement programs. • Support our own environmental footprint determination, action planning and reporting with consideration of our carbon footprint, packaging, and transport fleet. • Support environmental compliance, food safety and consumer health awareness campaigns.
Fraud	Medium	• Address fraud risk assessment recommendations and take corrective measures. • Adopt best practices in employee sourcing, selection and engagement programs. • Sustain an effective Whistle Blowing program. • Enhance KYBP (Know Your Business Partner) programs. • Implement robust anti-fraud/bribery programs, including cyber fraud.
Occupational Health and Safety	Low	• Conduct effective training for outsourced staff. • Enforce disciplinary consequences for negligent behavior. • Continuously identify & implement innovative ways to enhance safety.
Business Continuity	Low	• Determine redundancy between plants to ensure market supply in case of business interruption. • Regular review of the Business Continuity Plan (BCP)
Information and Cybersecurity	Low	• Enforce ICT policies and procedures. • Develop a futuristic and robust information security strategy. • Document management system. • Put in place information and security systems. • Train staff on new cybersecurity approaches.
Legal and Compliance	Low	• Monitor procedures and new regulations and take corrective measures.

Sustainability Material Matters

ENVIRONMENT RESILIENCE AND CLIMATE ACTION

- Climate action and innovation
- Water and waste management
- Carbon impact and assessment
- Sustainable Agriculture

EMPLOYEE EXPERIENCE AND WELLBEING

- Workplace health and safety
- Learning and development
- Human rights and decent livelihoods
- Diversity Equity and Inclusion
- Employee Relations
- Compensation and employee benefits
- Work life balance
- Motivation and satisfaction

SUSTAINABLE SUPPLY CHAINS

- Sustainable distribution
- Ethical sourcing

NUTRITION AND CONSUMER ASSURANCE

- Nutrition innovation
- Consumer education and marketing
- Response to Consumer needs
- Product safety and transparency

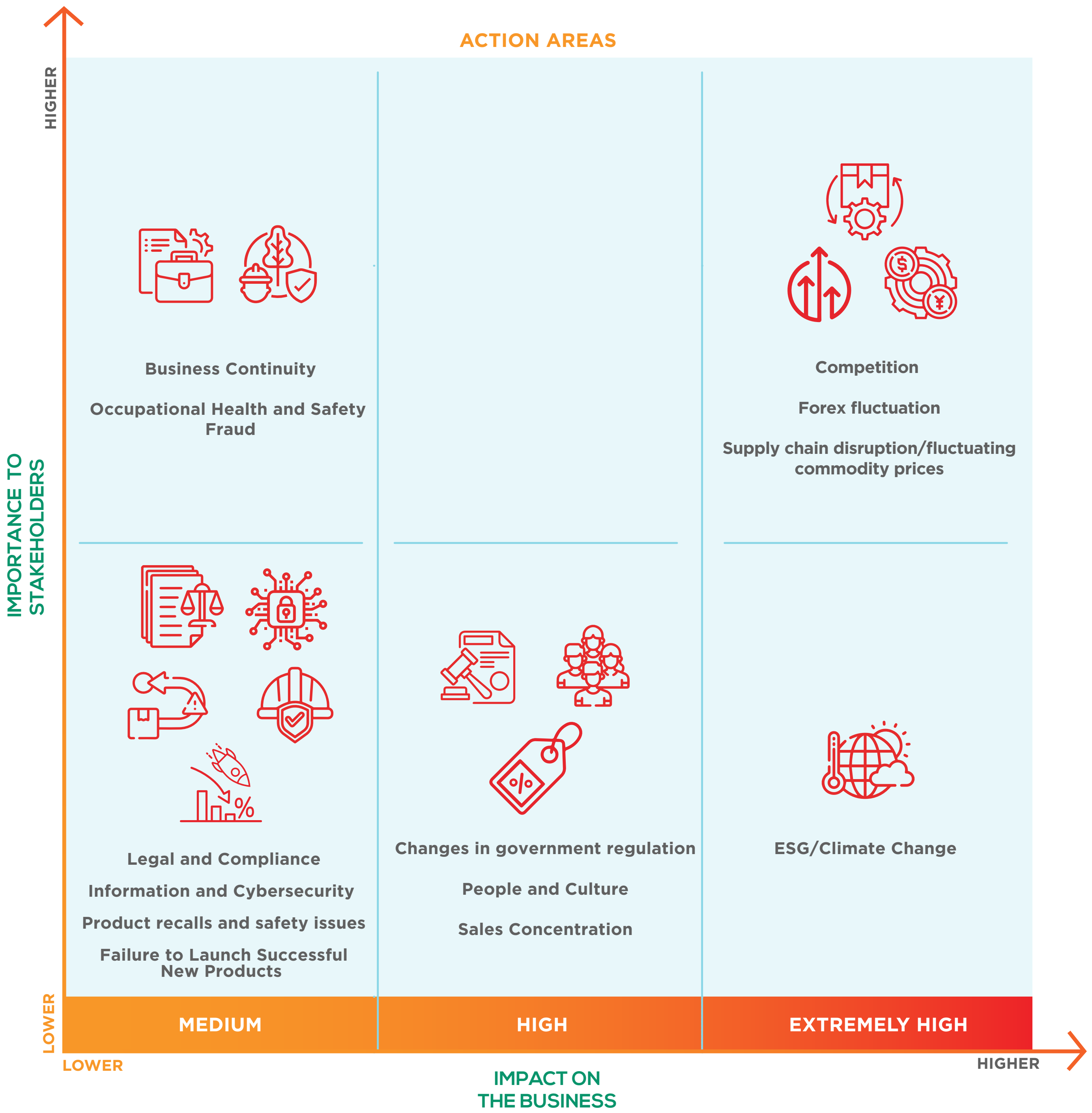
RESPONSIBLE CORPORATE CITIZEN

- Ethics and Compliance
- Policy advocacy & Market Transparency
- Governance

COMMUNITY DEVELOPMENT

- Developing skills and capacity among schools in animal husbandry and bakery
- Strengthening Community Resilience
- Forging meaningful partnerships
- Employee Volunteering and Charitable Giving
- Girl Schools focus on environment, youth mentorship & leadership; School bakeries and animal husbandry

Materiality Matrix



04 OUR STRATEGY

Group Managing Director's Review

In our animal nutrition business, ***Unga Farm Care is actively repositioning itself as a Partner of choice & farming solutions****, aiming* ***to provide customised solutions*** *through an ecosystem model that encompasses* ***high-performing products, accessible financing****, comprehensive service support, and effective risk management.*

Joseph Choge
Group Managing Director

The Operating Environment

Just as in the preceding year, the financial year under review was marked by a confluence of challenges, including elevated maize prices, prolonged drought conditions, volatile currency fluctuations, and intensified local competition. These factors collectively posed operational impediments that have impacted our earnings and eroded our profitability.

Amidst the unprecedented challenges, there were notable positive developments within the Kenyan milling landscape that continue to present some opportunities. First and foremost, the government unveiled strategic interventions to stabilize overall feed prices by importing yellow maize, triggering a cascading effect on white maize demand and alleviating pressure within the domestic market.

Additionally, essential inputs for animal production have gained attention. Key items such as soybeans and soybean cake, enzymes, feed additives, premixes, and various protein concentrates have been granted temporary exemptions from import duties. This strategic adjustment is poised to curtail feed production costs, consequently benefiting our farmers. This, in turn, contributes to an enhanced operational environment for millers in the months ahead.

Moreover, a heightened emphasis on post-harvest management is anticipated to drive increases in food production. Additionally, the current trend of industry commoditisation is fueling escalated competition that is likely to catalyse innovative transformations that will reshape various dimensions of the industry, including business models, consumer interactions, and behaviors.

Lastly, there is cautious optimism for the forthcoming seasons, with expectations of augmented yields and increased food production. This optimism is buoyed by the government's introduction of a fertilizer subsidy program earlier in the year.

The volume of ***human nutrition business grew by 16%***

How We are Responding

The Human nutrition business remains highly competitive, with shifts in the flour-milling sector continuing to impact Human nutrtion sales volumes. As such, our immediate priorities have been preserving market share while also delivering quality products that are both healthy and cost-competitive. Part of the strategic interventions include increasing the market share of our established products, diversifying our portfolio, and fostering innovations in both products and consumer experiences.

Holistically, Human nutrtion is undergoing a strategic transformation into a fully-fledged food business engaged in every step from manufacturing and processing to trading within the food products sector. As part of this, we have relaunched the *Amana*® range of products, incorporated an enhanced route-to-market approach, and improved consumer engagement. In addition to introducing *Amana*® Sugar, we also launched *Pendo*® wheat flour, which has attracted considerable consumer response.

These product expansion efforts are part of Unga's strategic plan, which we expect will result in a 59% increase in volumes traded and a 73% increase in revenues by the end of the plan's time frame.

In our animal nutrition business, Unga Farm Care is actively repositioning itself as a patrner of choice, aiming to provide customized solutions through an ecosystem model that encompasses high-performing products, accessible financing, comprehensive service support, and effective risk management.

To this end, we expanded our farmer training initiatives, refined our product formulations for enhanced yields, re-branded our pig range, and made overall improvements to retail pricing through optimisation efforts at production sites. Furthermore, we aim to increase our focus on deepening our last mile objectives at the farm level through various partnership initiatives in the coming year.

Sourcing remains a pivotal element in our business efficiency, and we are pleased with positive outcomes from our community outreach programs, which have resulted in an increased number of farmers partnering with us.

Financial Performance Highlights

Looking at our financial performance, the numbers underscore the challenging operational environment that persisted through the year. As a result, **Unga Group Plc saw a growth of 3% in volumes and a total 33% growth in revenue**, driven largely by price inflation. The human nutrition business grew by 16%, while the animal health business registered a marginal 4% decline.

The Group had an operating loss of Shs 441 million (2022: operating loss of Shs 502 million) primarily driven by the high cost of raw materials. In the review period, scarcity of locally sourced raw materials led to increased importation at a time when global prices were at an all-time high.

The situation was further compounded by the sharp depreciation of the Kenyan shilling against key currencies, which lost ground by over 15% supply against the USD and GBP. Furthermore, dollar supply constraints within the market led to margin erosion, high forex losses, and increased interest expenses.

Despite the decline in profits, the group maintains an unwavering commitment to sustaining cost optimisation and operational efficiency as a means to enhance profitability. By streamlining production and distribution processes, eliminating bottlenecks, and embracing technology, we have elevated overall productivity while reducing inefficiencies.

Summary financial performance (Group)

	2023 Shs '000	2022 Shs '000
Revenue	24,051,024	18,032,334
Gross profit	1,161,256	1,409,061
Gross profit margin	5%	8%
Operating loss	(440,582)	(502,040)
Profit from discontinued operations	-	802,524
(Loss)/ profit for the year	(959,381)	311,361
Total assets	**11,506,001**	**10,287,650**

Group Managing Director's Review (continued)

New strategic plan

In the dynamic business environment, the dedication of the management team to stabilise our operations remains resolute as we continue to address the bottlenecks to fortify our financial performance. Our focus has been on product diversification initiatives, proactive product marketing and sales, heightened operational efficiency across the value chain, and judicious risk management strategies to navigate the stormy waters.

Furthermore, our guide to the future is anchored on our new strategic plan (2023–2030), which has three main objectives. The first is to enhance our core business by reinforcing existing operations and fortifying our market presence. The second is to explore new business opportunities by venturing into new products and emerging markets. Thirdly, fostering a high-performance work culture remains a key priority, with a focus on nurturing an engaged workforce.

*At the same time, as we realign for robust growth, we are looking to a multifaceted ambition focused on the **5Ps: profits, portfolio, people, partners, and planet**. This ambition underlines our goal of achieving sustainable profitability through cost optimization, operational efficiency, and the establishment of regular income streams. Furthermore, we are looking to diversify our product line in order to meet a broader spectrum of consumer needs. Partnerships with suppliers, distributors, and other key stakeholders will thus be important in our efforts to widen our market presence. Further, we recognize that our greatest asset is our human capital and that the achievement of any of the set objectives will only be possible if we foster a highly engaged and diverse workforce dedicated to consistent learning and improvement. Lastly, our responsibility to the community and the environment remains paramount in our operations, and we shall seek to continually create socially and environmentally sustainable ways of working.*

As a group, our competitive advantage lies in our legacy. We have been the leading provider of reliable and healthy human nutrition, animal nutrition, and animal health products for decades. We are keen to capitalise on the consumer trust that has been earned over many years of offering high-quality products in order to innovate within the market and create better services that enhance the customer experience.

Outlook

Looking ahead, our turnaround strategy has identified key areas for improvement that will propel us back into profitability in the upcoming year. Furthermore, our primary market within Kenya's economy is projected to experience a growth rate of 5.6% in 2023, generating increased demand for our products.

This, combined with our solid financial position that is characterised by a low debt-to-equity ratio, affords us the financial flexibility to invest in growth opportunities and navigate potential economic challenges. Overall, we have established a strong foundation for the future and a clearly defined growth strategy. My outlook is, therefore, optimistic regarding the future prospects of our business.

Appreciation

In conclusion, I would like to first express my sincere gratitude to all our customers for continuing to entrust us with their nutritional needs, both for themselves and for their animals. Secondly, I want to thank all Unga Group staff for their continued dedication, diligence, and unwavering commitment to our shared vision of providing nutrition for life. Their hard work and passion are at the core of our success and continue to drive our growth and excellent service to our customers.

Thank you to the management team, whose tireless efforts in steering the ship through turbulent waters continue to turn vision into action by not only being the driving force behind our achievements but also fostering an environment of growth and innovation.

To our esteemed board members: your strategic guidance, wisdom, and foresight have been instrumental in shaping our decisions and propelling our progress. Your confidence in the management team has allowed us to boldly pursue strategic shifts that will continue to strengthen our position in the market.

Finally, to our shareholders: your unshakeable belief in our mission has fortified our resolve. Your continuous support and trust have empowered us to overcome challenges and seize opportunities with confidence.

Collectively, our journey is marked by a remarkable synergy of efforts, and as we step into the future, I do so with the utmost optimism and excitement, knowing that together, we are repositioning for a better tomorrow and that we can set up a food and feed powerhouse sustainably!

Joseph Choge
Group Managing Director

THE STRATEGY DRIVING OUR BUSINESS

Our Strategy Redefined

Our renewed purpose is to provide sustainable food and farm-care solutions for better living. We envision leading as the foremost provider of affordable, high-quality products that nourish while supporting local communities and safeguarding the environment. Our culture will be ingrained in core values of being consumer-led, maintaining integrity, executing with speed, embracing fun, and acting responsibly. These foundations will form the backbone of Unga's operations forthwith.

Most importantly, our resolve and commitment towards our brands are always of the best quality, offer great value for money and are trusted for consumer satisfaction. The strategic outlook is underpinned by our solid and heritage brand that has earned customer trust. We aim to continue harnessing these brand attributes to offer alternative foods and feed solutions that respond to changing consumer needs.

Prioritising Profitability, Innovation, Collaboration, and Sustainability

Unga is strategically realigning itself for robust growth, with a steadfast commitment to crafting brands of unparalleled quality that deliver exceptional value for consumers and foster unwavering trust, leading to high levels of satisfaction. Our strategic focus encompasses several key dimensions. First and foremost, the company places a strong emphasis on sustainable profitability, achieved through meticulous cost optimisation, operational efficiency improvements, and the generation of consistent revenue streams. In addition, Unga seeks to diversify its product portfolio, aiming to cater to a wide range of consumer needs and establish itself as a reliable source of high-quality offerings.

Collaborative efforts are integral to our approach, as strategic partnerships with suppliers, distributors, and stakeholders are harnessed to amplify market presence and drive growth through synergistic strengths. Our commitment extends to our people, fostering a highly engaged and diverse workforce that is dedicated to continuous learning, innovation, and collaborative endeavor, all of which contribute to exceptional outcomes.

Finally, Unga takes seriously its responsibility towards the environment and community well-being, actively integrating eco-friendly practices and initiatives to ensure positive societal impact and long-term environmental sustainability.

Repositioning For Better Tomorrow

Brand promise:
Our brands are of the best quality, offer great value for money and are trusted for consumer satisfaction.

UNGA Limited
is repositioning into fully fledged foods business engaged in manufacturing, processing, and trade of food products.

UNGA Farm Care (EA)
is repositioning to be a partner of choice for all Animal nutrition, crop, and health products with complementing farming solutions.

Strategic Initiatives

Our priorities are hinged on maintaining the highest standards in production, closely monitoring consumer behaviour, improving our product presence within our markets, and driving optimum value delivery through the channels. Product and service innovation is key to all these initiatives.

Consequently, we are focusing on the following strategic initiatives:

- Building an effective route to consumers by improving our channel value trade-off, deepening presence, and improving on basket offering.
- Ensuring accessibility and availability of products by utilising digitalised channels, remodelling our distribution, and expanding trade routes.
- Investing across the supply chain from grain to table. This involves tightening our existing sources as we work more closely with the farmers to guarantee them markets as reliable off-takers.
- Enforcing a culture of continual improvement under PaTaMu to optimize costs for maximum returns. We have enforced a robust monitoring structure to track our costs loading in comparison to the market in a bid to consistently remain competitive.

Mainstreaming sustainability within our business strategy with SDGs

Unga is focusing on addressing nine Sustainable Development Goals (SDGs) that align with our business and operations.

We have selected six material elements, which we seek to closely, integrate into the business' activities. These are:

1. *Nutrition and consumer*
2. *Responsible corporate citizen*
3. *Employee experience and wellbeing*
4. *Sustainable supply chain*
5. *Environmental resilience and climate action*
6. *Community development.*

OUR APPROACH TO SUSTAINABILITY

Unga is committed to contributing positively to sustainability by embedding it as an integral part of our business strategy and ambitions. The company is driving its sustainability strategy through social, environmental, economic and financial sustainability pillars that create value for all stakeholders; and are supported by effective governance structures.

As a result, Unga has developed a sustainability strategy and further entrenched a policy that enables its operationalisation into the business's daily activities. It is the responsibility of Board members, employees and business partners to ensure that sound sustainable practices are adhered to and that sustainability is considered in business strategies and decision-making processes.

Our Sustainability Policy, which was approved by the Board in December 2021, and effected in January 2022, outlines a set of guiding principles that ensure the integration of social, environmental, economic and financial considerations in our sustainability program. We seek to:

1. Comply with all applicable legislation, regulations and codes of practice.
2. Embed sustainability considerations into all our business decisions.
3. Promote responsible sourcing of materials, and other goods and services from suppliers who comply with the Unga Supplier Code; and continually strive to improve and monitor environmental performance.
4. Promote and encourage staff involvement in local environmental initiatives; and ensure implementation of this Policy at all levels of the organization.
5. Continually improve and reduce environmental impacts.
6. Communicate to suppliers and customers about this Policy and encourage them to adopt sound sustainable management practices.
7. Engage positively with communities and stakeholders where we operate.

We are increasingly focusing on climate action and innovation, water and waste management, carbon impact and assessment, and sustainable agriculture to address environmental sustainability. Simultaneously, we are prioritising workplace health and safety, learning and development, human rights and decent livelihoods, diversity, equity and inclusion, employee relations, compensation and employee benefits, work-life balance, as well as motivation and satisfaction among our employees in order to foster a thriving and inclusive workplace culture.

Our **food** and **feed production** key priorities encompass **nutrition innovation**, **consumer education** and **marketing**, responsive actions to meet consumer needs, and maintaining product safety and transparency.

Moreover, we are committed to upholding ethical standards and compliance, engaging in policy advocacy, promoting market transparency, and establishing effective governance structures for responsible operation.

By developing skills and capacity among the schools we support in various environmental initiatives, animal husbandry, and bakery, Unga not only contributes to strengthening its community's resilience but also to forging meaningful partnerships while fostering our culture of employee volunteering and charitable giving thereby creating a positive impact on society.

Through sustainable distribution practices and ethical sourcing strategies, Unga aims to reduce its environmental footprint while ensuring responsible and socially conscious supply chain operations.

HOW WE DELIVER ON OUR SUSTAINABILITY STRATEGY

Environment Resilience and Climate Action

2 ZERO HUNGER | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

Climate change and other environmental degradation will increasingly impact the supply of raw materials, both regionally and globally. Companies will increasingly be scrutinised by consumers regarding their sustainability impacts and how these are mitigated.

Strategic response to action

- Climate action and innovation
- Water and waste management
- Carbon impact and assessment
- Sustainable agriculture
- Workplace health and safety

Sustainable Supply Chains

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

As a food company, we believe the sustainability of our (upstream/ downstream) supply chains is vital for ensuring ethical standards are adhered to, human rights are protected and our products align with international best-in-class sustainability practices.

Strategic response to action

- Sustainable distribution
- Ethical sourcing

Employee Experience and Well-Being

3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Unga Group is committed to the best labour practices in line with international and national standards and regulations, including but not limited to accelerating staff wellness and health and safety in our operations.

Strategic response to action

- Workplace health and safety
- Learning and development
- Human rights and decent livelihoods
- Diversity, equity and inclusion
- Employee relations
- Compensation and employee benefits
- Motivation and satisfaction

Nutrition and Consumer Assurance

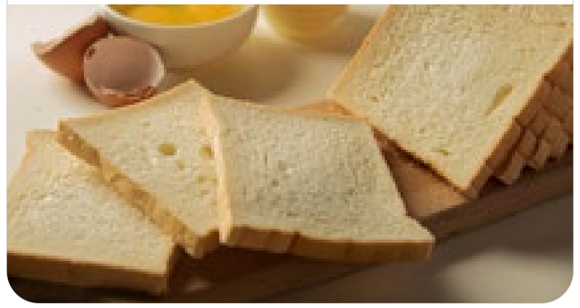
2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Health has emerged as a dominant criterion as concerns over the increase in diseases, obesity and food sensitivities mount.

Consumers are increasingly demanding quality health-promoting energy/immune boosting and/or disease-preventing ingredients. Aflatoxin, a carcinogen, remains one of the major challenges facing the agricultural supply chain and consumers in Kenya and the continent at large. Other contaminants such as pesticides are also a concern.

Strategic response to action

- Nutrition innovation
- Consumer education and marketing
- Responding to diverse consumer needs
- Product safety and transparency



Responsible Corporate Conduct

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

In the past few years in Kenya, examples abound of companies going under due to governance breaches. Unga's commitment to sound governance, ethics and financial transparency will be an advantage as Unga continues to develop its portfolio and form new strategic partnerships.

Strategic response to action

- Ethics and compliance
- Policy advocacy and market transparency
- Governance

Community Development

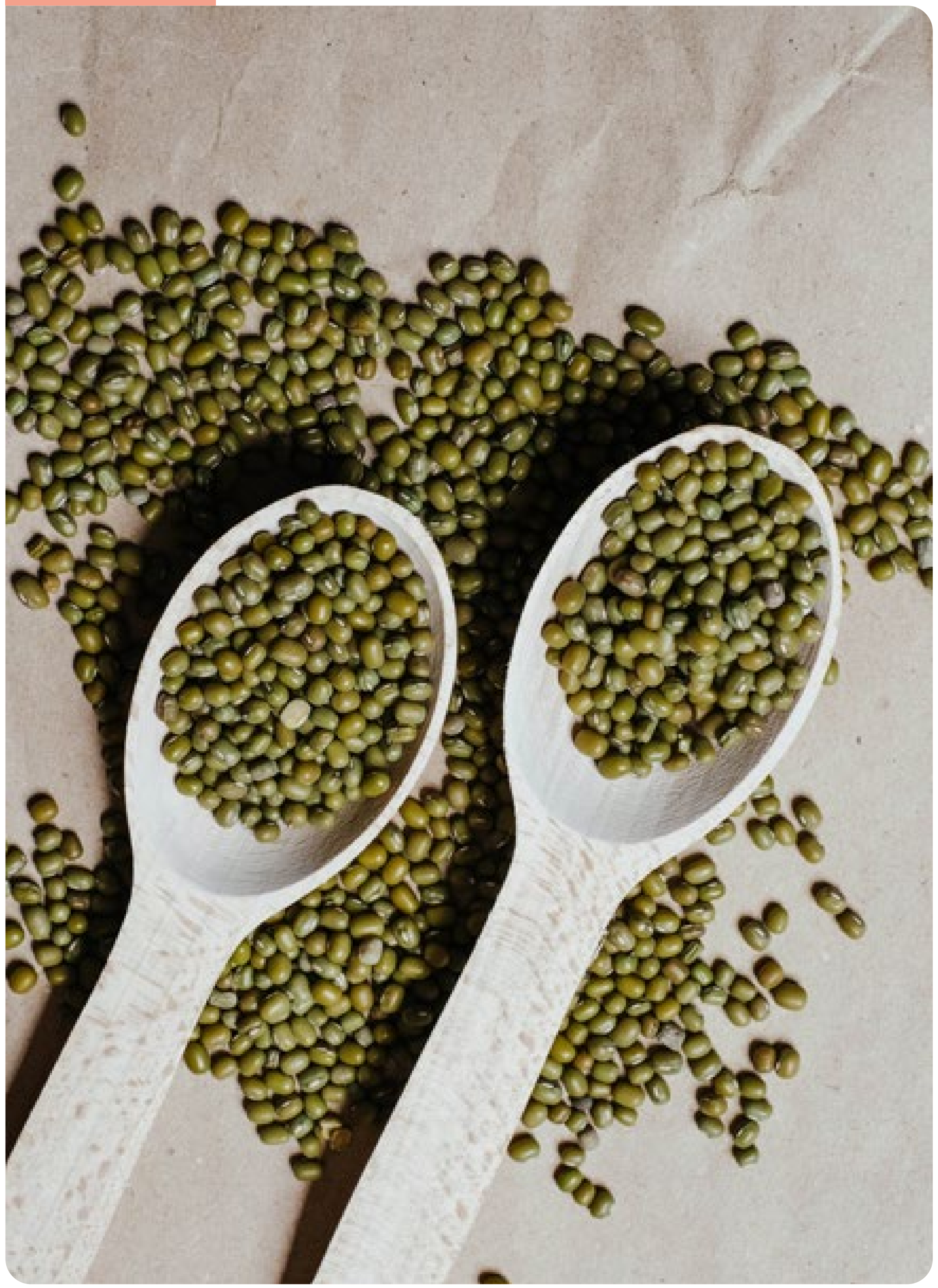
4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 17 PARTNERSHIPS FOR THE GOALS

Poverty and inequality and the responsibility of businesses to create a more sustainable society are global and local concerns. We seek to address these issues comprehensively throughout our strategy including through influencing government policy, working with our supply chain level and through support for the local community. Sustainability starts with you and me.

Strategic response to action

- Developing skills and capacity among schools in animal husbandry and bakery
- Strengthening community resilience
- Forging meaningful partnerships
- Employee volunteering and charitable giving

05 CREATING VALUE THROUGH OUR CAPITALS



OUR FINANCIAL CAPITAL

The business environment over the past few years has been particularly challenging for businesses due to a combination of factors, including the post-pandemic aftershocks, global political instability, and prolonged drought, which led to a biting raw material shortage. Our customers have also not been spared by the difficult operating environment.

Despite the storm, we strongly believe that our strategic initiative as held in the new strategic plan, paired with improving economic conditions, will steer the business to recovery and prosperity.

Capital Allocation

Through the 2022/23 financial year, capital allocation was mainly towards sustaining operations and business recovery, servicing debt, investing in the growth of our brands, and strengthening strategic partnerships.

As reported in the last financial year, capex prioritisation was to be based on quick payback and operational efficiency. The year under review resultantly saw Unga invest in a solar power system to not only address the escalating cost of energy but also enhance operational environmental sustainability. Solar panel installation at the minerals plant in Nakuru is complete and installation at other sites is slated for completion in the financial year 2023/24.

Strategic Direction

Moving forward, Unga aims to achieve a minimum of a 15% increase in ROE and a 10% increase in ROA. This will be achieved through excellence in execution of the strategy which includes effective resource allocation and brand equity enhancement, as well as prudent management of available resources.

Value Added Statement

"*Value added*" is the value which the Group has added to purchased materials and goods by process of manufacture and conversion, and the sale of its products and services. This statement shows how the value so added has been distributed.

	2023 Shs'000	%	2022 Shs'000	%
Revenue	24,051,024		18,032,334	
Net cost of raw materials, goods and services	(23,654,710)		(17,151,532)	
Wealth created by trading operations	**396,314**		**880,802**	
Revenue from discontinued operations	-		362,816	
Expenses from discontinued operations	-		(369,547)	
Profit before income tax	-		(6,731)	
Profit on disposal of business operations	-		814,694	
Total wealth created	**396,314**		**1,688,765**	
Impairments	-		(491,721)	
Interest Income on deposits	31,377		41,079	
Reclassfied to discontinuing operations	-		-	
Finance income	**31,377**		**41,079**	
Dividend income				
Total wealth created	**427,691**		**1,238,123**	
Distributed as follows				
Employees				
Benefits and remuneration	843,181	197.1%	883,692	71.4%
Governments				
Taxation	(240,477)	-56.2%	(224,376)	-18.1%
Providers of capital	**784,368**	**183.4%**	**267,446**	**21.6%**
Finance charges	784,368	63.4%	267,446	21.6%
Distributions to shareholders	-	0.0%	-	0.0%
Retained for growth	(959,381)	-77.5%	311,361	25.1%
Depreciation and amortisation		0.0%		0.0%
Loss/ Profit for the year attributable to shareholders of the Company	**(959,381)**	**-77.5%**	**311,361**	**25.1%**
	427,691		**1,238,123**	

Contribution to Public Finances

Unga is dedicated to upholding strong principles of governance, integrity, and openness in our approach to taxation. Taxes are not just financial obligations but a significant component of our broader commitment to the communities where we conduct our operations.

A summary of our financial contributions to the exchequer during the fiscal year in question is as follows:

Exchanges with government
including amounts collected on it's behalf

	2023 Shs'000	2022 Shs'000
Employee taxes	178,880	185,144
Company taxes	14,801	95,651
Value added tax and sales tax	33,071	65,343
Customs and excise duty	681,731	468,091
Tax collected on behalf of government	65,579	41,551
Other	-	307
	974,063	**856,087**

Risk Exposure

In the year under review, forex losses and high inflation presented the key risks to our financial capital.

Further risk exposures of note were raw material scarcity, high costs and low consumer purchasing power occasioned by a tough economic environment. These are likely to be key risks in the next financial year, 2023/24.

OUR MANUFACTURED CAPITAL

Under the new strategic plan, Unga has set a target of increasing capacity utilisation, with contract manufacturing being one of the efforts that are already in the works. As an example, we currently process wheat and porridge flour for various customers including the WFP. We will continue to explore similar contract possibilities in order to boost capacity utilization across both the human food and animal feed business segments.

Capital Projects in the year

Unga FarmCare (EA) Limited

During the financial year under review, Unga Farm Care East Africa Limited installed equipment at the Nakuru Feeds and Mineral Plants to improve printing quality and reduce downtime, as well as solar panels to reduce reliance on-grid energy as part of the company's sustainability initiatives.

We also improved pellet press automation at the Nairobi Feeds Plant, which helps to enhance effectiveness.

Projects to increase production capacity at Unga Farmcare

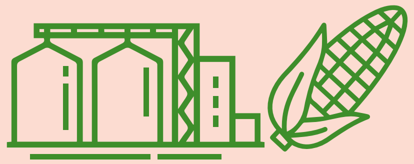
- Introduction of new products such as *kienyeji* range, pig range and chick and duckling crumbs to leverage unused capacity.
- Supporting Nakuru Feeds Plant on production of the different range of animal feeds.
- Continual improvement project at the Licks Plant in Nakuru.
- Continual improvement project at the packing lines to improve overall equipment effectiveness (OEE).

UNGA LIMITED

Unga Limited

Unga Limited did not have any new capital projects, however there were significant improvements made to existing assets.

There was a reorganization of the milling plant that resulted in enhanced product quality and overall capacity utilisation effectiveness.

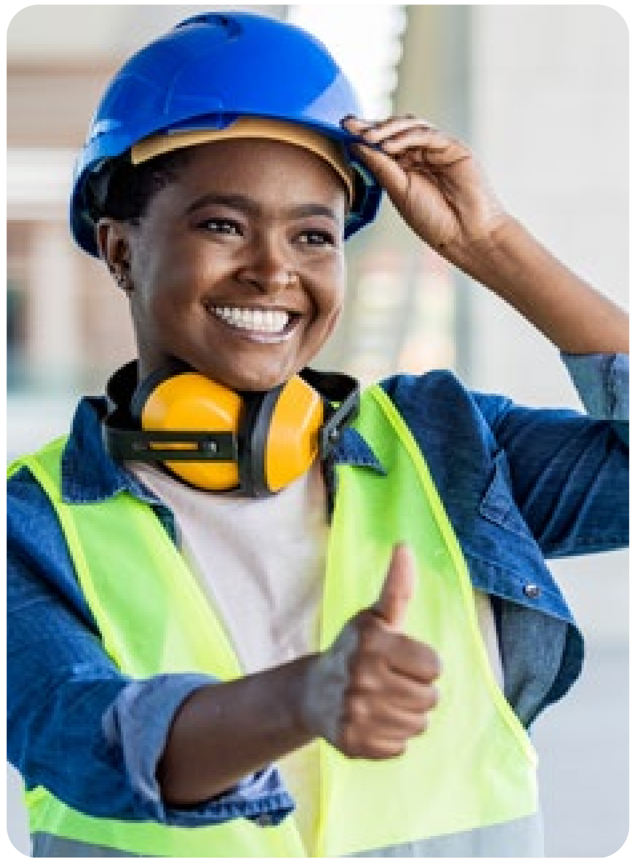


Occupational Health and Safety

Employee safety remains a top priority for all of us at Unga, and we continue to strive for zero injuries. We are delighted to announce that there were no fatalities during the financial year under review. However, there was a minor rise in the number of injuries, from 8 the previous year to 10 this year.

As a way of achieving a more safer working environment, we have been pursuing a campaign to promote a positive safety culture through an aggressive push by safety committees at all of our facilities. Furthermore, we have guaranteed that all personnel at all sites have a safety goal included in their performance, which will actively drive accountability and responsibility.

Our employees also receive 'Safety on the Job' instruction sheets that outline active and passive safety systems to which all employees must adhere. In addition, we assessed the Safety, Health, and Environment (SHE) procedures and policies to address the site's safety risks. This is done in parallel with enhanced risk evaluations in high-traffic areas at the job sites.



Quality Assurance and Consumer Protection

Customer satisfaction is critical to our company's success. To that end, we continue to adhere to ISO 22000:2018 standards throughout all of our manufacturing facilities, as well as ISO 17025:2017 standards for the CSO laboratory. In Eldoret, we have improved to FSSC 22000 standards from 5.1.

In addition, the Kenya Accreditation Service (KENAS) accredited 6 more characteristics to our Central Laboratory, increasing the total to 14. This will result in more precise and acceptable test results. Moisture, protein, ash, oil, fiber, calcium, phosphorus, sodium chloride, total aflatoxin B1, wet gluten, dry gluten, gluten index, and failure number are all factors that the lab can study.

We are working with maize suppliers to further strengthen quality assurance at the source to increase raw material quality even further.
Our human nutrition business does not stray from the tried and true gristing of various kinds of wheat, which is directed by quality assurance testing and analysis to ensure quality, as well as mill settings and stock flow modifications, which are primarily carried out to manage flour granulation.

Our animal nutrition business maintains its market leadership by leveraging cutting-edge animal nutrition research in collaboration with Nutreco, an established global nutrition company. We collaborate to optimise diets for various farm animals and to apply NIR in raw material composition analysis in the search for precise and immediate nutrition for increased production with less waste.

OUR HUMAN CAPITAL

Within the challenging operating environment, the Human Resource function maintained effectiveness by maintaining transparency through open communication throughout the organisation. Additionally, HR ensured that any decisions made by the organisation are aligned with business strategy while taking into consideration the knowledge, skills and abilities required to move forward.

Our People

People, Place and Performance continue to be key strategic pillars that Unga leverages on to be an employer of choice. The company strives to ensure our people feel valued and connected to the vision and purpose of the business as they conduct their day-to-day activities.

At Unga, we appreciate the role that our employees play. Part of our collective action is to ensure that our staff are motivated by the overall purpose of the business and they can energetically align to it and, as a result, deliver tangible results. Therefore, we continue to invest heavily in the employee lifecycle to consistently provide avenues for staff to feel a sense of belonging.

We also call for a high-performance culture by reviewing and revamping our performance management processes. Unga has invested in a robust performance management system that is centred on the continual improvement "Kaizen" philosophy. Additionally, we ensure that our employees are conversant with our performance management system starting at onboarding. Our key area of opportunity continues to be consequence management, which we deliver through functional line managers.

Human Rights

Unga does not condone any discrimination and harassment on grounds of race, colour, sex, language, religion, political or other opinion, nationality, ethnic or social origin, disability, pregnancy, mental status, or HIV condition. In line with the constitution, discrimination is illegal and therefore, Unga considers it gross misconduct.

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

Occupational Health and Safety

We are committed to the safety of our employees, clients and visitors in compliance with the Occupational Health and Safety Act, 2007 (OSHA). Unga has implemented an effective and integral occupation safety management system aligned with international and national standards and practices. The system identifies risks and emerging risk factors associated with our business activities and puts in place effective controls to eliminate, mitigate and manage these risks. The occupational safety management system adheres to the OSHA through a structured program that provides and maintains a healthy and safe working environment while fulfilling our customers' expectations of quality and safe human and animal nutrition products.

Labour and Working Conditions

Unga is committed to creating a positive and supportive culture where employees can balance their work/life responsibilities. Being cognizant that the diversity in our workforce adds value to our operations, Unga provides a range of appropriate working patterns through the "Work from Home" and Flextime policies. Furthermore, our employees have the opportunity for enhanced life-work integration by utilising the provisions for different types of leaves.

Unga is committed to fostering a strong, collaborative, and positive place to work where employees feel comfortable, secure and at ease when it comes to both their physical and emotional safety. This is achieved by keeping all discussions open and transparent, comprehensive training, onboarding, and celebrating team wins.

As part of our drive to ensure employee safety, it is mandatory for all employees working in the plants to have company-issued personal protective equipment that fits comfortably and is maintained and cleaned regularly.

Training and Education

Unga has been keen to entrench learning as a key tenet in employee development at all levels. Our employees are entitled to develop their knowledge, skills, and abilities through a blend of learning methods including mentoring, coaching, on-the-job training, short courses, conferences, e learning, and seminars.

Diversity and Inclusion

Unga has been keen to entrench learning as a key tenet in employee development at all levels. Our employees are entitled to develop their knowledge, skills, and abilities through a blend of learning methods including mentoring, coaching, on-the-job training, short courses, conferences, e learning, and seminars.

Disability mainstreaming is a key agenda under our diversity and inclusion policy. In line with the Constitution of Kenya, 2010, and the Persons with Disabilities Act, 2003, Unga is currently building an all-inclusive workplace where persons with disabilities continue to receive opportunities for gainful employment while achieving their true potential.

Furthermore, to ensure fair and objective decision-making in hiring and to meet business and personal development needs, Unga implements a policy designed to ensure smooth recruitment and selection undertaken with the highest levels of impartiality and professionalism.

Staff Headcount

Within the year under review, there have been a few changes to the staff headcount at Unga as indicated in the table below.

	June 2023	June 2022
Permanent	298	283
Contract	18	29
Outsourced	800	696

Labour turnover closed at 9.6%, which is 4% lower than industry best practice. *The turnover was attributed to stiff competition for talent, retirement, and expiry of contracts. Unga managed to close all the open positions in time and continue building a talent profile and succession plans.*

75% 25%

***Gender diversity** stood out at **75% male** and **25% female** as the Company continues to onboard programmes that will help bridge the gender divide.*

Performance Management

The last financial year still saw businesses suffer from the shocks of Covid-19 as economic challenges continued to rock the boat across the globe. The impact on the cost of raw materials went on to affect business performance, and in turn, affect individual performance.
In order to drive productivity, Unga utilised two key performance touchpoints.

1. **Monthly Staff Forums**
   Just as in the previous financial year, monthly staff forums continued to provide an avenue to engage staff members with conversations centering on performance. Where managers found a team member in need of assistance, they put them on performance improvement plans, specifically designed to help staff achieve their potential.

2. **Monthly and Quarterly Face-to-Face Sessions**
   Further, we leveraged face-to-face sessions through which line managers and their staff had personalised conversation that went beyond performance and took a holistic look at the individual. The in-depth analysis allowed employees and managers to align better with organisational goals and find ways to achieve personal success.

Strategic Outlook

Unga takes pride in being an employer of choice and avails relevant learning opportunities for staff members. A capable workforce continues to be a competitive edge in the market, and we are focused on supporting personal and professional development.

We have continuously invested heavily in a 70:20:10 learning approach where our philosophy is centred on employees being self-driven so that they are able to own their development with the support of their line managers. Unga avails resources to support both on-the-job learning and e-learning as part of our talent development initiative.
Furthermore, culture is a key enabler of our business. Currently, we are in the midst of culture transformation through which we will roll out a new purpose, mission and values. The anticipated impact is not only creating a business that is much more customer-centric for both internal and external customers, but also enhance our staff retention.

Improving Talent Management

Over the past three years, Unga has developed a robust Talent Management Framework through which we have nominated staff showing potential to the talent decks, and conducted analysis of the skills shown by team members. Resultantly, we have developed robust Personal Staff Development Plans that are rolled out at all levels to allow for staff development with the aim of closing any skills and knowledge gaps that might hinder employee growth and business effectiveness.

As we seek enhanced efficiency through automation, Unga will be onboarding SAP Success Factors, a system that automates Succession Planning and which will enable line managers to track their talent and measure the success of development plans.

Through our various partners such as the Buhler School of Milling, we have been able to upskill our workforce through in-house refresher trainings that would ideally support with skills acquisition and or reinforcement.

Leadership Development

In the last financial year, leadership development took centre stage as it was a key focus area for the business. The year under review saw a continuation of the Unga Leadership Academy as a priority. The Unga Leadership Academy is an internally crafted program aimed at supporting our leaders in acquiring leadership competencies at various levels.

The flagship programme, the Senior Leadership Development Programme, is a one-year in-house program developed by our Learning & Development unit in conjunction with the Unga leadership team. It targets senior managers and talented managers being groomed for senior management roles. Currently, there are 29 participants who are being trained with the aim of enhancing employee engagement and retaining fit-for-purpose leaders who will drive a positive business performance trend.

Employee Recognition

During the year under review, site appreciation programs through our monthly meetings were the main avenue to show recognition to employees who best exemplified Unga's values.

Other employee recognition programs include public recognition and mentions for outstanding behavior and performance.

Organisational Change

The 2022/2023 financial year was marked by significant changes aligned to the new strategy on optimising talent and delivering value for the business. Some of the major organisational development changes included:

1. Leadership Transitions

The business took renewed focus on a fit-for-purpose leadership structure whose main agenda is to deliver a forward-looking customer-centric culture through an optimised organisation design. Along with a change in naming convention for group manager roles.

The intent of the new organisational structure at leadership level was to define an efficient system with increased customer-focus and enhanced accountability. This saw the emergence of director roles for each functional unit as follows:

a. Group Finance and ICT Director
This role provides oversight of Unga's finance and ICT tasks. The finance director will lead the company's long-term financial growth and development, probability, cost control and corporate fundraising strategies for operational and strategic initiatives to support the new business thinking. This role is responsible for leading our ICT strategic objectives to respond better to our customers' needs.

b. Group Strategy and Innovation Director
Our business needs to secure its future growth while safeguarding the current. This will be attained by harnessing the opportunities that we will actively seek out and exploit.

The Strategy and Innovation Director leads strategy development, implementation and optimisation functions while ensuring Unga Group remains competitive and innovative for the consumer we serve. The functions of product innovation, digital transformation and corporate communications fall under this role.

c. Group Commercial Director
This role is responsible for commercial goals across the group business. The Commercial Director provides leadership for the growth of Unga's markets, volumes and revenues. The role provides oversight on Unga's initiatives to deepen consumer understanding and engagement, and subsequently drive brand development and growth. The customer facing functions including sales, marketing, business development and customer service fall under the Group Commercial Director.

d. Group Human Resource and Legal Director
This role is vital in ensuring we have a creative, driven, and ambitious team with the commercial awareness of all our people and agility towards consumer service. It provides oversight of the Group's legal services.

e. Group Supply Chain and Technical Director
The role provides leadership to the group functions, including timely and on budget technical project management, supply chain optimization, product development, sites' compliance and overall best engineering practices.

f. Group Production Director
The Production Director provides special attention to the production of the group business and drive production optimisation initiatives across all Unga sites while ensuring timely production, quality assurance, efficient plant uptime and on budget production activities. The role collaborates closely with the commercial, technical, and supply chain functions to ensure consumers are effectively served.

OUR INTELLECTUAL CAPITAL

Digital Revolution

Unga Group has built a high-level business model architecture and a strategy nicknamed "Follow the Grain" that provides clear direction to the automation needs at each stage of the production process.

Follow the Grain Categories:

1. **Farming Side** – This considers farming and consolidation of farm produce before selling.
2. **Production Side** – This involves production automation and digitisation strategies.
3. **Sales and Distribution Side** – Here, the strategies for route-to-market are clearly defined and segmented to the various distribution channels.

In terms of sales and distribution, our new strategy aims to increase our presence among a variety of customer segments, including hotels, restaurants, catering enterprises, farmers, modern trade outlets, export markets, kiosks, schools, distributors, and street vendors ("vibandas"), and government institutions.

Follow the Grain is actively developing personalised digital strategies for each of these distribution channels, which will be easily merged into a cohesive digital platform. This platform will also be linked to our Enterprise Resource Planning (ERP) system and numerous supported payment channels.

With this comprehensive strategy, each Unga distributor, agent, and store will have role-based access to the platform. This regulated access at various stages will allow us to deploy a data-driven sales approach as part of our Route to Market plan.

Furthermore, as part of our ongoing digital transformation journey, Unga Group has discovered some significant challenges within our business operations. These include distributor dominance, the requirement for real-time sales visibility, expanding our footprint and reach, guaranteeing good cash flow, and the urgency of implementing a data-driven sales approach. To solve these challenges, we carried out research and developed creative solutions, which are currently in the early stages of implementation.

1 **The first innovation**, called Mkulima Smart, combines the functionalities of various platforms into a single app. This app employs an algorithm that utilises variables related to livestock to offer actionable advice, aiding in purchasing decisions and resource management in the field.

2 **The second innovation**, Bidhaa Dukani, complements Bidhaa Mlangoni by especially targeting kiosks and small-scale traders. It digitalizes distribution using an agency/agent paradigm for drop-off, mid-, and last-mile deliveries.

To further strengthen our route to market, **Bidhaa Mlangoni** *has been upgraded to seamlessly interface with MPESA and SAP systems. This interface allows us to include real-time pricing updates from SAP straight into the Bidhaa Mlangoni app, ensuring that our customers and business partners get accurate and up-to-date information.*

IoT, Robotics and Automation

The examination of Internet of Things (IoT) adoption in silos and fuel depots is a continuous process aimed at discovering the most effective way to apply IoT solutions adapted to the particular needs of Unga Group. Our research has showed that customising a generic IoT system to match our company's needs and replace the present system would be a time-consuming and resource-intensive endeavor. Current equipment has been optimised to perform better with existing technologies.

Nonetheless, IoT can be used to supplement and improve the functions that humans currently undertake. This opens the door to combining IoT with robotics and artificial intelligence (AI) to increase the productivity of our human resources. Unga Group is aggressively integrating Robotic Process Automation (RPA) through the use of Microsoft Power Tools, in addition to exploring IoT prospects. We use this platform to develop bots that rapidly handle email-based purchase orders and send them to our SAP system. This improvement has significantly streamlined operations, which has benefited our modern trade customers, some of whom the system is fully deployed and in use. This automation is being extended to other modern trade customers.

Cyber Security management

As we strive to increase our remote working capabilities and improve operational efficiency, digital technology improvements play an increasingly important part in our operations. However, the shift to remote work brings with it a slew of cyber risk factors that must be effectively controlled. Unga has proactively adopted artificial intelligence to boost its cyber risk management efforts, enabling real-time responses to anticipated threats.

Simultaneously, we have established a data loss prevention solution that allows our staff to link their personal devices to the company's networks, allowing access to the resources needed for their duties. Because employees are already familiar with their own devices, the "Bring Your Own Device" (BYOD) approach has proven to increase productivity. To supplement this, we have integrated AI into our network monitoring system, allowing us to detect any suspicious behavior within our network in real-time.

Unga has taken conscious steps to educate and train our workers in cybersecurity best practices as part of our commitment to strengthen our cybersecurity defenses. We measure their comprehension using quizzes and subject them to managed scenarios that improve their situational awareness while also allowing us to assess their skills. This multi-pronged approach ensures that our staff is well-prepared to combat possible cyber threats.

Data Privacy

Unga and all of its affiliate companies are totally committed to protecting the personal data collected through their website, portals, apps, social media platforms, campaigns, and physical records. This dedication extends to guaranteeing the highest level of data security. We have set in place robust measures to develop personal data privacy and usage rules, ensuring that all processes embrace data protection by design and are in compliance with data protection requirements. Furthermore, all external parties who provide us with personal data for business purposes are informed of the data collection as well as their rights in relation to the information we collect.

The scope of our data privacy efforts encompasses a broad range of individuals and entities. This includes Unga customers and potential customers, along with their representatives. It also covers subscribers to Unga's social media channels, publications, and newsletters, as well as our valued suppliers and business partners and their respective representatives.

The information collected from these sources is strictly limited to the context of the interaction. Personal data may be shared both internally and externally, but such sharing is always within the context of its intended use. When personal data is shared beyond the borders of Kenya, it is imperative that the recipient adheres to stringent personal data protection measures or subscribes to data protection regulations, such as the European Union's General Data Protection Regulation (GDPR) or equivalent standards.

To fortify our commitment, Unga has implemented a comprehensive set of technical, physical, and organisational measures. These measures are meticulously designed to safeguard personal information against any potential mishaps, including accidental destruction, loss, damage, alteration, unauthorised disclosure, access, or any other form of unlawful processing.

We are also fully compliant with the GDPR and the Kenya Data Protection Act No. 24 of 2019 (the "DPA"). These regulations empower data subjects to exercise their rights, including the right to request access, deletion, correction, removal, limitation of use, or receipt of a copy of their personal information held by Unga or for which Unga bears responsibility.

We discourage the sharing of sensitive information about anyone without their consent. Information about children is especially sensitive and cannot be shared without the express written consent of a child's legal guardian. Sensitive information includes data related to racial or ethnic origin, political opinions, religion or other beliefs, health, genetic information, biometric data, and criminal backgrounds.

In addition to the aforementioned measures, Unga engages in the collection of statistical data through cookies on our electronic media, websites, and apps. Users have the option to accept or reject these cookies. It is important to note that some cookies are essential for accessing specific sites or applications.

At Unga, our commitment to data privacy is unwavering, and we continuously strive to ensure the highest level of protection for all personal information entrusted to us.

Electronic Document Management

As part of our cloud migration strategy, Unga maintains a hybrid architecture that stores certain digital assets in the cloud. This setup enables remote access, usability, and seamless integration with other digital assets. Additionally, we have established disaster recovery (DR) sites in co-located facilities to ensure failover capabilities in case of unexpected disruptions.

Unga continues to utilise Microsoft SharePoint, a well-established platform that seamlessly integrates with our offline systems. To further boost productivity and streamline our business processes, we are eager to leverage the Power Automate engine, which promises enhanced automation capabilities.

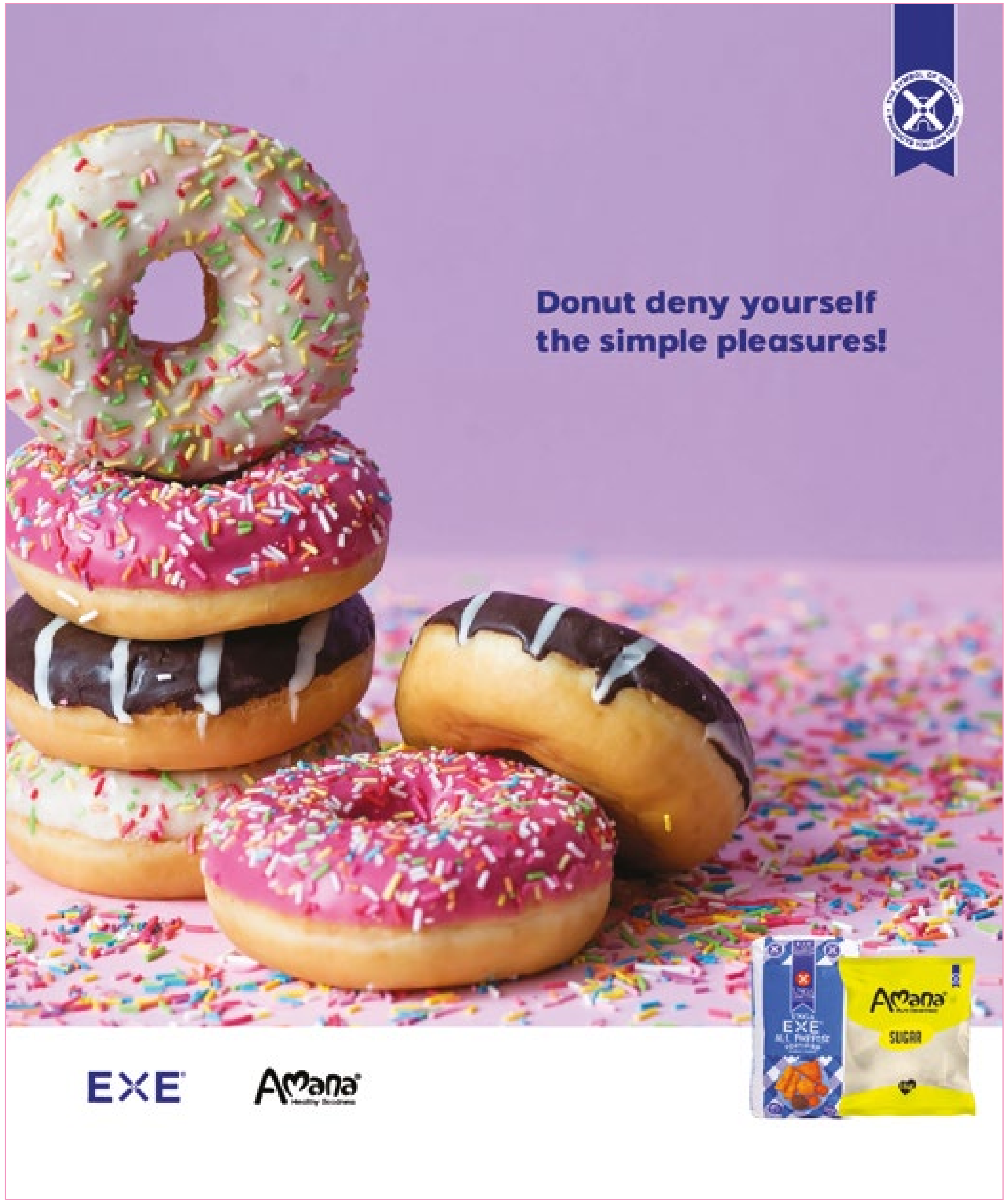
Intellectual Property

Intellectual property (IP) is a legal term that refers to the legal rights that protect mental creations such as inventions, designs, trademarks, and creative works. Unga's perspective on the intellectual property pillar is consistent with its overall company strategy, beliefs, and industry dynamics, ensuring that its ideas are protected, competitiveness is maintained and ethical and legal considerations are respected.

To that end, Unga's attitude toward intellectual property entails:

- **Strong IP Protection** – Unga has taken a robust stance on IP protection that involves significant investment in research and development, and the acquisition of patents, trademarks and copyrights to secure innovations.
- **Open Innovation** – We are open to collaborating with other organisations within our ecosystem to share their innovations through forums such as open-source initiatives and promote knowledge sharing. By working together, we can create more value for all our stakeholders.
- **Balanced Approach** – This involves strategic decision-making on which intellectual property that will be protected and which will be shared. Core innovations that provide a competitive edge are patented, while more routine ones targeted to less critical aspects of operation remain open.
- **Defensive IP strategy** – Unga focuses on building a defensive IP portfolio primarily to deter legal action from competitors. This strategy involves obtaining patents, not necessarily to actively use innovations, but to have leverage in potential legal disputes.
- **Ethical IP Practices** – The value of ethical and responsible IP practices is important to Unga. To safeguard a healthy innovation ecosystem within the industry, we avoid overly aggressive patent litigation and adopt fair licensing practices that promote innovation and advancement.
- **Licensing and Monetisation** – Unga's intellectual property is a valuable asset that can be licensed or sold to generate additional revenue. This drives the active seeking of partnerships to monetise innovations and expand the Group's market reach.


Tasty
GOODNESS
Make Your
Taste buds
Dance
Amana
BASMATI
PREMIUM RICE
2kg
www.unga.shop
Amana
Healthy Goodness


Donut deny yourself
the simple pleasures!
EXE
Amana
SUGAR

OUR SOCIAL AND RELATIONSHIP CAPITAL

Globally, organisations are taking a long-term perspective on social responsibility, which is seeing a shift from ad-hoc Corporate Social Responsibility (CSR) activities towards thematic Corporate Social Investments (CSI) that emphasise people, the planet, and profit. This change is being driven by the recognition that sustainable business practices are not only beneficial for the society and environment but also for long-term profitability.

Under our new strategic plan, our efforts at Unga are aligned with our sustainability goals and targets to create value for our stakeholders while contributing to a more sustainable and equitable future.

People, Planet and Profits: Our Sustainability Direction

As a company, we recognise that our employees are vital to our success. Therefore, we are committed to developing a diverse team of highly engaged and commercially focused individuals. By investing in our people, we can build a high-performing organisation that consistently delivers exceptional results.

We also acknowledge that Unga's operations may have a significant impact on the environment if not properly managed. As a result, the company has instituted several initiatives that encompass environmental care and protection. We continue to tap into sustainability solutions across our value chain from production to packaging and distribution.

As part of our approach to sustainability, we have extended our partnerships with key stakeholders like the Nairobi City County, the National Environment Management Authority (NEMA), and other allied organisations to execute environment conservation activities across the country.

Ultimately, Unga exists to deliver value to our shareholders by ensuring long-term financial success for the company even as we work to address social and environmental concerns. By incorporating sustainability into our strategy, we are creating opportunities that offer long-term growth potential by building a future-fit organization.

Customer Outreach Initiatives

Through the year under review, we engaged our customers to create awareness of our products and services, including new offerings, in the following ways:

1. Farmers capacity building
Unga has continuously conducted regional seminars and training sessions for farmers, providing them opportunities for knowledge sharing with experts and fellow farmers. This initiative not only provides avenues for skills and knowledge exchange, but also reflects our commitment to improving the quality of raw materials as a key factor in ensuring high standards in final products.

2. Forums at ASK Shows and Trade Fairs
Through the year, our sales and technical teams organised forums during the annual agricultural shows held in major towns nationwide which allowed them to reach new and existing customers. Investing in direct engagement with customers at these events helps build relationships that instill two-way communications and allow us to better understand the customers' needs.

3. Partnerships and Promotions
Unga periodically enters strategic partnerships with retail stores, supermarkets, and other stakeholders to offer customers exclusive deals and discounts on select products.

4. Social Media
We leverage social media platforms like Facebook, X (formerly Twitter), Instagram, YouTube and Linkedin to connect with customers, build reciprocal relationships, share news and updates, and run contests and giveaways.

Stakeholder Engagement

Unga has a wide variety of stakeholders with whom collaboration is essential to our success. We continue to collaborate with all our stakeholders, including customers and our surrounding communities, to strengthen and maximise our relationships with the goal of achieving mutual benefit.

Some of the initiatives we have undertaken in the year under review are:

Reporting - Open and transparent communication with stakeholders is essential. Regular meetings, discussions, and effective feedback loops can help address issues and foster collaboration. Additionally, the annual integrated reports ensure we keep stakeholders informed of Unga's operations.

Compliance – Ensuring compliance with existing regulations and constructive engagement with regulatory authorities during inspections or audits is one of the ways to maintain a positive relationship with the government.

Regional seminars and training – We engage farmers by organising regional seminars and training sessions to provide a platform for knowledge exchange where farmers learn about best practices and gain insights into improving their agricultural activities.

Quality assurance visits – Visiting farms to provide training on grain handling techniques, such as aflatoxin testing and grading, is a direct way to interact with and support farmers and help ensure consistent supply of high-quality raw materials.

Investor relations – Our investor relations teams regularly reach out to and communicate with our shareholders and potential investors. The communication efforts include financial reporting, investor meetings and presentations. Against the backdrop of Unga's current financial health, the team also undertook various initiatives to appraise investors on our turnaround strategy.

Community Support

In the year under review, Unga undertook various community support initiatives guided by our citizenship agenda including providing support for:

- The Kenya Society for the Blind
- Kenya Society for the Deaf
- The Rotary Club

OUR NATURAL CAPITAL

Our commitment to the environment is reflected in our vision, purpose and core values. Sustainability, responsibility and environmental protection are key facets of Unga's operations as we work towards a better future for our communities. Therefore, Unga is compliant with all the statutory and regulatory environmental requirements of the Government of Kenya.

Waste Management

Unga is registered with the Kenya Extended Producer Responsibility Organisation (KEPRO) to manage and recycle packaging materials. Discussions with vendors are also underway to form a partnership for recycling WPP bags in the form of polypropylene pellets.

Unga is also already separating waste streams and managing the collection and disposal of waste so that each stream can be treated in the most suitable manner. Overall, the expected impact is a reduction in Unga's contribution to landfill and an improvement in safety standards for waste disposal.

The by-products generated from maize and wheat milling such as wheat bran, wheat pollard, and maize bran, are used in animal feeds production. Soya bean hulls are sold to farmers for use in silage.

Energy Usage

The transition to renewable energy sources proceeded with encouraging outcomes in the fiscal year under review. This has been accomplished by the installation of solar panels at various locations. Installation at the Nakuru minerals facility, for example, was completed in June 2023, and installation at all other plants is projected to be completed by December 2023. Already, the panels at the mineral plant are generating 46% of the electricity needed, indicating a considerable reduction in usage from the national grid.

Following full installation at additional plants, the entire impact of increased reliance on solar electricity generation will be realised in the third and fourth quarters of the financial year 2023/24. According to current projections, **the panels will cut grid power usage by 27% and CO2 emissions by 2,454 tonnes of CO2 per year, accounting for 4% of total CO2.**

Unga also adopted energy reduction measures through it's Continual Improvement Program, which eliminates energy waste, increases efficiency, and supports reliability through a strong preventative maintenance approach. As a result, the Kenya Association of Manufacturers (KAM) named Unga Group the overall winner of the 2022 Energy Management Awards (EMA).

Sustainable Sourcing Practices

The sourcing of critical raw materials locally is a crucial component of our operations as we attempt to assure supply, reduce reliance on imports, and reduce our environmental effects. Unga has formed a strategic partnership with one of Uganda's largest soya bean producers as part of this endeavor. The initiative's goals are to eliminate price volatility, reduce the influence and market manipulation, and provide a steady supply of high-quality soya beans.

Unga will seek out and establish such connections with Kenyan farmers for maize and wheat in the coming financial year. Farmers are already being prepared to address the supply gap. Field days are expected to help our suppliers apply best practices and boost yields.

Looking ahead to the financial year 2023/24, Unga is collaborating with a number of organisations, including the Kenya Plant Health Inspectorate Service, to enhance agricultural practices among farmers. Other collaborations include working with farmers to increase local soya output and with the University of Eldoret to form an MoU to assist local production of yellow maize and soya beans.

SUPPLY CHAIN UPDATE

Kenya has become a net importer of commodities, with the prolonged drought experienced in the past three years exacerbating the situation. Despite this, Unga remains fully committed to supporting local farmers and industries. By extending offtake agreements with local farmers and farmer organisations, Unga continues to encourage the local production of soya beans, pulses, and grains. This helps support the improvement of the farming community incomes and reduces the environmental impact of transporting commodities from overseas.

In the December 2022 maize harvest season, representatives from Unga visited large farmers in the North Rift region to secure the supply of white maize. Moreover, Unga's aggregation agreements for the supply of white maize prompted positive results during Q4 of the 2022/23 financial year.

Supplier Evaluation

Unga has conducted a screening of suppliers based on statutory requirements, capability and risk of supply based on three key performance indicators: on-time, in full, and effort-free (OTIFEF).

Our suppliers are expected to sign and adhere to the Unga Supplier Code of Conduct, which, in part, ensures compliance with fair and responsible labour practices. Service providers who supply labour are vetted based on their labour practices and the remuneration of their employees as per the regulatory standards.

Suppliers are vetted for tax compliance, incorporation, and directorship or ownership in terms of statutory requirements.

Under capability assessments, service and indirect material suppliers' premises are visited to confirm stockholding, quality of materials, and capacity, in addition to trade reference checks. Local manufacturers of raw materials used by Unga are audited by the Quality Assurance department and are assessed for compliance with regulatory requirements and food safety.

The ingredients used and resultant materials are also analysed against both Kenya Bureau Standards and Unga internal quality specifications.

Currently, Unga is in the process of identifying the primary as well as alternate suppliers of critical raw materials, services, and indirect materials. In the year under review, at least three suppliers of packing materials have been identified and onboarded to ensure mitigation of some supply chain risk.

Furthermore, Unga is also in the process of identifying original equipment manufacturer (OEM) suppliers and agencies. This is expected to move the company away from dealing with traders and agents, to dealing directly with OEM suppliers which will result in reduced costs.

Building a Fit-For-Purpose Team

Marked by fluctuating commodity prices, the economic environment has been largely volatile for businesses. This calls for agility within their supply chains to mitigate the potential negative impacts of an unsettled environment. To partly deal with these challenges, Unga restructured its operational structures and aligned the portfolios with the business' synergies.

As a result, the technical and supply chain functions were merged, with further consolidation undertaken in the procurement functions in the second half of the financial year 2022/23.

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Looking Ahead: Optimising the Supply Chain

One of the objectives under the new strategic plan is to improve operational efficiency and optimise Unga's supply chain, with a major focus on sourcing raw materials, in addition to planning and enhancing the production process. The key objectives aimed at optimising the supply chain are:

- Incorporating and integrating a sales demand plan into the raw material procurement function. This entails achieving an accurate demand forecast based on sales and marketing activities and leveraging the information to create a demand plan. Resultantly, the supply chain function will be able to purchase raw materials in more accurate volumes and can include economies of scale to purchase at a better price.
- Aggregating key raw materials such as maize and soya beans to avoid price volatility associated with traditional harvest periods. This move was implemented in 2022 to great success. Moving forward, the aggregation strategy will be extended to other materials in the 2023/24 financial year.
- Supporting the expansion of Unga into new product categories. This is being achieved by driving the purchase and packing of long-grain rice, sugar, and pasta.
- Collateralising key commodities and developing call off model.
- Assess and investigate opportunities to outsource logistics (decentralized distribution centers), as well as the opportunity cost of switching from JIT production plan (pull) to push distribution for effective capacity optimisation.

COMMERCIAL UPDATE

Toward becoming a fully-fledged food company

Unga's new strategic plan envisions a substantial increase in market presence by exploring new business opportunities through the introduction of innovative products and brands.

Guided by the plan, Unga has continued to morph into a fully-fledged food manufacturing and trading company with initiatives including:

- *Relaunched the Amana brand with a refreshed, attractive visual identity.*
- *Entered a new category with the Amana-branded sugar.*
- *Successfully launched a second wheat brand, Pendo, to bolster our position within the market.*
- *Introduced a budget rice segment, Longrain Rice, to reach a new market segment.*

The animal feeds division, Unga FarmCare, continues to pursue similar advancements in product offering. Within the year under review, FarmCare has:

- *Expanded layered offering with the addition of a opti-layer variation that cares for birds in late production stages, making it more cost-effective for farmers while preserving productivity.*
- *Launch of Afya Bora Ndama to cater for the mineral requirements of calves.*
- *Introduced a Pig Growers to align with pig farmers' current needs.*
- *Introduced a poultry vitamin pack product that will be administered in drinking water, in line with FarmCare's objective of a 360-degree approach to poultry farming solutions.*
- *Revamped the Afya Bora Maziwa Tele mineral to reposition it against major brands for a better appeal to farmers and better nutrition for animals.*

Route-to-consumer

The new strategic direction requires reaching new and existing customers through innovative methods. We have therefore identified key stakeholders within the route-to-consumer (RTC) chain, and are working on a commercially viable strategy to incentivise them to be key promoters of our products. By including them as brand ambassadors, they will form a key touch point for consumers and drive awareness as a mutually beneficial goal.

Leveraging e-commerce channels presents a significant opportunity to reach consumers where they are. The proliferation of mobile devices, internet connection, and desire for convenience provides impetus for e-commerce to be used, especially in last-mile distribution.

Data, Analytics and Technology

Unga recognises the value of data and analytical capacity in improving customer experience and advising overall business approach. We have developed the U-Client, Mkulima Smart and Fugo Smart mobile and web applications that provide easy-to-use tools and platforms for customers to place their orders while allowing the Group to collect data that will inform future approaches in reaching existing and new customers. Currently, U-Client and Fugo Smart adoption are at 90% and 100% respectively.

Furthermore, by leveraging – Sales Force Automation, Unga has transformed the sales team into a digital sales team allowing increased geographical reach and enhanced agility in customer service.

It also allows sales teams to plan their time in trade more optimally. It is also now enabled for customer complaint documentation which, reduces the time taken to respond to calls and give feedback to customers.

In order to efficiently utilise the large amounts of data being collected, we have adopted powerful business analytics tools including PowerBI, which supports the commercial team by allowing them to generate insights, identify trends, and capitalize on emerging opportunities. Particularly, the visualisation capabilities of the tools give a quick glance at business performance and opportunity areas reducing the time it takes to come to decisions.

Automation

In the year under review, Unga operationalised automation of the customer invoicing processes, which has significantly reduced backlog in settlements. The payout system automation enabled rebate payments within the agreed time.

Customer Engagement

Unga continues to prioritise and profit from customer feedback, with their opinions driving effective innovation and enhanced value provision for consumers. Customers, for example, requested budget and low-cost brands of comparable quality, resulting in Pendo® wheat flour and Amana® long grain rice creation.

Our senior leadership team has been at the forefront of driving customer engagements, which has had a tremendous influence on resetting and fortifying relationships with our partners and key distributors. Unga has visited more than 50 trade partners across the two business functions so far. It is obvious that by listening to our consumers and restructuring the business, Unga would be able to give improved quality and customer experience.

Furthermore, increased customer focus on health, healthy living, and the hunt for convenience food supports our exploration of potential around rising trends to cater to new customer categories. As a result, we anticipate the release of new products designed to meet the needs of new consumers in the near future.

During the review period, Unga also engaged with stakeholders from all value chain points, including farmers, suppliers, the Kenya Bureau of Standards, and the Ministry of Agriculture.

06 CREATING VALUE THROUGH INTERNAL AUDIT

OUR INTERNAL AUDIT STRATEGIES

Internal audit services have undergone rapid transformation in recent years as a result of the digitalization of business processes and an increasingly digital-first business model. As the world evolves, data-driven and technology-enabled audit processes have proven to be helpful in terms of increased efficiency and risk assurance. Adopting a strong continuous monitoring approach to improve the efficiency and effectiveness of audit activities is therefore crucial.

As more organizations explore the prospects in new domains such as the Metaverse, digital transformation is predicted to usher in the future. Internal audit, as a critical business function, must adapt to the rapid shift in order to continue generating value for stakeholders. The changes continue to raise risks in the face of increased cyberattacks and online fraud events and attempts. Internal audit teams are dealing with the challenge by increasing their use of digital tools.

Internal Audit Charter

In line with best practice, the Internal Audit department has a charter approved by the Board Audit and Risk Committee which spells out the purpose, authority and responsibility of the Internal Audit function. The charter also gives a mandate to the department to audit the operations of Unga Group Plc. The charter is reviewed every three years and was last reviewed in November 2020.

As stipulated in the charter, the Internal Audit department's key responsibilities include:

- Conducting an independent and objective assessment of the Group's governance, risk management and internal control systems.
- Evaluating risk exposure relating to the achievement of the Group's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Evaluating the means of safeguarding assets, verifying the existence of such assets and the effectiveness and efficiency with which resources are employed.
- Undertaking special assignments at the request of the Audit Committee or management.
- Carrying out follow-up reviews to ensure that audit recommendations have been implemented.

The mission statement espoused within the Audit Charter guides the Internal Audit Department. Additionally, the department adheres to the Code of Conduct and the Code of Ethics established by the Institute of Internal Auditors (IIA) and has aligned its practices with the latest International Professional Practices Framework by the IIA. The department's effectiveness is measured with reference to the IIA's Ten Core Principles for the professional practice of internal auditing.

Annual Audit Plan

Each year, the Internal Audit department develops an annual audit plan using a structured risk assessment that considers inherent risk and control effectiveness of each auditable area in the Group. In preparing the plan, the department draws upon its experience and prioritises audits based on updated risk assessments in liaison with the Risk and Compliance Office. The Board Audit and Risk Committee reviews and approves the plan and any updates to it in response to changes in Unga's operating environment. During the 2022/23 financial year, the Internal Audit Department performed assignments in line with the plan realising 84% of the approved audit plan.

In the year under review, the Internal Audit department adopted a risk-based approach which provides a systematic method for identifying, prioritising and scheduling audits while at the same time providing a means by which scarce audit resources can be targeted in areas of high risk.

Within the context of changes in the business environment, there is a need for scrutiny of the audit plan and reprioritisation of audits based on their significance, regulatory requirements, and the ability to execute them in a disrupted environment. Any adjustment to the audit plan is communicated to the Board Audit and Risk Committee for review and approval during quarterly Board meetings.

Findings from the audits are reported to management for remediation and to the Board Audit and Risk Committee. A tracking system is in place to ensure remedial actions for all issues identified during the audit process are tracked to completion and remediation is independently validated.

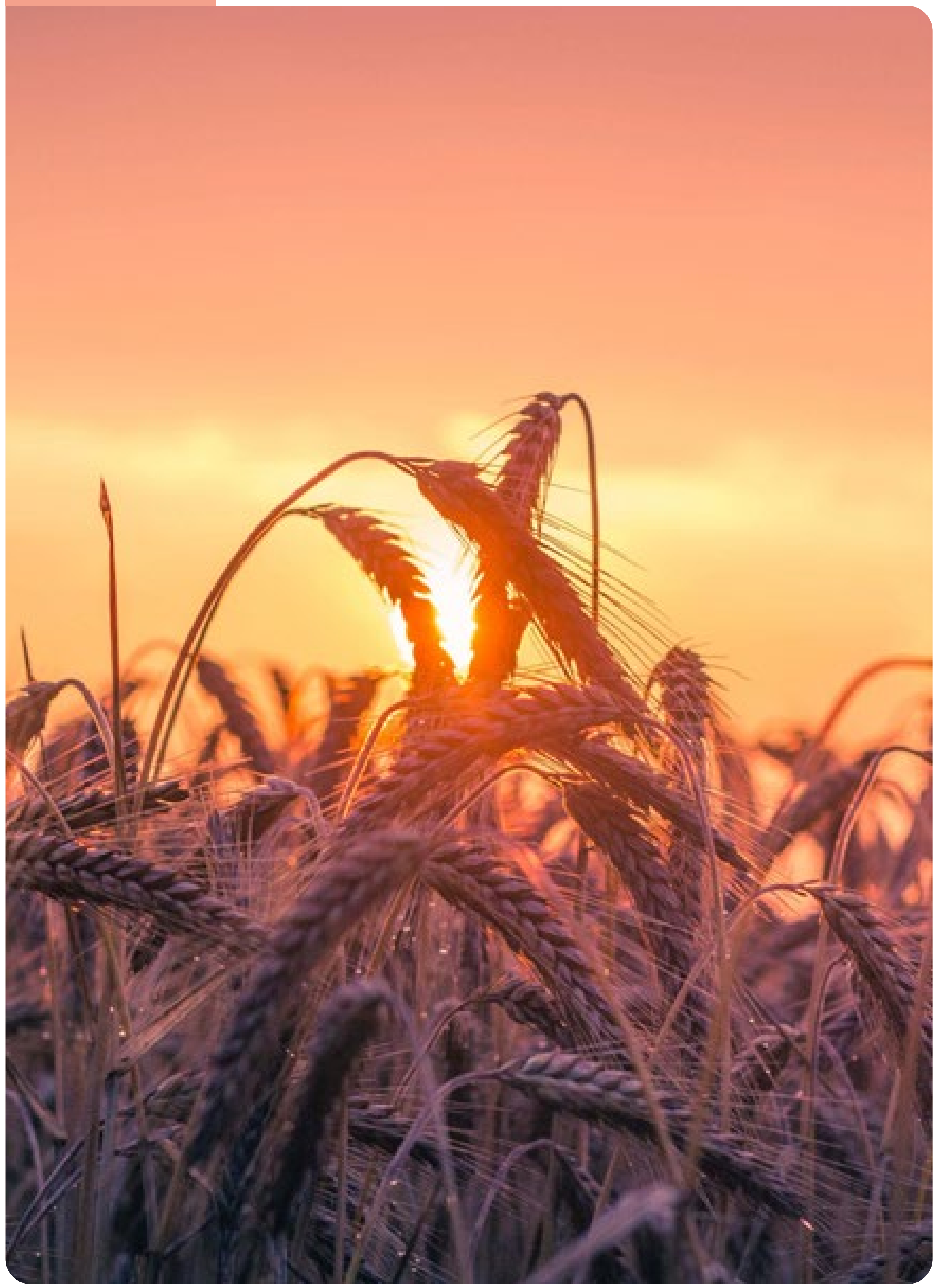
The high-level risks identified as part of the Group's risk management framework were mapped to relevant audit areas that were included in the scope of work during the year. The key audit areas include:

- Digitalization and automation initiatives,
- Business continuity and disaster recovery,
- Governance and strategy,
- Organisation-wide culture,
- Procure-to-pay,
- Legal and compliance,
- Supply chain,
- Manufacturing and marketing,
- Emerging risks and threats such as cybersecurity and data privacy in the expanded work environment.

Internal Audit in the new Strategic Plan

As Unga embarks on the implementation of the new strategic plan, Internal Audit will ensure coverage of the five strategic pillars: **product and service innovation, operational excellence, commercial excellence, employee engagement, and sustainability (ESG)**. The pillars will inform the specific initiatives to be undertaken over the plan period as Unga progresses with its business transformation. As part of its work, Internal Audit will include, within the audit plan, a review and tracking of objectives, results and their Key Performance Indicators in liaison with management.

07 CORPORATE GOVERNANCE



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Corporate Governance Statement

The Board and all levels of management are committed to promoting and maintaining the highest standards of corporate governance framework that underpins Unga's purpose " We provide food and farm-care solutions for better living, sustainably. " and vision "To be the leading provider of high-quality, affordable products that nourish people and animals whilst supporting local communities and protecting the environment."

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

Unga's corporate governance policies are available in the Investor Relations section of the Company's website. The Board regularly reviews these policies and the Company's corporate governance practices against the requirements of both the Companies Act 2015, the CMA Code and best practice

Overview of Unga's Corporate Governance Framework

The purpose of our corporate governance framework is to assist our people to make good decisions that promote the long term success of Unga.

Our corporate governance framework is comprised as follows:

- The Board of Directors
- The Board Audit and Risk Committee
- The Board Nominations and Remunerations Committee
- The Board Investment and Operations Committee.
- The Board Human Resources Committee.

The Board is guided by a Board Charter which documents the constitution, roles and responsibilities of the Board. It also contains the vision, purpose and core values of the company. Unga's values inform the behaviors, leadership attributes and decision making of all employees. They reflect how Unga's employees work, treat each other and interact with people and communities around Unga. Our value statements are as follows:

- We are consumer-led – we listen and respond to our customer needs.
- We act with speed – we are agile ad disruptive.
- We value integrity – fairness, transparency and accountability from our actions.
- We have fun – work hard, play hard and win together.
- We are responsible – we care for the environment and our communities.

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

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

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

These values and requirements form the foundation of Unga's Corporate governance framework. There is a separate Supplier Code of Conduct to promote ethical supplier management practices.

Governance Policies

The board in carrying out its mandate is also guided by the policies in place which include but are not limited to the following:

- Insider trading policy
- Whistle blowing policy
- Anti-Money Laundering policy
- Anti-fraud, Bribery and Corruption policy
- Board Remuneration policy
- Conflict of interest policy
- Procurement policy
- ICT policy
- Risk Management policy
- Dividend policy
- Stakeholder Engagement policy

There is a robust policy environment and various operational policies have been put in place.

PART 1: BOARD RESPONSIBILITIES

The Board recognizes that it has responsibilities to its shareholders, customers, employees, and business partners as well as to the communities in which the entities it controls operate. The Board's focus is to enhance and protect the interests of shareholders and other key stakeholders and to ensure that the Company is properly governed. The Board understands the importance of a strong and healthy working relationship with management.

The Board of Directors meets at least once every quarter and operates within a formal schedule based on the agreed board work plan and board calendar. The Chairman is responsible for managing the Board and providing leadership to the Group, while the Group Managing Director is responsible to the Board for strategically overseeing and managing the business units of the Group in accordance with the Board instructions. The Directors are given appropriate and timely information on key activities of the business, regularly, and on request. Information on agenda items is provided prior to meetings as well as through additional presentations to the Board. Board members have open access to management through the Chairman, Group Managing Director and Company Secretary. Directors may seek briefing from management on specific matters as well as seek independent professional advice.

Responsibilities

The Board is responsible for the overall corporate governance of the Company, including approving the strategic direction and financial objectives, oversight of the performance and operations of the Company, establishing goals for management and monitoring the attainment of these goals.
Each Director is required to ensure that they are able to devote sufficient time to discharge their duties and to prepare for Board and Committee meetings and associated activities.
The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
All Directors have direct access to the Company Secretary and the Company Secretary has a direct reporting line to the Chair.

The Board is responsible for:

- Overseeing the Company's strategic direction and management of the Company.
- Approving delegations of authority to management;
- Approving significant acquisitions and disposal of assets;
- Approving significant expenditure decisions outside of the Board approved corporate budget.
- Approving and monitoring financial performance against strategic plans and corporate budgets
- Approving the Company's values, ethical standards and codes of conduct
- Review and approve management's strategic and business plans, including developing a depth of knowledge of the Unga Group's business, understanding and questioning the assumptions upon which such plans are based, and reaching an independent judgment as to the probability that the plans can be realized
- Ensure that the key strategic risks of Unga Group are identified, evaluated and mitigation plans set up, and their on-going status and management effectively monitored
- Ensure that appropriate and effective risk management and internal control processes operate in the Company
- Provide effective leadership in collaboration with the executive management team
- Facilitate set up of appropriate corporate governance structures for the management of the business operations
- Establish Board Committees, policies and procedures that shall facilitate the most effective discharge of the Board's roles and responsibilities
- Review and approve the Company's annual budget proposed by the management team including the Company's financial objectives, plans, and actions, including significant capital allocations and expenditures
- Facilitate Board accountability through effective Board evaluation and succession planning
- Monitor corporate performance against the strategic and business plans, including overseeing the operating results on a regular basis to evaluate whether the Company is being properly managed.
- Determining the Company's purpose and values, providing governance, and adopting strategic plans.
- Selection, evaluation and succession planning for Directors, the Group Managing Director (GMD) and Company Secretary and generally endorsing the same for the GMD's direct reports;
- Setting the remuneration of Directors and the GMD and generally endorsing the same for the GMD's direct reports, and monitoring whether the Company's remuneration policies and practices are aligned to the Company's values, strategic direction and risk appetite: and
- Setting the Company's risk appetite and overseeing the integrity of material business risk management.

Delegation of Authority

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

Responsibilities delegated by the Board to Management:

- The conduct and operation of the Company's business in the ordinary course;
- Implementing corporate strategies; and
- Operating under approved budgets and written delegations of authority.

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

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

Performance evaluations of Senior Executives are usually undertaken by the Group Managing Director. The Nominations and Remunerations Committee oversights the Group Managing Director's annual review. Performance evaluations were undertaken in accordance with this process.

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

PART 2: COMPOSITION OF THE BOARD

Board composition and Director Independence

The Company seeks to have a Board that has the right mix of individuals with relevant attributes, skills, knowledge and experience and who jointly have the overall collective competence to deal with current and emerging issues and effectively guide management in ensuring the highest performance of the Company.

The Board regularly reviews the skills, knowledge and experience represented on the Board against the skills and experience needed to effectively deliver the strategy of the Company.

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

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

To ensure regular Board renewal, the Board Nominations and Remunerations Committee reviews the Board composition on an annual basis. The Committee determined that the Board composition was currently adequately structured to carry out the mandate of the Board.

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

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

The Directors of the Company as at 30 June 2023

Name	Independent Non-Executive/Non-Executive Director	Period in office	Board meeting attendance	Board Strategy attendance	For re-election
Isabella Ochola-Wilson	Non-Executive Chairman	Full year	4/4	2/2	No
Joseph Choge	Group Managing Director	Full year	4/4	2/2	n/a
Andrew Ndegwa	Non-Executive Director	Full year	4/4	2/2	Yes
Alan Mckittrick	Non-Executive	Full year	3/4	2/2	No
Vitalis Ojode	Non-Executive	Full year	4/4	2/2	No
Jinaro Kibet	Non-Executive	Full year	3/4	2/2	No
Patrick Obath	Independent Non-Executive	Full year	3/4	2/2	No
Shilpa Haria	Independent Non-Executive	Full year	3/4	1/2	Yes
Ciru Miring'u	Independent Non-Executive	Full year	4/4	1/2	No
Wangari Murugu	Independent Non-Executive	Full year	4/4	2/2	Yes

Board capabilities

In determining the composition of the Board, consideration is given to the optimal mix of background, skills, experience and diversity that will best position the Board to guide the Company. As the needs of the Board are dynamic, these skills and experiences may change over time. Directors are appointed primarily based on their capacity to contribute to the Company's development and success. The Board Charter also recognizes that the Board should include at least some members with relevant experience in manufacturing.

Director selection and succession planning

There is a formal and transparent procedure in the appointment of Directors to the Board and all persons offering themselves for appointment as Directors should disclose any potential area of conflict that may undermine their position or service or impair their independence as Director.

The Nominations and Remuneration Board Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. Final approval of a candidate as a Director of the Company is determined by the full Board.
The Board renewal process is overseen by the Nominations and Remuneration Committee and involves regularly reviewing the composition of the Board to ensure that the Directors bring to the table an appropriate mix of background, skills, experience and diversity relevant to the management of a manufacturing company.
In making recommendations relating to Board composition, the Committee takes into account both the current and future needs of the Group. The Committee also considers the succession plans of the Directors more broadly.

The Committee is also responsible for defining the desired attributes and skill sets for a new Director. The Committee reviews prospective candidates and arranges for appropriate background checks to be undertaken, then makes recommendations to the Board regarding possible appointments of Directors, including recommendations for appointments to Committees.

Director induction and continuing education

The Board (through the offices of the Group Managing Director and Company Secretary) and management conducts a comprehensive induction and orientation process for new Directors to acquaint them with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices. This may be achieved through a review of the Company's Memorandum and Articles of Association, Board Charter, Minutes, any relevant background material, meetings with senior management and visits to the Company's key facilities. The expectations of the Board in respect of a proposed appointee to the Board and the workings of the Board and its Committees are also conveyed in interviews with the Chair. Induction procedures include site visits, access to appropriate executives in relation to details of the business of the Company and functional overviews of the Company's strategic objectives and operations.

The Board also recognizes the importance of continuing education for its Directors and is committed to provide such education in order to improve both Board and Committee performance. The Board acknowledges that such continuing education may be provided in different forms including: external or internal education programs, presentations or briefings on particular topics, educational materials, meetings with key management and visits to the Company's key facilities. It is the policy of the Board that continuing education is undertaken in line with CMA requirement to achieve 12 CPD hours. Directors are encouraged by the Board to continue their education by attending both internal and external training and education relevant to their role.

All directors have the right to access Company information and the Board Charter sets out the circumstances and procedures pursuant to which a Director may seek independent professional advice at the Company's expense.

Separation of the role of Chairman and the Group Managing Director

In line with best practice in Corporate Governance, the positions of Chairman and Group Managing Director are separate, facilitating balance of power and authority. The Board Charter, which is regularly reviewed also provides for a clear definition of the roles and responsibilities of the Board Chairman, Directors, Group Managing Director, and the Company Secretary. The Chairman is responsible for leadership of the Board and ensuring its effectiveness. The separation of the functions of the Chairman (a Non-Executive Director) and the Group Managing Director) supports and ensures the independence of the board and management. The balance of power, increased accountability, clear definition of responsibilities and improved decision-making are attained through a clear distinction between the non-executive and executive roles.

The Chairman is also responsible for ensuring that the interests of the Company's shareholders, including minority shareholders are safeguarded. The Chairman promotes good corporate governance and the highest standards of integrity and probity. The Group Managing Director has overall responsibility for the performance of the business and provides leadership to management in day-to-day operations and implements strategies, plans, objectives and budget approved by the Board. The Chairman and the Group Managing Director, meet from time to time in between Board meetings to set Board agenda, to discuss current and future developments and any material issue impacting the Company.

Review of Board, Board Committees and Director performance

As specified in the Board Charter, reviews of Board, Committee and individual Director performance are conducted annually. At least once every three years, the annual review of the Board, Committees and individual Directors is carried out by an independent consultant.
The scope of the external review is agreed in advance with the Board.
Internal reviews are facilitated by the Chair, in consultation with the Nomination Committee and involves questionnaires and formal interviews with each Director culminating in a written report prepared by the Chair. Where the review relates to the performance of the Chair, the Chair of the Nominations Committee conducts the review.

The Board undertook an independent Board evaluation for the year ended 2022/2023. The recommendations from the evaluation exercise have been incorporated into the annual Board work plan.

PART 3: BOARD COMMITTEES

The Board has established several Committees to assist with the effective discharge of its duties. The role of each Committee is set out in the Section below.

Each Committee operates under a specific charter approved by the Board. Board Committees conduct their own internal review of their performance, structure, objectives and purpose from time to time.

Board Committees have access to internal and external resources, including access to advice from independent external consultants or specialists.

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

The membership requirements of each Committee are outlined in each Committee's Charter. The Board reviews Committee membership on at least an annual basis. Each Committee's membership currently satisfies the membership requirements in the Charters and the composition requirements in the CMA Code. Non-Committee members may attend Committee meetings by invitation.
Details of the number of times the Board and each Committee met during the year, including the Committee memberships of each Director and their attendance at Board and Committee meetings have been detailed in this Report.

Members of Management attend relevant parts of Board and Committee meetings, at which they report to Directors within their respective areas of responsibility. Where appropriate, advisers to the Company attend meetings of the Board and of its Committees. Board meetings regularly include a session at which the non-executive Directors meet without the Group Managing Director or other members of Management present. The Board Committees did not utilize services of any adviser during the review period.

The Board may, from time to time and where circumstances require, form ad hoc committees to consider specific matters as requested by the Board. The Board Investments and Operations Committee formed an ad hoc Committee during the review period with respect to the agenda item on Corporate Foundations.

ROLE AND ACTIVITIES OF COMMITTEES

Board Audit and Risk Committee

Shilpa Haria
Chairman - Board Audit and Risk Committee

Composition

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

Chaired by an independent Non – Executive Director.

Membership in 2022/23

Member	Attendance
Shilpa Haria - *Chairman*	5/5
Andrew Ndegwa	3/5
Vitalis Ojode	5/5
Wangari Murugu	5/5
Ciiru Muring'u	5/5

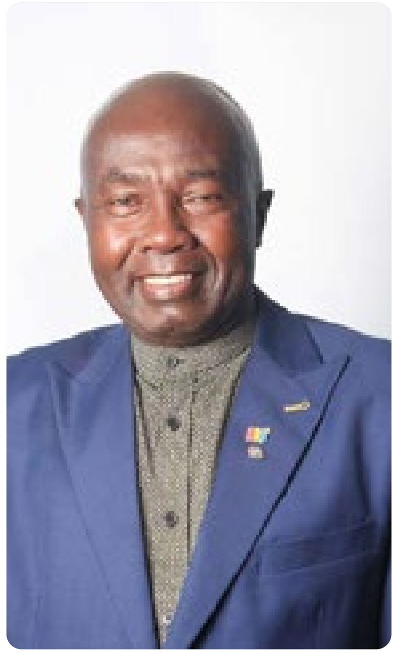
Purpose and responsibilities

- Integrity of the Group's financial statements
- Compliance with legal and regulatory requirements
- Effectiveness of internal controls
- Review of Business operations policies
- Corporate governance
- Risk management
- ICT Governance and oversight

Key deliberations during the year

- Risk management reporting.
- ICT reporting.
- Review of management accounts.
- Review of half year and full year results and profit warning.
- Internal audit reporting.
- Review of audit plan.
- Review of the Legal and Compliance Audit for FY 2020/21 and 2021/22.
- Litigation updates.
- External audit reporting.
- Incidents reporting.
- Fraud reporting.
- Review of key audit and management issues from the external audits.
- Review of policies.

Board Nominations and Remuneration Committee



Patrick Obath
Chairman - Board Nominations and Remuneration Committee

Composition

Minimum, 4 Non-Executive Directors

Chaired by an independent Non - Executive Director.

Membership in 2022/23

Member	Attendance
Patrick Obath - *Chairman*	2/2
Isabella Ochola Wilson	2/2
Andrew Ndegwa	2/2
Jinaro Kibet	2/2

Purpose and responsibilities

- Review the size and structure of the Board
- Board evaluation
- Governance Audit
- Review of governance policies
- Board development
- Succession planning of the Board and the Group Managing Director
- Review of Board appointments.

Key deliberations during the year

- Governance of the joint venture business.
- Review of GMD performance.
- 2022/2023 Board Evaluation.
- Review of Governance Audit Report for FY 2020/21.
- Tracking the actions of the Governance Audit and the Board Evaluation Reports.
- Review of Board independence and Board succession planning.

Board Human Resources Committee

Alan McKittrick
Chairman - Board Human Resources Committee

Composition

Minimum of 3 non-Executive Directors and the Group Managing Director.

Chaired by a Non-Executive Director

Membership in 2022/23

Member	Attendance
Alan McKittrick-Chairman	5/5
Joseph Choge	5/5
Isabella Ochola Wilson	5/5
Jinaro Kibet	5/5

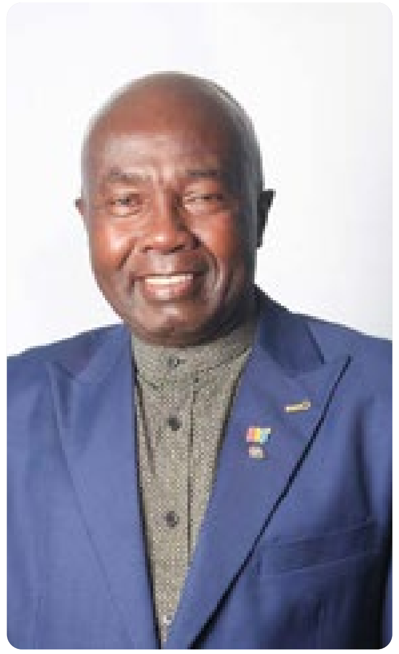
Purpose and responsibilities

- Human Resources Management strategy
- Human Resource policies
- Performance management.
- Staff remuneration and benefits
- Staff development plans
- Succession planning

Key deliberations during the year

- Talent Management and transition planning.
- Organisation structuring and establishment.
- Succession planning and senior leadership appointments.
- HR Strategy review.
- Learning and development.
- Review of HR Matrix – Staff productivity and HR cost trends.
- Senior leadership Key reporting areas and Key performance indicators.
- Sales Agency Plan.
- Leadership development.
- Reward and recognition.
- Review of HR efficiencies and effectiveness
- 2022-2023 variable pay proposal.
- Review of HR policies.

Board Investments and Operations Committee



Patrick Obath
Chairman - Board Investments and Operations Committee

Composition	Membership in 2022/23
Minimum of 3 Non-E xecutive Directors and the Group Managing Director. Chaired by a Non-Executive Director	See membership table below

Member	Attendance
Patrick Obath - *Chairman*	4/4
Joseph Choge	4/4
Alan McKittrick	4/4
Andrew Ndegwa	2/4
Ciiru Miringu	4/4
Wangari Murugu	4/4

Purpose and responsibilities	Key deliberations during the year
• Review of projects and Investments • Review of business operational matters • Review of major capital projects • Financial Planning • ICT governance framework • Occupational health and safety	• Review of budget and Strategy assumptions. • Review of operational KPIs against company performance. • Sustainability Strategy plan. • Project updates and review of Business cases. • ICT updates and investment. • Review of financial performance. • Business development proposals. • Dissolution of Ennsvalley Bakery Limited – ongoing. • Asset disposal – sale of land. • Review of Purpose Statement and Corporate Foundations (through sub-committee)

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Company Secretary

The Company Secretary provides a central source of guidance and advice to the Board on matters of ethics, statutory compliance, compliance with the regulators and good governance.

The Company Secretary is appointed by the Board and is responsible for ensuring adherence to the proper governance of the Company, proper and effective functioning of the Board and integrity of the Board governance process. In addition to the statutory duties of the Company Secretary, she provides the Board as a whole and Directors individually with detailed guidance as to how their responsibilities should be discharged.

The Company Secretary is also responsible for facilitating good information flow within the Board and its committees and between the Directors and management, The performance of the Company Secretary is assessed by the Board as part of the annual Board evaluation process.
The Company secretary is a member in good standing with the Institute of Certified Secretaries (ICS).

Role of the Company Secretary

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

PART 4: RISK MANAGEMENT

Risk management roles and responsibilities

The risk management and control model deployed by the group is based on principles which are aligned with the Group's strategy and consider, the regulatory and supervisory requirements, as well as the best market practices. These principles, combined with a series of relevant interrelated tools and processes in the Group's strategy planning make up our risk management and control framework.

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

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

The Committee makes recommendations to the Board following its review. An independent review of the framework is also performed periodically to assure effectiveness and continuous improvement. The Audit and Risk Committee also annually assesses that Management is operating with due regard to the Risk Appetite.

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

Internal Audit

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

Internal audit adopts a risk-based approach in developing annual internal audit plans to align audit activities to the key risks and control frameworks across the Company.

In addition to internal audit activities conducted by Internal Audit, audit, review, oversight and monitoring activities are undertaken across the business to provide a breadth of assurance in the management of operational, technical and environment, health and safety risks.

The findings from these assurance activities are reported through operational governance structures and to the relevant Board Committee.

Independence of auditors and non-audit services

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

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

A copy of the auditor's independence declaration as required under section 774 of the Companies Act 2015 is set out on page 103 of the 2023 Annual Report.

Governance Audit and the Legal and Compliance Audit.

The Company undertakes the statutory governance audit and legal and compliance audit as stipulated in the CMA Code.

The Legal and Compliance Audit for 2021/2022 was concluded during the year and the Audit Report adopted by the Board. The Governance Audit for 2020/2021 was done and the Report approved in 2022. The Governance audit is performed biennially and next audit will be done for the period ended 2023/2024.

PART 5: DIVERSITY, ETHICS AND CONDUCT

The Group values the uniqueness of people and diversity of thought particularly in relation to generational, gender, and geographical differences. Embracing diversity comes with opportunities relating to ideas, skills, competencies, experience and work ethic.

We recognize that to fully realize the Group's values, continuing to grow an inclusive culture that promotes inclusion, diversity and difference of thought is imperative.

The Board has set out to achieve a Gender diversity target and Persons with Disability target of 35% and 5% respectively. The gender diversity is currently 25: 75 female to male. Unga has continuously made improvements to the parental leave provisions and childcare support.

The gender balance at the Board level is 40% female and 60% male.

Ethical standards and Code of Conduct

Unga's Directors, employees and contractors are expected to demonstrate high standards of business conduct and to comply with legal requirements wherever the Company operates. The Company's Code of Ethics and Conduct, sets out Unga's values, policies and guidelines with respect to safety, business conduct, environmental and other requirements.

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

Unga treats breaches of its policies seriously, and has an independent, externally managed whistle blowing Hotline enabling employees and third parties to report misconduct confidentially.

Insider Trading Policy

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

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

The policy ensures that the Group continually and appropriately discloses all insider dealings that come to its attention. The Board is glad to report that during the year 2022/2023, there were no known or identified instances of insider trading. The policy has been published on the Group's website.

Market communication and continuous disclosure

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

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

The Company, at its Annual General Meeting held in 2020, obtained shareholder approval to hold virtual general meetings in the future. This has enabled webcasting of general meetings to all regardless of their location.

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

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

Directors' Shareholding

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

Shareholders

The ten largest shareholders as at 30th June 2023

Rank	Name	Domicile	Total Shares	%
1	VICTUS LIMITED	LC	38,557,190	50.93%
2	CSFS NOMINEES A/C	LC	13,986,874	18.47%
3	INVESTMENTS & MORTGAGES NOMINEES LTD A/C 028950	LC	3,231,920	4.27%
4	BID PORTFOLIO MANAGEMENT LTD	LC	2,627,000	3.47%
5	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE000954	LC	1,847,300	2.44%
6	KESTREL CAPITAL NOMINEE SERVICES LIMITED A/C 5	LC	1,388,200	1.83%
7	BROADWAY BAKERY LIMITED	LC	1,149,700	1.52%
8	SHAH, DIP	LI	328,200	0.43%
9	POPAT, VIJYALAXMI JITENDRA	LI	273,000	0.36%
10	BID,CHANDRIKA KAMLESH SOMCHAND	LI	206,300	0.27%
	Other Shareholders		12,113,189	
	Total		**75,708,873**	

LC - Local Company
LI - Local individual
By category of shareholders

By category of shareholders

DOMICILE	SHARES	%	HOLDERS
FOREIGN COMPANIES	102,460	0.14%	4
FOREIGN INDIVIDUALS	1,433,178	1.89%	241
LOCAL COMPANIES	63,356,937	83.68%	156
LOCAL INDIVIDUALS	10,816,298	14.29%	5,829
TOTAL	**75,708,873**	**100.00%**	**6,230**

Going Concern

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

This Corporate Governance Statement is current as at 28th September 2023 and has been approved by the Board of Unga Group Plc.

08 FINANCIAL REVIEW

DIRECTOR'S **REPORT**

The directors submit their report together with the audited financial statements for the year ended 30 June 2023, which disclose the state of affairs of Unga Group Plc (the "Company") and its subsidiaries (together, the "Group").

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The Group's revenue increased by 33% while the loss after tax dipped from a profit of Shs 311 million to a loss of Shs 959 million.

Overall operating profit was affected by reduced margins and finance costs.

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

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

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

Summary financial performance (Group)

	2023 Shs'000	2022 Shs'000
Revenue	24,051,024	18,032,334
Gross profit	1,161,256	1,409,061
Gross profit margin	5%	8%
Operating loss	(440,582)	(502,040)
Profit from discontinued operations	-	802,524
(Loss)/ profit for the year	(959,381)	311,361
Total assets	11,506,001	10,287,650

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DIRECTOR'S **REPORT** (Cont'd)

RESULTS AND DIVIDEND

The loss attributable to equity holders of Shs 636,517,000 (2022: profit of Shs 187,414,000) has been added to retained earnings. The directors do not recommend payment of dividend in respect of the financial year (2022: Nil).

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

DIRECTORS

The directors who served during the year and to the date of this report are set out on page 5.

DISCLOSURES TO AUDITORS

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

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

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

TERMS OF APPOINTMENT OF AUDITORS

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

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

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 28 September 2023.

By order of the Board

Winniefred N Jumba

SECRETARY

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 30 JUNE 2023

1.0 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 2023.

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

This Report contains:

- The background information on the Committee's members and roles;
- A highlight of the current directors' remuneration policy; and
- The annual remuneration report, describing how the remuneration policy has been put in practice during the year ended 30 June 2023 and how it will be implemented in the year ending 30 June 2024.

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 two times. Details of attendance at meetings by Committee members are shown in the Corporate Governance section of the 2023 Integrated Report.

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

Our remuneration principles

The Board Nominations and Remuneration Committee in 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 its 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 increasing competitive market place. 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 in more detail.

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

Executive Directors

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

Other Employees

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

In addition:

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

DIRECTORS' **REMUNERATION REPORT** (Cont'd)

Approach to recruitment remuneration

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. 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 payment of outstanding pay and bonus, or termination following changes in the Group.

Overview of Remuneration in 2022/2023

	Key features	Purpose and link to strategy	Implementation 2022
Salary	• Reviewed annually in July of every year. • Salaries take account of external market and internal employee context.	• Supports the attraction and retention of talent with the capacity to deliver Unga's strategy.	• There was no COLA increase awarded during the year.
Allowances and benefits	• Provision of competitive benefits. Maximum company pension contribution is 7.5% of base salary for other employees.	• Provision of market competitive and cost-effective benefits supports attraction and retention of talent.	• Unchanged from prior year: - 7.5 % of salary
Annual Incentive	• Target performance bonus opportunity is a maximum of 25% of salary. • Paid out in cash after the end of the financial year.	• Incentivises delivery of Unga's annual financial and strategic targets. • Provides focus on key financial metrics and the individual's contribution to the company's performance.	• There was no bonus payout for 2022/23 financial year
Long term Incentive	• There is presently no Long-term incentive scheme within the Group. • Non-financial incentives include - Executive training and development programs	• Rewards long-term consistent performance in line with Unga's Business strategy. • Provides focus on delivering superior long-term returns to the shareholders.	• Leadership Development Program
Shareholding requirement	• There is presently no Employee Share Ownership Plan	• Ensure alignment between the interests of Executive Directors and shareholders	• N/A

DIRECTORS' **REMUNERATION REPORT** (Cont'd)

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 9th December 2022, the shareholders in attendance approved the Directors' Remuneration policy and Directors' Remuneration Report for the year ended 30 June 2022.

The results on voting were as follows:

RESOLUTION	Voted in Favour	% In Favour	Voted Against	% Against	Abstained	% Abstained	RESULT
To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 30 June 2022	52,550,137	85.16%	9,157,947	14.84%	1,100	0.00%	**PASSED**
To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 30 June 2022	52,550,637	85.16%	9,156,847	14.84%	1,700	0.00%	**PASSED**

At the Annual General Meeting to be held on 9 December 2023, the shareholders will also consider the Directors' Remuneration Report for the year ended 30 June 2023.

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.

DIRECTORS' **REMUNERATION REPORT** (Cont'd)

The directors have not recommended any change to the remuneration policy for the year ending 30 June 2024.

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.

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 2023 together with the comparative figures for 2022. The aggregate Directors' emoluments are shown in Note 30(iv) of the audited financial statements.

Year ended 30 June 2023	Salary Shs 000	Fees Shs 000	Bonuses Shs 000	Expense allowances Shs 000	Loss of office/ Termination Shs 000	Estimated value for non-cash benefits Shs 000	Total Shs 000
Joseph M Choge	46,382	-	10,223	-	-	-	56,605
Isabella Ochola Wilson	-	3,534	-	-	-	-	3,534
Alan McKittrick	-	3,360	-	-	-	-	3,360
Andrew S Ndegwa**	-	2,160	-	-	-	-	2,160
Patrick Obath	-	2,328	-	-	-	-	2,328
Jinaro Kipkemoi Kibet	-	2,280	-	-	-	-	2,280
Vitalis Ondeke Ojode	-	2,256	-	-	-	-	2,256
Shilpa Haria	-	2,250	-	-	-	-	2,250
Maureen W Miring'u	-	2,646	-	-	-	-	2,646
Wangari Murugu	-	2,880	-	-	-	-	2,880
Patrick Mugambi**	-	480	-	-	-	-	480
Florence Nakakawa	-	390	-	-	-	-	390
	46,382	**24,564**	**10,223**	**-**	**-**	**-**	**81,169**

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

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DIRECTORS' **REMUNERATION REPORT** (Cont'd)

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

The Annual Remuneration Report will be put forward for your consideration and approval by vote at the AGM to be held on 9 December 2023.

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

On behalf of the Board of Directors

Patrick Obath
Chairman, Nomination and Remuneration Committee

28 September 2023

STATEMENT OF DIRECTORS' **RESPONSIBILITIES**

FOR THE YEAR ENDED 30 JUNE 2023

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 have disclosed in Note 2 (a) of the financial statements matters relating to the use of going concern basis of preparation of the financial statements.

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 28 September 2023 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Chairman

J Choge
Group managing director

pwc

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Unga Group Plc (the Company) and its subsidiaries (together, the Group) set out on pages 107 to 174, which comprise the consolidated statement of financial position at 30 June 2023 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position as at 30 June 2023, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2023 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 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.

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 B Ngunjiri R Njoroge S O Norbert's' B Okundi K Saiti

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP PLC (cont'd)

Key audit matter	How our audit addressed the key audit matter
Impairment of property plant and equipment As explained under note 22, an impairment assessment test was carried out to assess the carrying value of milling plant and equipment included in property, plant and equipment as required by IAS 36. The test for impairment was significant to our audit because the net carrying value for the assets amounting to Shs 746 million is material to the financial statements and also because the value-in-use calculations prepared by management for assessing whether there is impairment involve the use of significant estimates and assumptions. The assumptions with the most significant impact to the value in use calculations are: • Volume growth rate • Gross profit margin • The discount rate • Selling, general and administrative expenses growth	We evaluated management's value-in-use calculations based on the historical performance of the business, approved budgets, and the macro- economic and business outlook. We tested the value-in-use calculations for accuracy and consistency and tested the key assumptions for reasonableness including sensitivity analysis. We assessed the adequacy of the disclosures in the financial statements.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP PLC (cont'd)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNGA GROUP PLC (cont'd)

Auditor's responsibilities for the audit of the financial statements (continued)

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Report on other matters prescribed by the Companies Act, 2015
Report of the directors

In our opinion the information given in the directors' report on pages 94 – 95 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 100 has been properly prepared in accordance with the Companies Act, 2015.

Bernice Kimacia

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

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 30 June 2023 Shs'000	2022 Shs'000
Revenue	5	24,051,024	18,032,334
Cost of sales		(22,889,768)	(16,623,273)
Gross profit		1,161,256	1,409,061
Other income	8	144,891	115,241
Selling and distribution costs		(851,810)	(772,252)
Administrative expenses		(654,857)	(1,275,394)
Net impairment losses on financial assets	20	(240,062)	21,304
Operating loss		(440,582)	(502,040)
Share of profit in associate	32	(6,285)	7,429
Finance income	10	31,377	41,079
Finance costs	10	(784,368)	(267,446)
Loss before income tax		(1,199,858)	(720,978)
Income tax credit	13	240,477	229,815
Loss from continuing operations		(959,381)	(491,163)
Profit from discontinuing operations	31	-	802,524
(Loss)/ profit for the year		(959,381)	311,361
Attributable to;			
Equity attributable to equity holders		(636,517)	187,414
Non-controlling Interests		(322,864)	123,947
		(959,381)	311,361
(Loss)/ earnings per share attributable to owners of the Company (expressed in Kenya shilling).			
Basic and diluted (loss)/ earnings per share	6	(8.41)	2.48
Continuing operations		(8.41)	(4.41)
Discontinuing operations		-	6.89
		(8.41)	2.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2023 Shs'000	2022 Shs'000
(Loss)/ profit for the year		(959,381)	311,361
Items that will not be subsequently reclassified to profit or loss			
Retirement benefit scheme asset re-measurement	26	(47,744)	12,724
Deferred income tax on re-measurement		14,324	(3,817)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		66,376	(8,368)
Other comprehensive income for the year		32,956	539
Total comprehensive (loss)/ income for the year		(926,425)	311,900
Attributable to;			
Equity attributable to equity holders		(615,114)	187,765
Non-controlling Interests		(311,311)	124,135
		(926,425)	311,900

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2023 Shs'000	2022 Shs'000
Interest income	10	30	32
Administrative and other expenses		(42,221)	(55,219)
Operating loss		(42,191)	(55,187)
Loss before income tax		(42,191)	(55,187)
Income tax expense		-	-
Loss for the year		(42,191)	(55,187)
Other comprehensive income		-	-
Total Comprehensive loss		(42,191)	(55,187)

CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

	Notes	As at 30 June 2023 Shs'000	2022 Shs'000
Assets			
Non-current assets			
Property, plant and equipment	22	3,009,239	2,889,340
Investments in associates	32	1,492,735	1,358,240
Right-of-use assets	23	160,025	187,906
Intangible assets	24	16,754	12,518
Deferred income tax	18	182,126	4,716
Retirement Benefits Asset	26	21,681	29,494
		4,882,560	4,482,214
Current assets			
Inventories	19	2,840,594	2,054,442
Trade and other receivables	20	3,202,501	2,940,205
Current income tax		86,662	76,070
Cash and bank balances	28	493,684	734,719
		6,623,441	5,805,436
Total assets		11,506,001	10,287,650
Equity and liabilities			
Equity attributable to owners			
Share capital	14	378,535	378,535
Share premium		73,148	73,148
Other reserves		(11,415)	(32,818)
Retained earnings		3,360,342	3,996,859
		3,800,610	4,415,724
Non-controlling Interests	16	1,974,779	2,286,090
Total equity		5,775,389	6,701,814
Liabilities			
Non-current liabilities			
Deferred income tax	18	53,478	137,078
Lease liabilities	23	1,363	24,451
		54,841	161,529
Current liabilities			
Trade and other payables	21	4,565,669	2,898,109
Current income tax		6,869	2,254
Lease liabilities	23	28,603	30,860
Borrowings	17	1,074,630	493,084
		5,675,771	3,424,307
Total liabilities		5,730,612	3,585,836
Total equity and liabilities		11,506,001	10,287,650

The financial statements on pages 107 to 174 were approved for issue by the Board of Directors on 28 September 2023 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Chairman

J Choge
Group Managing Director.

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COMPANY STATEMENT OF **FINANCIAL POSITION**

	Notes	As at 30 June 2023 Shs'000	2022 Shs'000
Assets			
Non-current assets			
Investment in subsidiaries	25	1,297,335	1,297,335
		1,297,335	1,297,335
Current assets			
Trade and other receivables	20	61,248	61,243
Cash and bank balances	28	3,008	3,001
		64,256	64,244
Total assets		1,361,591	1,361,579
Equity and liabilities			
Equity attributable to owners			
Share capital	14	378,535	378,535
Share premium		73,148	73,148
Retained earnings		587,202	629,393
Total equity		1,038,885	1,081,076
Current liabilities			
Trade and other payables	21	322,706	280,503
		322,706	280,503
Total equity and liabilities		1,361,591	1,361,579

The financial statements on pages 107 to 173 were approved for issue by the Board of Directors on 28 September 2023 and signed on its behalf by:

I Ochola- Wilson (Mrs)
Chairman

J Choge
Group Managing Director.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Shs '000	Share premium Shs '000	Other reserves Shs '000	Retained earnings Shs '000	Equity attributable to equity holders Shs '000	Non-controlling interests Shs '000	Total Shs '000
Year ended 30 June 2023							
At start of year	378,535	73,148	(32,818)	3,996,859	4,415,724	2,286,090	6,701,814
Loss for the year	-	-	-	(636,517)	(636,517)	(322,864)	(959,381)
Other comprehensive income for the year	-	-	21,403	-	21,403	11,553	32,956
Total comprehensive loss for the year	-	-	21,403	(636,517)	(615,114)	(311,311)	(926,425)
At end of year	**378,535**	**73,148**	**(11,415)**	**3,360,342**	**3,800,610**	**1,974,779**	**5,775,389**

	Share capital Shs '000	Share premium Shs '000	Other reserves Shs '000	Retained earnings Shs '000	Equity attributable to equity holders Shs '000	Non-controlling interests Shs '000	Total Shs '000
Year ended 30 June 2022							
At start of year	378,535	73,148	(33,169)	3,809,445	4,227,959	2,161,955	6,389,914
Profit for the year	-	-	-	187,414	187,414	123,947	311,361
Other comprehensive income for the year	-	-	351	-	351	188	539
Total comprehensive income for the year	-	-	351	187,414	187,765	124,135	311,900
At end of year	**378,535**	**73,148**	**(32,818)**	**3,996,859**	**4,415,724**	**2,286,090**	**6,701,814**

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COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2023	Share Capital Shs'000	Share Premium Shs'000	Retained earnings Shs'000	Total Shs'000
At start of year	378,535	73,148	629,393	1,081,076
Total comprehensive loss for the year	-	-	(42,191)	(42,191)
At end of year	**378,535**	**73,148**	**587,202**	**1,038,885**
Year ended 30 June 2022				
At start of year	378,535	73,148	684,580	1,136,263
Total comprehensive loss for the year	-	-	(55,187)	(55,187)
At end of year	**378,535**	**73,148**	**629,393**	**1,081,076**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 30 June 2023 Shs'000	2022 Shs'000
Operating activities			
Cash generated from operations	27	(9,867)	289,725
Income tax paid		(22,823)	(105,282)
Interest paid		(344,598)	(112,861)
Net cash flows from operating activities		**(377,288)**	**71,582**
Investing activities			
Purchase of property, plant and equipment	22	(352,643)	(75,023)
Purchase of leasehold land	23	-	(26,541)
Purchase of intangible assets	24	(6,801)	(489,736)
Proceeds of disposal of property, plant and equipment		13,075	73,685
Net cash flows from investing activities		**(346,369)**	**(517,615)**
Financing activities			
Proceeds from borrowings	17	1,809,274	-
Repayments of borrowings	17	(1,227,728)	(304,796)
Payments of lease liabilities	23	(30,311)	(27,321)
Net cash flows from financing activities		**551,235**	**(332,117)**
Net decrease in cash and cash equivalents		**(172,421)**	**(778,150)**
Movement in cash and cash equivalents			
At start of year		734,719	1,521,050
Decrease		(172,421)	(778,150)
Effects of exchange rate changes		(68,614)	(8,181)
At end of year	**28**	**493,684**	**734,719**

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COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 30 June 2023 Shs'000	2022 Shs'000
Operating activities			
Cash generated from operations	27	7	11
Income tax paid		-	-
Net cash flows from operating activities		**7**	**11**
Financing activities			
Dividends paid to shareholders		-	-
Net cash flows used in financing activities		**-**	**-**
Net increase in cash and cash equivalents		**7**	**11**
Movement in cash and cash equivalents			
At start of year		3,001	2,990
Increase / (decrease)		7	11
At end of year	**28**	**3,008**	**3,001**

NOTES

1 General information

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

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

2 Significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements of Unga Group Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

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

Going concern

The Group has reported an operating loss of Shs 441 million (2022: loss of Shs 502 million) and a loss from continuing operations of Shs 959 million (2022: loss of Shs 491 million). The Group has absorbed Shs 366 million from operations (2022: generated Shs 72 million). These are indicators that the Group may not be able to continue as a going concern and meet its obligations as and when they become due in the foreseeable future. In mitigation, management have considered the following:

- The Group has a composite facility from NCBA bank to its subsidiary Unga Farm Care (EA) Limited comprising of overdraft facility, invoice discounting, bank guarantees, stock loan, letters of credit, and post Import finance amounting to USD 2,475,000 (Shs 346,500,000) available in both US dollars and KES. The Group also has a composite facility from NCBA bank to its subsidiary Unga Limited comprising of overdraft facility, invoice discounting, bank guarantees, stock loan, letters of credit, post import finance and invoice discounting amounting to USD 6,400,000 (Shs 896,000,000) available in both US dollars and KES. Unused facilities at year end available to the two subsidiaries amounted to Shs 190,358,000.

- Current assets exceed current liabilities by Shs 948 million (2022: Shs 2,381 million) which will support the business in settling its obligations as and when due.
- The Group has positive accumulated profits amounting to Shs 3,360 million (2022: Shs 3,997 million).
- Managements budgets/ projections indicate the Group will get back to profitability in the coming financial year. To this end, management has formulated 10 strategies included in the signed off strategic plan that are expected to improve the group performance.

Based on the above, the directors are confident that the Group will be able to meet its obligations as and when they become due and continue as a going concern at least for 12 months from the date of these financial statements. The financial statements have therefore been prepared on a going concern basis.

NOTES (Cont'd)

2 Significant accounting policies (continued)

Changes in accounting policy and disclosures

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

Several amendments to standards became effective for the first time in the financial year beginning 1 July 2022 and have been adopted by the Company and Group. The amendments have not had a significant impact on the financial statements of the Company and Group. They include:

Title	Effective Date	Executive Summary
Annual improvements cycle 2018 -2020	1 January 2022	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

NOTES (Cont'd)

2 Significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

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

Several amendments to standards became effective for the first time in the financial year beginning 1 July 2022 and have been adopted by the Company and Group. The amendments have not had a significant impact on the financial statements of the Company and Group. They include:

Title	Effective Date	Executive Summary
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	1 January 2022	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

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

The Company and Group have not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 July 2022, and the Directors do not plan to apply any of them until they become effective. The directors do not expect the adoption of the below amendments once effective to have a material impact on the financial statements of the Company and Group. They include:

Title	Effective Date	Executive Summary
Amendments to IAS 1, Presentation of financial statements' on Classification of Liabilities as Current or Non-current	1 January 2024	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

NOTES (Cont'd)

2 Significant accounting policies (continued)

Changes in accounting policy and disclosures

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

Title	Effective Date	Executive Summary
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	1 January 2023	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

(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. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

NOTES (Cont'd)

2 Significant accounting policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

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

(ii) Transactions and non-controlling interests

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

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

(c) Segment reporting

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

(d) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

NOTES (Cont'd)

2 Significant accounting policies (continued)

(d) Functional currency and translation of foreign currencies (continued)

(iii) Group companies (continued)

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 recognized 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 recognized in the income statement as part of the gain or loss on sale.

(e) Revenue recognition

The Group recognises revenue from direct sales of goods. Revenue is recognised at a point in time as and when it satisfies a performance obligation by transferring control of a product to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes value-added tax (VAT), returns, rebates and discounts.

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 Company 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.

Interest income is recognised using the effective interest method.

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

(f) Property and equipment

(i) Functional and presentation currency

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.

NOTES (Cont'd)

2 Significant accounting policies (continued)
(f) Property and equipment (continued)

(i) Functional and presentation currency (continued)

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 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. Previously property, plant and equipment were carried at cost or as professionally revalued less accumulated depreciation and any impairment losses as explained in Note 22.

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

(g) Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and

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NOTES (Cont'd)

2 Significant accounting policies (continued)

(g) Intangible assets (continued)

Computer software (continued)

an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Developments costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

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

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

(i) Impairment of non-financial assets

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

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing the inventories plus an allocation of normal overhead expenditure attributable to the processes of production hence the cost is determined using standard costs that approximate actual weighted average cost. The cost of engineering spares is determined using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution. Specific provisions are made for obsolete, slow moving and defective inventories.

(k) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(m) Financial instruments

(i) 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

NOTES (Cont'd)

2 Significant accounting policies (continued)

(m) Financial instruments (continued)

(i) Classification (continued)

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 other comprehensive income;

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.

(ii) 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.

(iii) 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.

(iv) 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.

NOTES (Cont'd)

2 Significant accounting policies (continued)

(m) Financial instruments (continued)

(iv) Impairment (continued)

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.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(v) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

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

(vi) 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.

(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.

NOTES (Cont'd)

2 Significant accounting policies (continued)

(n) Leases (continued)

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

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

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

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

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

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

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

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

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

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

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

Extension and termination terms

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

(o) Employee benefits

(i) Retirement benefit obligations

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

NOTES (Cont'd)

2 Significant accounting policies (continued)

(o) Employee benefits (continued)

(i) Retirement benefit obligations (continued)

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

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

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

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

(ii) Other post-employment obligations

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

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

Employee entitlements to gratuity and long service awards are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

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

(p) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

(q) Provisions

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

NOTES (Cont'd)

2 Significant accounting policies (continued)

(q) Provisions (continued)

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

(r) Current and deferred income tax

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

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

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

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

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

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

(s) Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Other income

Interest income is recognised using the effective interest method.

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

NOTES (Cont'd)

2 Significant accounting policies (continued)

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

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

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

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

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

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

(v) Investment in associates

An associate is an entity in which the company has significant influence and which is neither a subsidiary nor a joint arrangement. The company's investment in its associate is accounted for using the equity method of accounting.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income. Profits or losses resulting from transactions between the company and the associate are eliminated to the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive income.

The financial statements of the associate are not prepared for the same reporting period as the company. Adjustments are made to bring its accounting policies in line with the company. After application of the equity method, the company determines whether it is necessary

NOTES (Cont'd)

2 Significant accounting policies (continued)

(v) Investment in associates (continued)

to recognise an additional impairment loss on the company's investment in associates. The company determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit and loss.

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 and whether assets are impaired

Critical estimates are made by directors in determining the useful lives and residual values of property, plant and equipment based on the intended use and economic lives of those assets. The depreciation rates applied in the year are set out in Note 2 (e).

Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

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

Impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortized costs is an area that requires the use of models and significant assumptions about future economic condition and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements and estimations are also required in applying the accounting requirements for measuring ECL, such as:

The application of IFRS 9 risk parameters i.e. Probably of default (PD) and Loss given at default (LGD) for trade receivables.

Income and transaction taxes

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

As a contribution to the partnership with Nutreco BV and in exchange for the shares, Unga Millers (U) Ltd (UMUL) transferred its property ,fixed assets, moveable assets and business information and records to Tunga Nutrition (U) Limited (TNUL) on a going concern basis by way of an asset transfer agreement executed in the financial year ended 30 June 2022. UMUL subscribed for shares in TNUL in accordance with the Uganda companies Act 2012 by contributing its assets at a premium. Pursuant to section 45 of the Tax Procedure Code Act, 2014 Unga Millers (U) Limited made an application for a private ruling to the Uganda Revenue Authority (URA) in

NOTES (Cont'd)

3 Critical accounting estimates and judgements (continued)

Income and transaction taxes (continued)

relation to its asset transfer to Tunga Nutrition (U) Limited with respect to Value Added Tax (VAT) and corporate tax.

This was based on the understanding that the transfer of business assets is not subject to Value Added Tax as it does not fall within the ambit of a taxable supply considering it is not a supply made as part of the business activities of Unga Millers within the meaning of section 18 of the VAT Act, and does not fall within the meaning of a supply in section 10 of the VAT Act. Corporate tax was not applicable on the basis that the transaction qualifies for rollover relief applicable to transactions between related parties. The group has since appealed the decision of the URA which was not favourable and the matter is before the Tax Appeals Tribunal.

Based on professional advice received, management believe they have a strong case to defend their position. With the foregoing, no provision has been made for VAT on the proceeds amounting to Ksh 444 million together with corporate tax on the gain amounting to Shs 433 million. Further details on this transaction are included in Note 32.

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 the 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 company 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.

If interest rates increased by 100 basis points (2022: 100 basis points) profit after tax and equity would have been higher/ lower by Shs 10,746,300 (2022: 4,930,840).

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 2023 and 30 June 2022, the Group and company did not hold investments that would be subject to price risk; hence this risk is not relevant.

(iii) Foreign exchange

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.

4 Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Foreign exchange (continued)

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 2023, 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 93,806,487 (2022:Shs 44,894,850) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances.

	2023 USD	2022 USD	2023 EUR	2022 EUR	2023 GBP	2022 GBP
Assets:						
Bank balances	891,580	2,256,604	10,187	188	-	-
Trade and other receivables	-	-	-	-	-	-
Total assets	891,580	2,256,604	10,187	188	-	-
Liabilities:						
Trade and other payables	13,588,990	8,884,502	31,397	226,269	220,996	323,481
Total liabilities	13,588,990	8,884,502	31,397	226,269	220,996	323,481
Net total liabilities	**12,697,410**	**6,627,898**	**21,210**	**226,081**	**220,996**	**323,481**

4 Financial risk management objectives and policies (continued)

Market risk (continued)

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 and existing clients before standard payment and delivery terms are offered.

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

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

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

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

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

NOTES (Cont'd)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

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 2023 is made up as follows:

Group At 30 June 2023	Gross amount Shs'000	Less: Loss allowance Shs'000	Net Carrying amount Shs'000
Cash at bank balances (Note 28)	493,581	-	493,581
Trade receivables (Note 20)	2,019,090	(478,126)	1,540,964
Related party trade receivables (Note 20)	800,130	-	800,130
Other receivables	463,449	-	463,449
	3,776,250	(478,126)	3,298,124
At 30 June 2022			
Cash at bank balances (Note 28)	734,378	-	34,378
Trade receivables (Note 20)	1,887,518	(238,064)	1,649,454
Related party trade receivables (Note 20)	649,881	-	649,881
Other receivables	312,023	-	312,023
Due from related parties (Note 30 (vi))	607	-	607
	3,584,407	(238,064)	3,346,343

The Group holds bank guarantees amounting to Shs 1.134 billion (2022: Shs 1.030 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.

NOTES (Cont'd)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

	2023 Shs'000	2022 Shs'000
- Neither past due nor impaired	1,627,863	1,571,425
- Past due not impaired	713,231	727,910
Subtotal – Not impaired	2,341,094	2,299,335
Impaired (Note 20)	478,126	238,064

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

Company	2023 Shs'000	2022 Shs'000
Other receivables (Note 20)	4,240	4,547
Cash and cash equivalents (Note 28)	3,008	3,001
Due from related parties (Note 30(vi))	57,008	56,696
	64,256	**64,244**

v) Concentration risk

The concentration risk relates to exposure on sales that the Group faces on dealing with its key customers. The analysis below shows that the Group's one customer (Kenchic Limited) accounted for 14% of the revenue of the Group (2022:16%). This customer has a high credit rating. All other sales are to a wide unrelated customer base.

	2023 Shs'000	%	2022 Shs'000	%
Kenchic Limited	3,438,152	14%	2,837,465	16%
Others	20,612,872	86%	15,194,869	84%
Total	**24,051,024**	**100%**	**18,032,334**	**100%**

NOTES (Cont'd)

4 Financial risk management objectives and policies (continued)

vi) 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.

a) Group	**Below one year Shs'000**	**2-5 years Shs'000**	**Over 5 years Shs'000**	**Totals Shs'000**
At 30 June 2023:				
Liabilities:				
Trade payables (Note 21)	1,241,453	-	-	1,241,453
Other payables (Note 21)	1,843,414	-	-	1,843,414
Due to related parties (Note 30)	1,480,802	-	-	1,480,802
Borrowings	1,427,422	-	-	1,427,422
Lease liability	35,182	27,355	-	62,537
Total financial liabilities	**6,028,273**	**27,355**	**-**	**6,055,628**
At 30 June 2022:				
Liabilities:				
Trade payables (Note 21)	1,522,562	-	-	1,522,562
Other payables (Note 21)	1,052,732	-	-	1,052,732
Due to related parties (Note 30)	322,815	-	-	322,815
Borrowings	557,678	-	-	557,678
Lease liability	35,781	26,642	-	62,423
Total financial liabilities	**3,491,568**	**26,642**	**-**	**3,518,210**

NOTES (Cont'd)

4 Financial risk management objectives and policies (continued)

vi) Liquidity risk (continued)

The Group has undrawn committed borrowing facilities amounting to Shs 190,358,000 and USD 1,357,000 (2022: Shs 1,621,000,000 and USD 5,900,000). 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.

b) Company	**Below one year Shs'000**	**Over one year Shs'000**	**Totals Shs'000**
At June 2023			
Liabilities:			
Other payables (Note 21)	8,009	-	8,009
Due to related parties (Note 21)	314,697	-	314,697
Total financial liabilities	322,706	-	322,706
At June 2022			
Liabilities:			
Other payables (Note 21)	8,191	-	8,191
Due to related parties (Note 21)	272,312	-	272,312
Total financial liabilities	**280,503**	**-**	**280,503**

vii) 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.

NOTES (Cont'd)

4 Financial risk management objectives and policies (continued)

The constitution of capital managed by the Group is as follows:

Net debt reconciliation and gearing ratio	2023 Shs'000	2022 Shs'000
Equity	5,775,389	6,701,814
Borrowings (Note 17)	1,074,630	493,084
Less: cash equivalents (Note 28)	(493,684)	(734,719)
Net debt/ (cash)	580,946	(241,635)
Gearing ratio	10%	0%

Fair value estimation

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

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

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

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

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

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

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NOTES (Cont'd)

5 Revenue from contracts with customers

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Sales recognised at a point in time by category:				
Human nutrition	11,280,545	8,220,793	-	-
Animal nutrition	12,676,747	10,048,762	-	-
Animal health products	93,732	125,595	-	-
Reclassified to discontinuing operations (Note 31)	-	(362,816)	-	-
	24,051,024	18,032,334	-	-

6 Earnings per share

	2023 Shs'000	2022 Shs'000
(Loss)/ Profit for the year attributable to shareholders (Shs '000)	(636,517)	187,414
Weighted average number of ordinary shares ('000)	75,707	75,707
Basic and diluted earnings per share:	(8.41)	2.48

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 (2022: Nil). Payment of dividend is subject to withholding tax at a rate of 10% for non-resident shareholders and 5% for resident shareholders. For resident shareholders, withholding tax is only deductible where the shareholding is below 12.5%.

NOTES (Cont'd)

8 Other Income

	GROUP	
	2023 Shs'000	2022 Shs'000
Sale of packing material	2,959	(798)
Gain on disposal of property, plant and equipment	1,451	73,284
Sundry income	140,481	42,755
	144,891	115,241

9 Segmental reporting

The principal activity of the Group continues to be the milling of wheat and maize, baking and animal nutrition products, and the distribution of animal health products. Management has chosen to organise the entity around differences in market segments served by their products into two main segments namely human nutrition and animal nutrition and health. Management considers the fact that reports regularly reviewed by the chief operating decision maker in order to allocate resources and to assess performance are based on these two operating segments. Leadership team which comprises of the managing director, finance director, general managers and functional heads is considered to be the key decision-making organ.

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

Unga Group Plc has two reportable segments: human nutrition and animal nutrition and health. The human nutrition segment produces products for human consumption. The animal nutrition and health segment produce animal feeds and mineral supplement products and distributes products for animal health.

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

Information about major customers

One customer with revenues of Shs 3,438,152,000 (2022: Shs 2,837,465,000) under the animal health and nutrition segment accounts for more than 10% of the Group revenue.

NOTES (Cont'd)

9 Segmental reporting (Continued)

Year ended 30 June 2023	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Discontinuing Operations Shs'000	Consolidation Shs'000
Revenue from external customers	12,248,285	12,770,478	-	(967,739)	-	24,051,024
Interest income	13,957	7,727	9,693	-	-	31,377
Other income	123,607	21,435	(151)	-	-	144,891
Finance cost	600,282	190,419	(6,333)	-	-	784,368
Depreciation and amortisation	159,378	96,608	545	-	-	256,531
Reportable segmental profit/(Loss)	(923,529)	(207,771)	(68,557)	-	-	(1,199,858)
Income tax expense	180,341	63,216	(3,080)	-	-	240,477
Other material non-cash items:						
Reportable segment assets	6,065,222	5,382,777	6,645,913	(6,587,911)	-	11,506,001
Capital expenditures for non-current assets	261,569	97,875	-	-	-	359,444
Reportable segmental liabilities	4,715,740	2,984,704	917,242	(2,887,074)	-	5,730,612

9 Segmental reporting (Continued)

Year ended 30 June 2022	Human Nutrition Shs'000	Animal Nutrition & Health Shs'000	Others Shs'000	Elimination Shs'000	Discontinuing Operations Shs'000	Consolidation Shs'000
Revenue from external customers	8,210,093	10,838,165	-	(653,108)	(362,816)	18,032,334
Interest income	26,269	8,501	7,178	-	(869)	41,079
Other income	169,780	290,776	469,278	-	(814,593)	115,241
Finance cost	185,439	82,690	-	-	(683)	267,446
Depreciation and amortisation	162,219	90,043	15,585	-	(16,496)	251,351
Reportable segmental profit/(Loss)	(454,475)	56,104	485,357	-	(807,963)	(720,977)
Income tax expense	127,893	99,278	(2,795)	-	5,439	229,815
Other material non-cash items:						
Reportable segment assets	5,265,244	5,205,774	6,667,612	(6,850,980)	-	10,287,650
Capital expenditures for non-current assets	38,356	63,208	-	-	-	101,564
Reportable segmental liabilities	3,171,400	2,737,170	775,985	(3,098,719)	-	3,585,836

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10 Finance income and costs

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Finance income;				
Interest income on deposits	31,377	41,079	30	32
	31,377	**41,079**	**30**	**32**
Finance costs;				
Interest expense on bank loans	59,467	71,908	-	-
Interest expense on bank overdrafts	4,335	13,844	-	-
Interest expense on trade finance	255,042	18,482	-	-
Finance charge on leases	25,754	8,627	-	-
Net foreign exchange losses	439,770	154,585	-	-
	784,368	**267,446**	**-**	**-**

11 Breakdown of expenses by nature

The profit before taxation is arrived at after charging:

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Staff costs (Note 12)	843,181	883,692	-	-
Outsourced selling and distribution costs	138,571	71,000	-	-
Inventories expensed in cost of sales	23,340,000	15,410,000	-	-
Depreciation of plant and equipment (Note 22)	221,120	217,272	-	-
Depreciation of assets held for sale (Note 22)	-	16,496	-	-
Amortisation of right-of-use assets (Note 23)	32,846	16,075	-	-
Amortisation of intangible assets (Note 24)	2,565	1,508	-	-
Directors remuneration	24,174	24,180	24,174	24,180
Auditor's fees	15,228	14,503	472	472
Provision for expected credit losses (Note 20)	244,978	(21,304)	-	-
Impairment of plant and equipment (Note 16)	-	491,721	-	-
Provision for impairment-subsidiaries	-	-	-	64,847

12 Staff costs

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Salaries and wages	774,174	761,933	-	-
Redundancy costs	32,960	7,831	-	-
Retirement benefits obligation (note 26)	(20,684)	57,205	-	-
Social security costs (NSSF) contributions	1,996	795	-	-
Other staff costs	54,735	55,928	-	-
	843,181	**883,692**	**-**	**-**

	GROUP	
The average number of employees of the Group during the year was as follows:	2023 Shs'000	2022 Shs'000
Production	110	103
Sales and distribution	47	39
Management and administration	141	141
	298	**283**

13 Income tax expense

The income tax expense has been calculated using income tax rate of 30% as at 30 June 2023 (2022: 30%).

	2023 Shs'000	2022 Shs'000
Current income tax	6,209	12,617
Overprovision of current income tax in prior year	-	(7,192)
Deferred income tax (Note 18)	(246,686)	(229,801)
Income tax credit	**(240,477)**	**(224,376)**

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NOTES (Cont'd)

13 Income tax expense (continued)

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:

Company	2023 Shs'000	2022 Shs'000
(Loss)/ profit before income tax from:		
Continuing operations	(1,199,858)	(720,978)
Discontinuing operations	-	807,963
(Loss)/ profit before income tax	(1,199,858)	86,985
Tax calculated at the statutory income tax rate of 30%	(359,957)	26,096
Tax effects of:		
Expenses not deductible for tax purposes	157,224	31,994
Income not subject to tax	(6,518)	(274,433)
Over-provision of current income tax in prior years	-	(7,192)
Under provision of deferred income tax in prior years	(33,269)	(7,115)
Deferred income tax asset not recognised (Note 18)	2,043	6,274
Income tax credit	(240,477)	(224,376)
Income tax expense is attributable to:		
Profit from continuing operations	(240,477)	(229,815)
Profit from discontinued operation	-	5,439
	(240,477)	**(224,376)**

NOTES (Cont'd)

14 Share capital

	Number of Shares (Thousands)	Ordinary Shares Shs'000	Share Premium Shs'000
Authorised:			
Balance at 1 July 2021, 30 June 2022 and 30 June 2023	82,760	413,800	73,148
Issued and fully paid:			
Balance at 1 July 2021, 30 June 2022 and 30 June 2023	75,707	378,535	73,148

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

15 Other reserves

	Currency translation differences Shs'000	Re-measurement of retirement benefit asset Shs'000	Total Premium Shs'000
Year ended 30 June 2023			
At start of year	(43,889)	11,071	(32,818)
Credit to other comprehensive income	43,126	(21,723)	21,403
At end of year	(763)	(10,652)	(11,415)
Year ended 30 June 2022			
At start of year	(38,450)	5,281	(33,169)
Credit to other comprehensive income	(5,439)	5,790	351
At end of year	(43,889)	11,071	(32,818)

NOTES (Cont'd)

16 Non-controlling interests

Group	2023 Shs'000	2022 Shs'000
At start of year	2,286,090	2,161,955
Share of profit for the year	(322,864)	123,947
Share of other comprehensive income	11,553	188
At end of year	1,974,779	2,286,090
Unga Holdings Limited:		
35% Equity interest held by Seaboard Corporation in Unga Holdings Limited	1,974,779	2,286,090

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	2023 Shs'000	2022 Shs'000
Current assets	6,871,824	6,019,267
Current liabilities	(5,712,969)	(3,466,924)
Liabilities associated with assets held for sale	-	-
Total current net assets	**1,158,855**	**2,552,343**
Non-current assets	4,879,504	4,481,748
Non-current liabilities	(54,840)	(161,529)
Total non-current net assets	**4,824,664**	**4,320,219**
Total net assets	**5,983,519**	**6,872,562**

NOTES (Cont'd)

16 Non-controlling interests (continued)

Unga Holdings Limited summarised statement of Financial position	2023 Shs'000	2022 Shs'000
Revenue	24,051,024	18,032,334
(Loss)/profit before income tax	(1,165,230)	(678,943)
Income tax(credit)/ expense	243,231	230,552
(Loss)/profit from continuing operations	(921,999)	(448,391)
Profit/ (loss) from discontinuing operations	-	802,524
Other comprehensive income	32,956	539
	(889,043)	**354,672**
Unga Holdings Limited summarised cash flows		
Net cash generated from operating activities	(372,541)	70,092
Net cash used in investing activities	(346,369)	(517,615)
Net cash used in financing activities	551,236	(332,117)
Net (decrease)/ increase in cash and cash equivalent	(167,674)	779,640
Cash and cash equivalent at start of year	675,498	1,463,506
Net (decrease)/ increase in cash and cash equivalent	(193,598)	(779,640)
Effect of exchange rates	(80,265)	(8,368)
At end of year	**427,559**	**675,498**

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NOTES (Cont'd)

17 Borrowings

Group	2023 Shs'000	2022 Shs'000
Bank loans	1,074,630	493,084
The borrowings are classified as follows:		
Current		
Bank borrowings repayable within 1 year	1,074,630	493,084
Non- current		
Bank borrowings repayable between 2-5 years	-	-
	1,074,630	**493,084**
Movement in borrowings:		
At start of year	493,084	797,880
Received during the year	1,809,274	-
Repaid during the year	(1,227,728)	(304,796)
At end year	**1,074,630**	**493,084**

Bank loans comprise the following facilities to the subsidiary Companies;

Unga Limited – ABSA facility
Bank facility is comprised of a 6-year term loan of Shs 860,000,000 taken in 2017 to finance the purchase and construction of a new wheat milling plant in Eldoret. Interest charged is Central Bank Rate (CBR) 10.5% plus 3% Margin. The loan is repayable in equal instalments after the end of the moratorium of 12 months. The entire loan had been drawn down as at 30 June 2022. The effective interest rate on the facility at 30 June 2023 was 13.5% (2022: 13.50%) The borrowings are secured by an all assets debenture for Shs 1.885 billion, corporate guarantees by Unga Group Plc of Shs 1.885 billion and legal charges of Shs 1.885 billion over certain properties.

Under the terms of the "facility agreement" dated 27 April 2017, the Company is required to comply with certain financial covenants. The following financial covenants had not been complied with as at 30 June 2023:
- Debt Service Cover - The ratio of cash flow to debt service shall not fall below 1.25 times to 1 (ratio as at 30 June 2023 was -4.42)
- Interest Cover - EBIT shall not fall below 3.0 times finance charges for such relevant period (ratio as at 30 June 2023 was -23.33)
- Debenture cover should not be less that 2 (ratio as at 30 June 2023 was 1.50)

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

NOTES (Cont'd)

17 Borrowings (Continued)

Unga Limited – NCBA facility
In the current financial year, a 6 year asset finance facility loan of Shs 188.5 million loan was secured with NCBA bank to finance the construction and installation of pv solar. Interest charged is CBR plus 3.1% Margin. A total of Shs.137,805,818 of the loan amount had been drawn down as at 30 June 2023. The effective interest rate on the facility as at 30 June 2023 was 12%.

Unga Limited has a composite facility from NCBA bank comprising of overdraft facility, invoice discounting, bank guarantees, stock loan, letters of credit, post import finance and invoice discounting amounting to USD 6,400,000 (Shs 896,000,000) available in both US dollars and KES. Unused facilities at year end available to Unga Limited together with its fellow subsidiary Unga Farm Care (EA) Limited amounted to Shs 190,358,000. The facility is at an interest rate of 3 month libor plus 4%.

Unga Farm Care (EA) Limited – NCBA facility 1
A 4-year term loan of Shs 294,000,000 taken in 2019 with NCBA bank to finance the purchase and construction of a new soya bean milling plant. Interest charged is CBR plus 3.1% Margin. The loan is repayable in equal instalments. A total of Shs 278,022,763 of the loan amount had been drawn down as at 30 June 2019 which was fully settled as at May 2023. The Company has not complied with the financial covenant on debt service coverage ratio as at 30 June 2023.

- Debt Service coverage ratio 1.25 (ratio as at 30 June 2023 was negative 1.59)

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

Unga Farm Care (EA) Limited – NCBA facility 2
In the current financial year a 5 year asset finance facility loan of Shs 146,144,000 loan was secured with NCBA bank to finance the construction and installation of pv solar. Interest charged is CBR plus 3.1% Margin. A total of Shs.106,827,259 of the loan amount had been drawn down as at 30 June 2023. The effective interest rate on the facility as at 30 June 2023 was 12%. In the current period, a 12-month moratorium effective February 2023 was granted on principal and interest.

In addition, short term loan of Shs 505,000,000 at a rate of NCBA base rate plus a margin of 2.6% that was fully settled in the financial year.

Unga Farm Care (EA) Limited has a composite facility from NCBA bank comprising of overdraft facility, invoice discounting, bank guarantees, stock loan, letters of credit, post import finance and invoice discounting amounting to USD 2,475,000 (Shs 346,500,000) available in both US dollars and KES. Unused facilities at year end available to Unga Farm Care (EA) Limited together with its fellow subsidiary Unga Limited amounted to Shs 190,358,000. The facility is at an interest rate of 3 month libor plus 4%.

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NOTES (Cont'd)

18 Deferred income tax

	GROUP	
Deferred income tax is made up of the following.	**2023 Shs'000**	**2022 Shs'000**
Deferred income tax assets	182,126	4,716
Deferred income tax liabilities	(53,478)	(137,078)
Net deferred income tax liabilities	**128,648**	**(132,362)**

Deferred income tax is calculated using the enacted income tax rate of 30% (2022: 30%). The movement in the net deferred income tax liabilities is as follows:

	2023 Shs'000	2022 Shs'000
At start of year	(132,362)	(358,346)
Credit/ (charge) to profit or loss	246,686	229,801
Charge to other comprehensive income (Note 13)	14,324	(3,817)
At end of year	**128,648**	**(132,362)**

NOTES (Cont'd)

18 Deferred income tax (Continued)

GROUP Year ended 30 June 2023	01.07.2022 Shs'000	Charged/ (credited) to P/L Shs'000	Credit to OCI Shs'000	30.06.2023 Shs'000
Deferred income tax liabilities				
Property plant and equipment	538,046	(38,931)	-	499,115
Retirement benefits obligation	16,656	-	(14,324)	2,332
	554,702	**(38,931)**	**(14,324)**	**501,447**
Deferred income tax assets				
Unrealised exchange losses	(6,408)	(14,891)	-	(21,299)
Other deductible differences	(54,600)	(56,656)	-	(111,256)
Tax losses carried forward	(541,415)	(138,251)	-	(679,666)
	(602,423)	(209,798)	-	(812,221)
Deferred income tax asset not recognised	180,083	2,043	-	182,126
Net deferred income tax	**132,362**	**(246,686)**	**(14,324)**	**(128,648)**

GROUP Year ended 30 June 2022	01.07.2021 Shs'000	Charged/ (credited) to P/L Shs'000	Credit to OCI Shs'000	30.06.2023 Shs'000
Deferred income tax liabilities				
Property plant and equipment	830,030	(291,984)	-	538,046
Retirement benefits obligation	12,839	-	3,817	16,656
	842,869	**(291,984)**	**3,817**	**554,702**
Deferred income tax assets				
Unrealised exchange losses	(1,713)	(4,695)	-	(6,408)
Other deductible differences	(83,194)	28,594	-	(54,600)
Tax losses carried forward	(576,840)	35,425	-	(541,415)
	(661,747)	59,324	-	(602,423)
Deferred income tax asset not recognised	173,809	6,274	-	180,083
Net deferred income tax	**354,931**	**(226,386)**	**3,817**	**132,362**

NOTES (Cont'd)

18 Deferred income tax (Continued)

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

19 Inventories

	GROUP	
	2023 Shs'000	**2022 Shs'000**
Raw materials	1,979,057	1,389,457
Finished products	662,162	473,701
Packing materials	84,659	60,832
Engineering spares	114,716	130,452
	2,840,594	**2,054,442**

Amounts recognised in profit or loss

Inventories expensed in cost of sales amounted to Shs 21.14 billion (2022: Shs 15.41 billion). Write-backs of inventories to net realisable value amounted to Shs 2.63 million (2022: Shs 8.9 million). These were recognised during the year ended 30 June 2023 and included in cost of sales in the statement of profit or loss.

20 Trade and other receivables

	GROUP		COMPANY	
	2023 Shs'000	**2022 Shs'000**	**2023 Shs'000**	**2022 Shs'000**
Trade receivables	2,019,090	1,887,518	-	-
Related party trade receivables	800,130	649,881	-	-
Less: Provision for expected credit losses	(478,126)	(238,064)	-	-
	2,341,094	2,299,335	-	-
VAT recoverable	397,958	328,240	-	-
Other receivables and prepayments	463,449	312,023	4,240	4,547
Due from related parties (Note 30)	-	607	57,008	56,696
	3,202,501	**2,940,205**	**61,248**	**61,243**

NOTES (Cont'd)

20 Trade and other receivables (continued)

	GROUP	
	2023 Shs'000	**2022 Shs'000**
At start of year	238,064	259,368
Charge to profit or loss in the year	240,062	(21,304)
At end of year	478,126	238,064
Expected credit losses are made up as follows:		
Trade receivables	478,126	238,064
Other receivables	-	-
	478,126	238,064

21 Trade and other payables

	GROUP		COMPANY	
	2023 Shs'000	**2022 Shs'000**	**2023 Shs'000**	**2022 Shs'000**
Trade payables	1,241,453	1,522,562	-	-
Other payables and accrued expenses	1,843,414	1,052,732	8,009	8,191
Due to related parties (Note 30)	1,480,802	322,815	314,697	272,312
	4,565,669	**2,898,109**	**322,706**	**280,503**

NOTES (Cont'd)

22 Property, plant and equipment - Group

Year ended 30 June 2023	**Buildings Shs'000**	**Plant and equipment Shs'000**	**Motor vehicles Shs'000**	**Work in progress Shs'000**	**Total Shs'000**
At start of the year	1,066,786	1,485,739	16,840	319,975	2,889,340
Additions	9,823	47,876	-	294,944	352,643
Transfers	9,035	1,350	-	(10,385)	-
Disposals	-	(2,801)	(17,539)	(941)	(21,281)
Depreciation charge	(28,380)	(187,588)	(5,152)	-	(221,120)
Depreciation on disposals	-	2,801	6,856	-	9,657
Closing net carrying amount	**1,057,264**	**1,347,377**	**1,005**	**603,593**	**3,009,239**
At 30 June 2023					
Cost	1,286,493	3,003,754	308,967	603,593	5,202,807
Accumulated depreciation	(229,229)	(1,656,377)	(307,962)	-	(2,193,568)
Net carrying amount	**1,057,264**	**1,347,377**	**1,005**	**603,593**	**3,009,239**

The Work in progress in the current period is in relation to the ongoing solar project.

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

The Group has pledged assets with net book value of 17,473,950 (2022: Shs 17,922,000) to secure bank borrowings (see Note 17).

The work in progress in the current period is in relation to the ongoing solar project. Work in progress in prior year relates to Silo rehabilitation & gantry project in Nairobi feeds and Fawema lines relocation Eldoret.

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

NOTES (Cont'd)

22 Property, plant and equipment - Group (continued)

Impairment assessment

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

The following table describes the key assumptions used by management in the value in use calculations that were prepared to test the assets with a net book value of Shs 746,009,000 for impairment:

ASSUMPTION	APPROACH USED TO DETERMINE VALUES:
Discount rate	Based on specific risks relating to the industry and country for KES denominated cash flows. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.
Volume growth	This is based on management's market sizing and market share projection.
Gross margin	Based on past experience and management expectations of the future.
Selling, general and administrative expenses growth	Based on past experience and management expectations of the future.

Based on the assumptions described above, the recoverable amount for the assets was higher than the carrying amount at 30 June 2023 resulting in a headroom of Shs 121 million.

Sensitivity analysis

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

- If volumes decline by 1% per year after 2024 over the plan period, lower than management have estimated and all other assumptions remain unchanged, the headroom reduces to Shs 87 million.
- If gross profit margin reduces by 1%, lower than management have estimated and all other assumptions remain unchanged, there will be an impairment of Shs 237 million.
- If growth in expenses increase by 1%, higher than management have estimated and all other assumptions remain unchanged, the headroom reduces to Shs. 25 million.
- If the discount rate increases by 1%, higher than management have estimated and all other assumptions remain unchanged, the headroom reduces to Shs. 63 million.

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

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NOTES (Cont'd)

23 Leases - Group

i) Right-of-use assets	Leasehold land Shs'000	Warehouse Shs'000	Motor vehicles Shs'000	Total Shs'000
Year ended 30 June 2023				
At start of year	173,800	98,968	74,186	346,954
Additions	-	6,902	697	7,599
Disposal/terminated	-	(2,634)	-	(2,634)
	173,800	**103,236**	**74,883**	**351,919**
Amortisation				
At start of year	38,229	54,413	66,406	159,048
Charge for the year	2,617	21,752	8,477	32,846
At end of year	40,846	76,163	74,885	191,894
Carrying amount at end of year	**132,954**	**27,073**	**-**	**160,025**
Year ended 30 June 2022				
Cost				
At start of year	153,930	82,561	69,299	305,790
Additions	26,541	9,736	4,887	41,164
Transfers	(6,671)	6,671	-	-
	173,800	**98,968**	**74,186**	**346,954**
Amortisation				
At start of year	51,540	57,928	65,655	175,123
Charge for the year	(13,311)	(3,515)	751	(16,075)
At end of year	38,229	54,413	66,406	159,048
Carrying amount at end of year	**135,571**	**44,555**	**7,780**	**187,906**

The operating lease prepayment relates to leasehold land. The leasehold land was revalued as at 28 February 2018 by Tysons Limited on an open market value basis for existing use at Shs 2.65 billion.

The Group has pledged leasehold land with a net book value of Shs 17,473,950 (2022: Shs 17,922,000) to secure borrowings granted to it (see Note 17).

NOTES (Cont'd)

23 Leases - Group (continued)

(ii) Lease liabilities

	2023 Shs'000	2022 Shs'000
Current	28,603	30,860
Non-current	1,363	24,451
	29,966	**55,311**

(iii) Lease liability movement

	2023 Shs'000	2022 Shs'000
Start of the year	55,311	19,463
Additions	6,902	63,169
Finance charge	4,839	8,627
Finance charge payments	(4,839)	(8,627)
Principal payments	(30,311)	(27,321)
Early lease termination	(1,937)	-
At end of year	**29,965**	**55,311**
Amounts recognised in profit or loss:		
Interest on lease liabilities	4,839	8,627
Amortisation of right of use assets	32,846	16,075
Amounts recognised in statement of cash flows:		
Payment of principal portion on lease liabilities	30,311	27,321
Payment of interest	4,839	8,627
	35,150	**35,948**

24 Intangible assets - Group

	2023 Shs'000	2022 Shs'000
Computer software - Cost		
At start of year	395,351	395,351
Additions	6,801	-
At end of year	**402,152**	**395,351**
Amortisation		
At start of year	382,833	381,325
Amortisation for the year	2,565	1,508
At end of year	**385,398**	**382,833**
Net book value	**16,754**	**12,518**

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NOTES (Cont'd)

25 Investment in subsidiaries – Company

Unquoted investment at cost in wholly owned subsidiary

	2023 Shs'000	2022 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	22,000

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 (Cont'd)

26 Post-employment benefits obligation - Group

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.

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

The retirements benefits scheme asset represents the Group's share of the actuarial surplus of the fair value of the scheme assets over the value of past service pension obligations after applying an asset ceiling to the group. An asset ceiling has been applied only to recognise the benefit arising from reduced employer contributions available to the company as a result of the scheme being in an actuarial surplus position.

During the year, management resolved to redesign its retirement benefits arrangement by moving from a hybrid (defined benefit and defined contribution) arrangement to a defined contribution arrangement under a multi-employer umbrella arrangement. All new and pensionable employees will be eligible to join the new scheme. Existing active members will be invited to join the new arrangement. In respect of the past service benefits earned for service up to 31 December 2021, management will provide members with an opportunity to transfer these benefits to the new scheme, once the initial on-boarding is complete. Transfer of member balances will be based on benefits accrued as at 30 June 2023.

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:

	2023 Shs'000	2022 Shs'000
Present value of funded obligation	939,865	923,026
Fair value of plan assets	(983,227)	(982,014)
Surplus on funded plan	(43,362)	(58,988)
Impact of asset ceiling	21,681	29,494
Retirement benefit scheme as recognised in the statement of financial position	(21,681)	(29,494)

NOTES (Cont'd)

26 Post-employment benefits obligation - Group (continued)

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

Year ended 30 June 2023	Present value of obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact asset ceiling Shs'000	Total Shs'000
At start of year	923,026	(982,014)	(58,988)	29,494	(29,494)
Current service cost	-	-	-	-	-
Interest expense/ (income)	115,017	(135,701)	(20,684)	-	(20,684)
Charge to profit or loss	115,017	(135,701)	(20,684)	-	(20,684)
Re measurements:					
Return on plan assets	-	79,051	79,051	-	79,051
Change in experience	(42,696)	-	(42,696)	1	(42,695)
Change in assumptions	(60)	19,262	19,202	-	19,202
Change in asset ceiling	-	-	-	(7,814)	(7,814)
Charge to other comprehensive income	(42,756)	98,313	55,557	(7,813)	47,744
Contributions:					
- Employees	-	-	-	-	-
- Employer	-	(19,247)	(19,247)	-	(19,247)
Payments from plan	(55,422)	55,422	-	-	-
	(55,422)	36,175	(19,247)	-	(19,247)
At end of year	**939,865**	**(983,227)**	**(43,362)**	**21,681**	**(21,681)**

NOTES (Cont'd)

26 Post-employment benefits obligation - Group (continued)

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

Year ended 30 June 2023	Present value of obligation Shs'000	Fair value of plan assets Shs'000	Total Shs'000	Impact asset ceiling Shs'000	Total Shs'000
At start of year	926,634	(1,014,030)	(87,396)	43,698	(43,698)
Current service cost	79,507	-	79,507	-	79,507
Interest expense/ (income)	101,615	(123,917)	(22,302)	-	(22,302)
Charge to profit or loss	181,122	(123,917)	57,205	-	57,205
Re measurements:					
Return on plan assets	-	130,344	130,344	-	130,344
Change in experience	(8,651)	(39,782)	(48,433)	-	(48,433)
Change in assumptions	(120,213)	39,782	(80,431)	-	(80,431)
Change in asset ceiling	-	-	-	(14,204)	(14,204)
Charge to other comprehensive income	(128,864)	130,344	1,480	(14,204)	(12,724)
Contributions:					
- Employees	-	(11,030)	(11,030)	-	(11,030)
- Employer	-	(19,247)	(19,247)	-	(19,247)
Payments from plan	(55,866)	55,866	-	-	-
	(55,866)	25,589	(30,277)	-	(30,277)
At end of year	**923,026**	**(982,014)**	**(58,988)**	**29,494**	**(29,494)**

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

Discount rate	At current discount rate Shs 'million	1% decrease Shs 'million	1% increase Shs 'million
At 30 June 2023			
Present value of obligation	939.9	930.5	949.3
At 30 June 2022			
Present value of obligation	922.6	913.7	932.5

NOTES (Cont'd)

26 Post-employment benefits obligation - Group (continued)

The significant actuarial assumptions were as follows;

	2023	2022
Discount rate	15.60%	14.20%
Rate of salary escalation	13.60%	12.20%
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;

	2023 Shs'000	2023 %	2022 Shs'000	2022 %
Local Quoted Shares	207,432	21	253,639	26
Offshore investments	71,503	7	61,163	6
Kenya government securities	673,184	69	676,319	69
Fixed and term deposits	33,570	3	2,000	0
Net current asset/ (liabilities)	(2,462)	(0.3)	(11,107)	(1)
Total assets	**983,227**	**100**	**982,014**	**100**

Through its defined benefit pension plans and, the Group is exposed to a few 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 (Cont'd)

27 Cash generated from operations

	GROUP		COMPANY	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Profit/(Loss) before taxation from:				
Continuing operations	(1,199,858)	(720,978)	(42,191)	(55,187)
Discontinuing operations	-	807,963	-	-
(Loss)/ profit before income tax	(1,199,858)	86,985	(42,191)	(55,187)
Adjustments for:				
Depreciation (Note 22)	221,120	217,272	-	-
Depreciation of assets held for sale	-	16,496	-	-
Amortisation on leases (Note 23)	32,846	16,075	-	-
Interest expenses	344,598	112,861	-	-
Finance charge on leases (Note 23)	4,839	8,628	-	-
Amortisation of intangible assets (Note 24)	2,565	1,876	-	-
Amortisation of capital grant	-	(61,350)	-	-
Gain on disposal of assets	(1,451)	(665,275)	-	-
Post-employment benefits obligation	(39,923)	26,928	-	-
Provision for impairment	-	491,721	-	-
Share of profit & amortization in associate	6,285	(7,429)	-	-
Working capital changes:				
-inventories	(786,152)	407,282	-	-
-trade and other receivables	(262,296)	(887,579)	(5)	(314)
-trade and other payables	1,667,560	525,234	42,203	55,512
Cash generated from operations	**(9,867)**	**289,725**	**7**	**11**

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NOTES (Cont'd)

28 Cash and cash equivalent

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 as follows;

	GROUP		COMPANY	
Cash and cash equivalent	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Bank balances	493,581	734,378	3,008	3,001
Cash balances	103	341	-	-
Cash and cash equivalents	**493,684**	**734,719**	**3,008**	**3,001**
Net debt reconciliation				
Cash and cash equivalent	493,684	734,719	-	-
Borrowings	1,074,630	(493,084)	-	-
Lease liability	29,966	(55,311)	-	-
	1,598,280	**186,324**	**-**	**-**

29 Capital commitments - Group

	2023 Shs'000	2022 Shs'000
Authorised but not contracted for	565,019	521,081
Authorised and contracted for	117,003	-
	682,022	**521,081**

The bulk of the commitments were related to purchase of instant porridge extruder, purchase of one 1Mva transformers, upgrade in the famila electrical panel, replacement of the old wheat power factor correction panel and construction of silo trench drains. It also includes silo and warehouse refurbishments at Nairobi and Nakuru Feeds site which have been ongoing since 2021. The authorized and contracted for commitments relates to the ongoing solar project for both Unga Limited and Unga Farm Care plants.

NOTES (Cont'd)

30 Related party transactions

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

	GROUP		COMPANY	
Cash and cash equivalent	**2023 Shs'000**	**2022 Shs'000**	**2023 Shs'000**	**2022 Shs'000**
(i) Sale of goods and services				
Kenchic Limited	3,438,152	2,837,465	-	-
Tunga Nutrition Kenya Limited	811,156	122,815	-	-
Tanbreed Poultry Limited	67,621	38,114	-	-
	4,316,929	**2,998,394**	**-**	**-**
(ii) Purchase of goods and services:				
Purchases of raw materials				
Seaboard Overseas Limited	5,184,363	2,907,087	-	-
Purchases of equipment and spares				
Seaboard Overseas Group	17,320	29,872	-	-
Interest charged on trade finance				
Seaboard Overseas Group	-	18,482	-	-
	5,201,683	**2,955,441**	**-**	**-**

Seaboard is affiliated by virtue of being part of the non-controlling interest as set out in Note 16. Seaboard Corporation is a company with significant shareholding in the parent company. Seaboard Overseas Limited, Seaboard Overseas Group and Seaboard Overseas Management Company are subsidiaries of Seaboard Corporation.

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

	GROUP		COMPANY	
(iii) Key management compensation	**2023 Shs'000**	**2022 Shs'000**	**2023 Shs'000**	**2022 Shs'000**
Salaries and other short-term employment benefits	197,446	153,953	-	-

NOTES (Cont'd)

30 Related party transactions (continued)

	GROUP		COMPANY	
(iv) Directors' remuneration	**2023 Shs'000**	**2022 Shs'000**	**2023 Shs'000**	**2022 Shs'000**
Fees for services as director	24,564	24,180	24,174	24,180
Other emoluments	56,605	72,610	-	-
	81,169	**96,790**	**24,174**	**24,180**
(v) Due to related parties				
Trade payables:				
Tunga Nutrition (K) Limited	4,592	1,711	-	-
Seaboard Corporation	1,430,139	267,882	-	-
	1,434,731	269,593	-	-
Other payables				
Unga Limited	-	-	314,697	155,463
Unga Farm Care (EA) Limited	-	-	-	116,849
Seaboard Corporation	-	53,222	-	-
	1,434,731	**322,815**	**314,697**	**272,312**
(vi) Due from related parties				
Trade payables:				
Kenchic Limited	431,591	495,428	-	-
Tanbreed Poultry Limited	15,953	13,089	-	-
Tunga Nutrition Kenya Limited	334,941	122,137	-	-
Tunga Nutrition Uganda Limited	17,645	16,698	-	-
Seaboard Corporation	-	2,529	-	-
	800,130	649,881	-	-
Other receivables:				
Unga Holdings Limited	-	-	7,312	7,000
Seaboard Corporation subsidiaries	-	607	49,696	49,696
	-	607	57,008	56,696
	800,130	**650,488**	**57,008**	**56,696**

NOTES (Cont'd)

31 Discontinued operations and assets held for sale

(i) In the year ended 30 June 2022, the board of directors approved for its subsidiary, Unga Farm Care (E.A.) Limited to enter into a partnership arrangement with Nutreco International B.V. In the venture, Unga Farm Care (E.A.) Limited contributed its fish feed plant and fish feed business to the new venture company, Tunga Nutrition (K) Limited, incorporated in Kenya (further details in Note 32). The financial results for the fish feed business were stripped out and disclosed net separately, in the statement of comprehensive income as discontinuing operations.

(ii) In the year ended 30 June 2022, the board of directors also approved for its Uganda Subsidiary, Unga Millers (U) Limited to enter into another partnership arrangement with Nutreco International B.V. In the venture, Unga Millers (U) Limited contributed its property to the new venture company, Tunga Nutrition (U) Limited, incorporated in Uganda (further details in Note 32).

(iii) The directors made a decision to discontinue the baking business that trades as Ennsvalley Bakery Limited in the prior year. As part of the liquidation plan for the subsidiary, management sold property and equipment, inventory and other rights. The financial results of the subsidiary were presented as part of discontinuing operations in the comparatives. Trading operations in Ennsvalley Bakery Limited ceased in October 2021. Financial information relating to the discontinued operation is shown below:

(a) Financial performance and cash flow information

	2023 Shs'000	2022 Shs'000
Revenue from contracts with customers	-	362,816
Expenses	-	(369,547)
Profit before income tax	-	(6,731)
Profit on disposal of business operations	-	814,694
Profit before income tax from discontinued operations	-	807,963
Income tax expense	-	(5,439)
Profit after income tax from discontinued operations	-	802,524
Net cash inflow from operating activities	-	144,456
Net cash inflow/(outflow) from investing activities	-	(306,838)
Net cash outflow from financing activities	-	(79,938)
	-	**(242,320)**

NOTES (Cont'd)

31 Discontinued operations and assets held for sale (continued)

(b) Assets and liabilities of disposal group classified as held for sale

	2023 Shs'000	2022 Shs'000
Plant and equipment:		
Cost	-	535,451
Accumulated depreciation	-	(262,425)
Depreciation charge for the year	-	(16,496)
Disposals	-	(535,450)
Depreciation on disposals	-	278,920
Closing net book value	-	-
Inventories	-	-
Total assets held for sale	-	-
Liabilities directly associated with assets classified as held for sale		
Capital grant:		
At start of year	-	(61,350)
Reclassification from non-current liabilities	-	-
Acccelarated amortisation	-	61,350
Capital grant	**-**	**-**

NOTES (Cont'd)

32 Investment in associate

During the year ended 30 June 2022, management finalized the formation and commissioning of two partnerships with Nutreco namely Tunga Nutrition (K) Limited and Tunga Nutrition (U) Limited.

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

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

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

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

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

NOTES (Cont'd)

32 Investment in associate (continued)

(ii) Summarised financial information for associate

The tables below provide summarized financial information for the associate accounted for using the equity method: The 2022 numbers are for a 5 month period.

Summarised balance sheet at 30 June

	Tunga N Kenya 2023 Shs'000	Tunga N Uganda 2023 Shs'000	Total 2023 Shs'000	Tunga N Kenya 2022 Shs'000	Tunga N Uganda 2022 Shs'000	Total 2022 Shs'000
Current assets:						
-Cash and cash equivalents	262,286	116,009	378,295	325,582	570,543	896,125
-Other current assets	665,897	1,374,181	2,040,078	555,001	112,261	667,262
Non-current assets						
Property, Plant and Equipment	587,406	963,925	1,551,331	245,953	549,174	795,127
Intangible assets	359,193	208,552	567,745	459,433	222,660	682,093
Current liabilities:						
-Other current liabilities	(557,995)	(121,831)	(679,826)	(299,268)	(46,495)	(345,763)
Net assets	**1,316,787**	**2,540,836**	**3,857,623**	**1,286,701**	**1,408,143**	**2,694,844**

NOTES (Cont'd)

32 Investment in associate (continued)

Summarised statement of comprehensive income for the 12 months ended 30 June 2023

	Tunga N Kenya 2023 Shs'000	Tunga N Uganda 2023 Shs'000	Total 2023 Shs'000	Tunga N Kenya 2022 Shs'000	Tunga N Uganda 2022 Shs'000	Total 2022 Shs'000
Revenue	2,055,333	600,047	2,655,380	649,603	107,643	757,246
Expenses	(1,874,659)	(545,537)	(2,420,196)	(572,589)	(99,052)	(671,641)
Net interest income/ (expenses)	-	(57,470)	(57,470)	-	35,203	35,203
Depreciation and amortisation	(80,885)	(29,904)	(110,789)	(53,014)	(19,728)	(72,742)
Income tax expense	(60,009)	(19,486)	(79,495)	(18,089)	(15,120)	(33,209)
Profit for the period	39,780	(52,350)	(12,570)	5,911	8,946	14,857
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	39,780	(52,350)	(12,570)	5,911	8,946	14,857
Company share of profit (50%)	19,890	(26,175)	(6,285)	2,956	4,473	7,429
Reconciliation to carrying amounts:						
Opening investment value as at 1st July 2022	654,168	704,072	1,358,240	651,212	699,599	1,350,811
Share of profit in joint venture	19,890	(26,175)	(6,285)	2,956	4,473	7,429
Translation Adjustment	-	140,780	140,780	-	-	-
Investment carrying amount	**674,058**	**818,677**	**1,492,735**	**654,168**	**704,072**	**1,358,240**

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

NOTES (Cont'd)

32 Investment in associate (continued)

(iii) Customer relationships fair value – Tunga Nutrition (K) Ltd - 2022

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

Tunga Nutrition Kenya Ltd:

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

Based on the above, the fair value of customer relationships was calculated to be Shs 174,300,000.

Sensitivity analysis

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

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

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

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

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

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

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

NOTES (Cont'd)

32 Investment in associate (continued)

(iv) Customer relationships fair value - Tunga Nutrition (U) Ltd - 2022

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

Tunga Uganda:

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

Based on the above, the fair value of customer relationships was calculated to be Shs 36,494,000.

Sensitivity analysis – Tunga Nutrition Uganda Ltd

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

If the growth rate applied to the cash flow projection had been 1%, lower than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 1,128,000.

If the customer attrition rate had been 2%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 3,010,000.

If the net margin percentage expected had been 2%, lower than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 6,053,000.

If the contributory asset charge percentage expected had been 1%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 3,027,000.

If the discount rate applied to the cash flow projection had been 1%, higher than management have estimated and all other assumptions in the table above unchanged, the intangible asset value would have decreased by Shs 1,383,000.

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

SHAREHOLDER INFORMATION

NOTICE OF ANNUAL GENERAL MEETING

TO ALL STAKEHOLDERS

NOTICE is hereby given that the Ninety-Sixth Annual General Meeting of Unga Group Plc for the year 2023 will be held via electronic communication on Thursday, 7th December 2023 at 10.00 a.m. to conduct the following business: -

ORDINARY BUSINESS

1. To read the notice convening the meeting.
2. To confirm the minutes of the Ninety Fifth (95th) Annual General Meeting held on Thursday, 8th December 2022.
3. To receive the Chairman's report.
4. To receive and adopt the Consolidated Audited Financial Statements for the financial year ended 30th June 2023 together with the reports of the Directors and the Auditors thereon.
5. To note that the Directors did not recommend a dividend for the year ended 30th June 2023.
6. Election of Directors: -

   a) In accordance with the provisions of Article 67.1 of the Company's Articles of Association
      i. Mr. Andrew Stewart Mwangi Ndegwa retires by rotation and being eligible, offers himself for re-election.
      ii. Ms. Shilpa Haria retires by rotation and being eligible, offers herself for re-election.
      iii. Ms. Wangari Murugu retires by rotation and being eligible, offers herself for re-election.

   b) In accordance with the provisions of Section 769 of the Companies Act 2015, the following directors being members of the Board Audit & Risk Committee be elected to continue to serve as members of the said committee:-
      i. Ms Shilpa Haria
      ii. Mr Andrew Ndegwa
      iii. Mr Vitalis Ojode
      iv. Ms Ciru Miring'u
      v. Ms Wangari Murugu
7. Directors' Remuneration: -
   a) To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 30th June 2023.
   b) To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 30th June 2023.
8. To re-appoint Messrs. PricewaterhouseCoopers (PwC) as Auditors of the Company in accordance with the provisions of Section 721 (2) of the Companies Act 2015 and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act 2015.
9. To consider any other business of which due notice has been received.

By Order of the Board

Winniefred Jumba
Company Secretary

Date: 14th November 2023

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

NOTES:

1. The Board has determined that the 2023 Annual General Meeting of the Company be held via electronic means in accordance with Article 38.5 of the Company's Articles of Association.
2. Shareholders wishing to participate in the meeting should register for the AGM via a link to the AGM Platform that will be sent to them by SMS and / or email or via https://digital.candrgroup.co.ke/ or by dialling *384*041# and follow the various registration prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their Shares or CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: ((+254 20 8690360 from 9:00 a.m. to 4:00 p.m. from Monday to Friday. Any shareholder outside Kenya should email digital@candrgroup.co.ke to be assisted to register.
3. Registration for the AGM opens on 29th November 2023 at 08;00 am and will close on 6th December 2023 at 12.00 Noon
4. In accordance with Article 180 of the Companies Act and the Article 37.3 of the Company's Articles of Association, the following documents are available on the Company's website (https://unga-group.com) (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 30th June 2023.
5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

   a. Sending their written questions by email to digital@candrgroup.co.ke; or
   b. Accessing Virtual AGM via a link to the AGM Platform (or via https://digital.candrgroup.co.ke/); Select Attend Event; Select "Q&A" option tab and submit questions in text box provided; or
   c. Accessing the Virtual via SMS by dialling the USSD code above and selecting the option (ask Question) on the prompts(within 160-character limit for SMS text); or
   d. To the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company's Offices, Ngano House, Commercial Street, Industrial Area, PO Box 30096, 00100-Nairobi; or sending their written questions with a return physical address or email address by registered post to the Company Registrars address: Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.
   e. There will be opportunity provided for shareholders to virtually join the AGM to ask their questions during the meeting. Shareholders wishing to ask their questions live during the AGM can join the meeting room during the AGM (by selecting the "Join AGM Meeting Room" tab at the bottom of the live stream display window). In the meeting room shareholders can continue watching the AGM broadcast and either i) select "raise hand" option on their screen to request an opportunity to ask their questions live to the Board or ii) enter their questions in the live chat to be read out to the Board during the AGM.
   f. Shareholders wishing to vote may do so prior to the AGM during the registration open period or during the AGM by:
   g. Accessing Virtual AGM via a link to the AGM platform (or via https://digital.candrgroup.co.ke/); Select Attend Event; Select Voting Matters option tab at the top of the live stream display section and vote; or
   h. Accessing Virtual AGM via USSD platform via *384*041#; Select the menu option for Voting and follow the various prompts regarding the voting process.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf.
   - A proxy need not be a member of the Company. If the proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.
   - A proxy form is available on the Company's website via this link: (https://unga-group.com. Physical copies of the proxy form are also available at Company's Offices, Ngano House, Commercial Street, Industrial Area, Nairobi; or the Company Registrars address: Custody & Registrars, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi.
   - A proxy must be signed by the appointer or his attorney duly authorised in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorised attorney of such body corporate.
   - A completed form of proxy should be emailed to proxy@candrgroup.co.ke or delivered to Custody & Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue so as to be received not later than 48 hours before the time of holding the meeting i.e. 5th December 2023 at 10.00 a.m. The proxy form should include the mobile telephone number and email address of the person appointed as a proxy.
   - Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 6th December 2023 to allow time to address any issues.
7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS) and/or email two hours ahead of the AGM, reminding them that the AGM will begin in two hours' time and providing a link to the live stream.
8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts or on the AGM Platform
9. A poll shall be conducted for all the resolutions put forward in the notice.
10. Results of the poll shall be published within 48 hours following conclusion of the AGM on the Company's website.
11. The preferred method of paying dividends which are below Kshs 300,000.00 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA by dialling *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited.
12. All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority ('the Authority) as abandoned assets on the appointed date. Therefore, all shareholders with previous unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at IKM Place, Tower B, 1st Floor 5th Ngong Avenue, Nairobi; Tel: Mobile: (020) 7608216 Email: info@candrgroup.co.ke to claim any unpaid dividends to avert the risk of the dividends being forwarded to the Authority.

PROXY FORM

96TH ANNUAL GENERAL MEETING

7th DECEMBER 2023

I/WE..

Share Account ....

Of (Address)..
being a member of the above Company, hereby appoint:

....

Of (Address)..Tel;..Email;..

Whom failing..

Of (Address)..Tel;..Email;..

or failing him, the Chairman of the Meeting, as our/my proxy, to vote for us/me and on our/my behalf at the Ninety-Sixth (96th) Annual General Meeting of Unga Group Plc to be held on Thursday,7th December 2023 and at any adjournment thereof.

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

		Accept	Reject	Dissenting Opinion
	ORDINARY BUSINESS:			
2.	To confirm the minutes of the Ninety Fifth (95th) Annual General Meeting held on Thursday, 8th December 2022.			
3.	To receive the Chairman's report.			
4.	To receive and, if approved, adopt the Consolidated Audited Financial Statements for the year ended 30th June 2023, together with the Chairman's, the Directors' and Auditor's Reports thereon.			
5.	To note that the Directors do not recommend the payment of a dividend for the financial year ended 30th June 2023			
6(a)	Election of Directors: In accordance with the provisions of Article 67.1 of the Company's Articles of Association			
	i) Mr. Andrew Stewart Mwangi Ndegwa retires by rotation and being eligible, offers himself for re-election.			
	ii) Ms. Shilpa Haria retires by rotation and being eligible, offers herself for re-election.			

PROXY FORM (Cont'd)

		Accept	Reject	Dissenting Opinion
	iii) Ms. Wangari Murugu retires by rotation and being eligible, offers herself for re-election.			
6(b)	In accordance with the-provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Group Board Audit & Risk Committee be elected to continue to serve as members of the said Committee: i) Ms Shilpa Haria ii) Mr Andrew Ndegwa iii) Mr Vitalis Ojode iv) Ms Ciru Miring'u v) Ms Wangari Murugu			
7.	Directors' Remuneration a) To approve the Directors' Remuneration Policy as shown in the audited Financial Statements for the year ended 30th June 2023.			
	b) To approve the Directors' Remuneration Report as shown in the audited Financial Statements for the year ended 30th June 2023.			
8.	To note that the auditors, Messrs PricewaterhouseCoopers (PwC) will continue in office in accordance with Section 721 (2) and 724 of the Companies Act, No.17 of 2015 and to authorize the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act 2015.			

As witness our/my hand this..day of..2023.

Signed..

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not be a member.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or, if the appointor is a Corporation, either under seal, or under the hand of an officer or attorney duly authorised.
3. To be valid, this Proxy Form must be duly completed by a member and must either be emailed to proxy@candrgroup.co.ke or delivered to Custody & Registrars Services Ltd, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue P.O. Box 8484– 00100 GPO, Nairobi, so as to be received not later than 5th December 2023 at 10:00 a.m.

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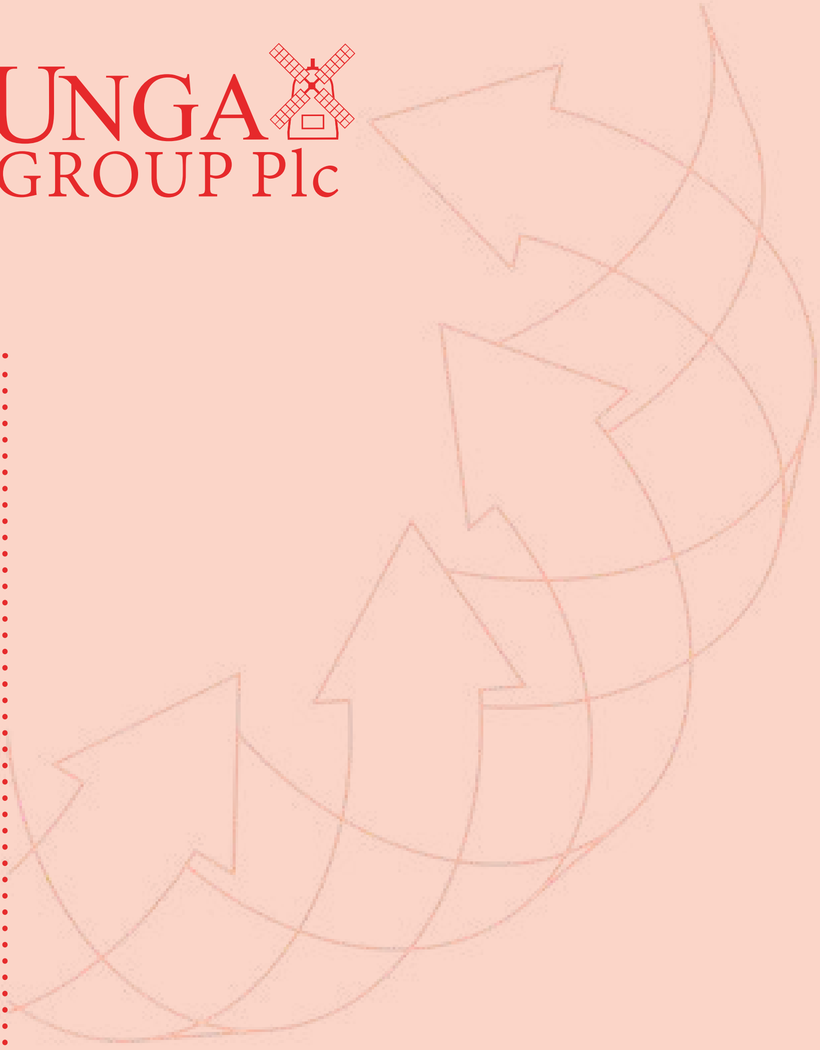
UNGA GROUP Plc



REPOSITIONING FOR BETTER TOMORROW