UNGA GROUP Plc

FULL YEAR RESULTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

COMMENTARY

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

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

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

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

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

With regard to its business development initiatives, the Company launched new Famila® packs and smaller bales aimed at increasing off-take within the general trade. A customer inventory replenishment module was implemented to ensure optimal inventory levels at all times by matching supply to demand.

The Group also increased its investment in marketing and promotion activities in the year, which has had a positive impact on the brands, from both a demand and pricing perspective.

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

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

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

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

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

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

By order of the Board

W Jumba
Company Secretary

29 September 2017