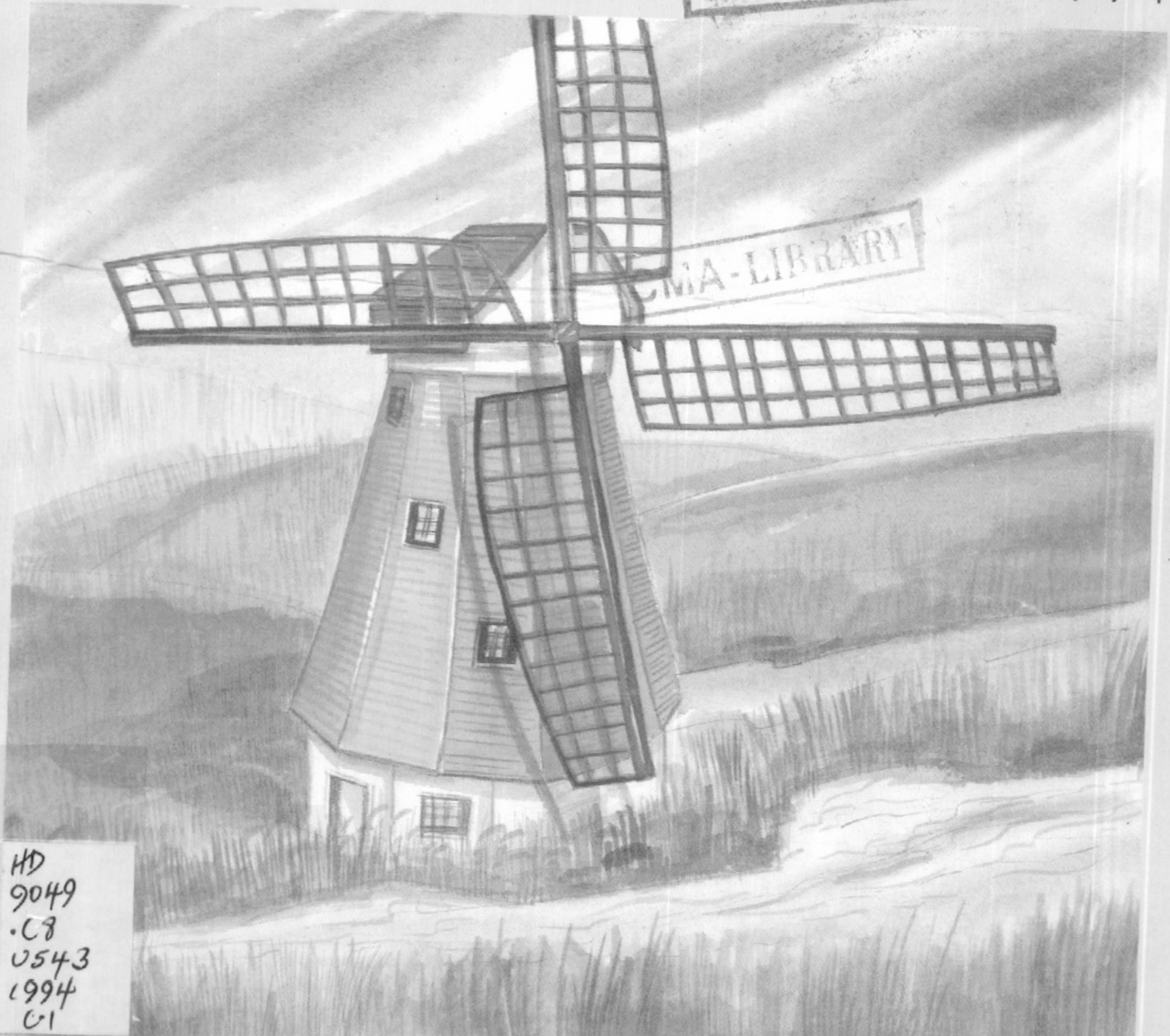
# UNGA GROUP LIMITED

REPORT AND ACCOUNTS 31 JULY 1994







# REPORT AND ACCOUNTS

*FOR THE YEAR ENDED 31 JULY 1994*

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UNGA GROUP LIMITED

# DIRECTORS AND OFFICIALS

| | | |
|---|---|---|
| DIRECTORS | D N Ndegwa, CBS, FCIB, MA | *- Chairman* |
| | F W Wanganju, B Comm., CPA(K), AMKIM | *- Group Managing* |
| | R Kemoli | |
| | J G Kiereini, EGH, EBS, SS | |
| | J J Mvoyi | |
| | C N Lagat | |
| | P Ndegwa | |
| | B A Butt (alternate to P Ndegwa) | |
| SECRETARY | J P G Gachoya, B Comm., FCIS, CPS(K) | |
| REGISTERED OFFICE | Unga House,<br>Muthithi Road, Westlands,<br>P O Box 30096,<br>Nairobi. | |
| REGISTRARS | Livingstone Registrars Limited,<br>P O Box 30029,<br>Nairobi. | |
| AUDITORS | Gill & Johnson,<br>P O Box 40092,<br>Nairobi. | |
| BANKERS | Barclays Bank of Kenya Limited,<br>Queensway House Branch,<br>P O Box 30011,<br>Nairobi. | |





UNGA GROUP LIMITED

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the sixty seventh annual general meeting of UNGA GROUP LIMITED will be held in the Council Chamber of the Professional Centre, Parliament Road, Nairobi on Friday, 17 February 1995 at 11.30 a.m. for the following purposes:-

1 To consider the accounts and the reports of the directors and auditors thereon for the year ended 31 July 1994.

2 To approve the final dividend of shs 2.00 per share for the year ended 31 July 1994.

3 To re-elect retiring directors:- Messrs J J Mvoyi and C N Lagat retire by rotation and, being eligible, offer themselves for re-election.

4 To approve the remuneration of the directors.

5 To authorise the directors to fix the remuneration of the auditors.

6 To transact any other competent business.

BY ORDER OF THE BOARD

J P G GACHOYA
*Secretary*



Nairobi
11 January 1995

PROXIES
A member entitled to attend and vote may appoint a proxy to attend and vote on his behalf. A proxy need not also be a member.

NOTE:
Shareholders are reminded that all queries concerning shares should be addressed to the company's registrars, Livingstone Registrars Limited, P O Box 30029, Nairobi.





UNGA GROUP LIMITED

# CHAIRMAN'S STATEMENT

Once again, I take great pleasure in presenting my statement and report and accounts for the year ended 31 July 1994.

## RESULTS

The results reflect a year in which the group overcame many challenges and seized every opportunity to apply efficient methods in use of resources in a partially liberalised environment. The group achieved substantial growth in the year under review with turnover rising to shs 6.0 bn from shs 3.3 bn in the previous year. In constant prices, the turnover rose by 40 per cent. Pre-tax profits improved to shs 237.5 m compared to shs 63.1 m in the previous year. Taxation rose to shs 136.4 m from shs 50 m.

## OPERATIONS

Over the past year, the Kenyan economy remained unsettled. This perception included a fallout from political tensions and the effects of insecurity caused by 'tribal clashes'. In the early stages of the year, inflationary conditions slowed down sufficiently to allow a weak shilling to reverse into an upward course bringing in its wake much concern in export and tourism industries. In this atmosphere, domestic prices lagged behind changes in the value of the shilling, thus causing further disturbances in income and employment. Positive signs were indicated by the lowering of commercial bank interest rates which should add much needed fillip to access for credit and in reduction of financing for supplies of raw materials. However, it is unlikely that the financial service sector can deliver adequate contribution towards economic recovery.

Liberalisation of maize marketing in December 1993 removed the remaining price controls on products marketed by the group. Coupled with the earlier liberalisation of wheat marketing, foreign exchange and the subsequent appreciation of the shilling, the group was able to procure raw materials and supplies at competitive prices. This facilitated a significant reduction in prices of wheat flour, maize meal and animal feeds, a move which assisted in raising sales of these products.

The liberalisation process also enabled the group to purchase large quantities of local wheat and maize. The group will continue to give full support to local farmers. The ban on importation of wheat and maize in August 1994 raised fears in business circles of a return to price control regime. But the ban was subsequently replaced by an imposition of variable duty and anti-dumping tax. With the recent elimination of price controls in the fuel oil industry, the economy should soon be experiencing the full effects of new policies.

We are confident that a sound and strong economy will emerge from continued commitments to the objectives of liberalisation. A sister programme aimed at privatisation of state enterprises has not attracted much enthusiasm. Prospective participants are heard to call for a level playing field in which winners are known after the game has been played, not when the game is about to commence.

The liberalisation of the economy has further enabled the group to seize opportunities for introducing new products, re-launch some old ones and venture into new business linked to an expanded distribution network through Unga Trade Centres. Maintenance and replacement of plant and machinery has always been a necessary priority to reinforce performance and retain our place in business. The programme was seriouly disrupted by inflationary pressures but has now been resumed together with a revamping of information network supported by use of computer skills.

In spite of the encouraging trend in our operations, I have to mention that the Joint Venture involving Elianto Kenya Limited and CPC Kenya Limited is in the course of being wound up. The Joint Venture did not measure up to expectations and it incurred unacceptable losses in the year under review. An amicable settlement for termination of the Joint Venture has been drafted for approval of the board.

The joint liquidators of Elliot's Bakeries Limited declared the first dividend to creditors in October 1994 and the share due to the group was shs 31 m.

## DIVIDEND

An interim dividend of shs 0.80 per share was paid in August 1994. The directors are confident that the group will be able to sustain the trend and therefore recommend a final dividend of shs 2.00 per share. The total dividend for the year is therefore shs 2.80 per share, a record for the company.

## DIRECTORS AND STAFF

I have continued to receive the support of directors. The impetus and thrust in group activities has instilled confidence and morale in staff. On your behalf, I commend them for their hard work and diligence which has turned round the fortunes of the group.

D N NDEGWA
*Chairman*

Nairobi

30 December 1994



UNGA GROUP LIMITED

# REPORT OF THE DIRECTORS

The directors present their report together with the accounts of the group for the year ended 31 July 1994.

**ACTIVITIES**

The company operates as a holding company. The principal activities of the group are the milling of wheat and maize, the manufacture of cooking oils, breakfast cereals, animal feeds and related products and the owning and development of properties for rental purposes.

| **GROUP RESULTS** | 1994 shs'000 | 1993 shs'000 |
|---|---|---|
| Profit before taxation | 237,482 | 63,092 |
| Taxation | 136,427 | 49,902 |
| Profit before minority interests | 101,055 | 13,190 |
| Minority interests | 13,599 | (1,841) |
| Profit before extraordinary items | 114,654 | 11,349 |
| Extraordinary items | 1,771 | (104,858) |
| Profit / (loss) before appropriations | 116,425 | (93,509) |
| Dividends | 14,578 | 4,165 |
| Transfer to revenue reserve | 101,847 | (97,674) |

**DIVIDENDS**

An interim dividend of shs 0.80 per share was paid on 26 August 1994. The directors recommend payment of a final dividend of shs 2.00 per share, making a total dividend of shs 2.80 per share for the year ended 31 July 1994.

**DIRECTORS**

The present board of directors is shown on page 2.

In accordance with articles 88 and 89 of the articles of association, Messrs J J Mvoyi and C N Lagat retire by rotation and, being eligible, offer themselves for re-election.

**AUDITORS**

Gill & Johnson, having confirmed their willingness, will continue in office in accordance with section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

J P G GACHOYA
*Secretary*

Nairobi
24 November 1994

# *REPORT OF THE AUDITORS*

## *TO THE MEMBERS OF UNGA GROUP LIMITED*

We have examined the acccounts on pages 7 to 21 and have obtained all the information and explanations considered necessary for our audit.

In our opinion:

1 Proper books of account have been kept by the company and the company's balance sheet is in agreement therewith.

2 The accounts, which comply with the Companies Act, give a true and fair view of the state of affairs of the company and the group at 31 July 1994 and of the profit and cash flows of the group for the year ended on that date.

GILL AND JOHNSON
*Certified Public Accountants (Kenya)*

Nairobi
16 December 1994



UNGA GROUP LIMITED

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

*FOR THE YEAR ENDED 31 JULY 1994*

| | Notes | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| TURNOVER | | 5,993,799 | 3,357,870 |
| GROUP OPERATING PROFIT | 2 | 397,190 | 115,286 |
| INTEREST RECEIVABLE | 3 | 1,226 | 8,607 |
| INTEREST PAYABLE | 3 | (160,934) | (58,637) |
| SHARE OF LOSS OF ASSOCIATED COMPANY | | — | (2,164) |
| PROFIT BEFORE TAXATION | | 237,482 | 63,092 |
| TAXATION | 4 | 136,427 | 49,902 |
| PROFIT BEFORE MINORITY INTERESTS | | 101,055 | 13,190 |
| MINORITY INTERESTS | | 13,599 | (1,841) |
| PROFIT BEFORE EXTRAORDINARY ITEMS | | 114,654 | 11,349 |
| EXTRAORDINARY ITEMS | 5 | 1,771 | (104,858) |
| PROFIT/(LOSS) BEFORE APPROPRIATIONS | 6 | 116,425 | (93,509) |
| DIVIDENDS - GROSS | 7 | 14,578 | 4,165 |
| SURPLUS/(DEFICIT) FOR THE YEAR | 15 | 101,847 | (97,674) |
| EARNINGS PER SHARE | 8 | shs 22.02 | shs 2.18 |



UNGA GROUP LIMITED

# *CONSOLIDATED BALANCE SHEET*

*31 JULY 1994*

| | Notes | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| **ASSETS EMPLOYED:** | | | |
| FIXED ASSETS | 9 | 1,622,678 | 1,670,045 |
| INVESTMENT PROPERTIES | 10 | 548,000 | 468,000 |
| INVESTMENT IN ASSOCIATED COMPANY | 12 | — | 13,056 |
| CURRENT ASSETS | | | |
| Stocks | 13 | 1,244,477 | 377,318 |
| Debtors | | 292,139 | 167,755 |
| Due from associated company | | — | 6,294 |
| Taxation recoverable | | 2,070 | 756 |
| Deposits, bank and cash balances | | 10,577 | 18,104 |
| | | 1,549,263 | 570,227 |
| CURRENT LIABILITIES | | | |
| Creditors | | 928,433 | 316,278 |
| Due to associated company | | 26,750 | — |
| Taxation | | 138,332 | 9,159 |
| Loans payable within one year | 16 | 31,949 | 60,165 |
| Finance leases | 17 | 520 | 1,076 |
| Bank overdrafts (secured) | | 353,362 | 232,981 |
| Dividends - gross | | 14,578 | 4,165 |
| | | 1,493,924 | 623,824 |
| NET CURRENT ASSETS/(LIABILITIES) | | 55,339 | (53,597) |
| | | 2,226,017 | 2,097,504 |
| **FINANCED BY:** | | | |
| SHARE CAPITAL | 14 | 26,033 | 26,033 |
| RESERVES | 15 | 1,786,995 | 1,607,638 |
| SHAREHOLDERS' FUNDS | | 1,813,028 | 1,633,671 |
| LOANS | 16 | 32,000 | 60,378 |
| FINANCE LEASES | 17 | — | 471 |
| MINORITY INTERESTS | | 380,989 | 402,984 |
| | | 2,226,017 | 2,097,504 |

The accounts on pages 7 to 21 were approved by the board of directors on 24 November 1994 and were signed on its behalf by:

D N NDEGWA *Director*

F W WANGANJU *Director*



UNGA GROUP LIMITED

# *COMPANY BALANCE SHEET*

*31 JULY 1994*

| | Notes | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| **ASSETS EMPLOYED:** | | | |
| FIXED ASSETS | 9 | 7,407 | 10,520 |
| INVESTMENTS IN SUBSIDIARIES | 11 | 1,759,665 | 1,604,121 |
| CURRENT ASSETS | | | |
| Debtors | | 4,710 | 1,026 |
| Due from subsidiary companies | | 69,415 | 43,773 |
| Due from associated company | | 66 | — |
| Deposits, bank and cash balances | | 5,334 | 3,345 |
| | | 79,525 | 48,144 |
| CURRENT LIABILITIES | | | |
| Creditors | | 15,021 | 15,789 |
| Due to subsidiary companies | | 3,272 | 7,376 |
| Taxation | | 698 | 1,784 |
| Dividends - gross | | 14,578 | 4,165 |
| | | 33,569 | 29,114 |
| NET CURRENT ASSETS | | 45,956 | 19,030 |
| | | 1,813,028 | 1,633,671 |
| **FINANCED BY:** | | | |
| SHARE CAPITAL | 14 | 26,033 | 26,033 |
| RESERVES | 15 | 1,786,995 | 1,607,638 |
| SHAREHOLDERS' FUNDS | | 1,813,028 | 1,633,671 |

The accounts on pages 7 to 21 were approved by the board of directors on 24 November 1994 and were signed on its behalf by:

D N NDEGWA *Director*

F W WANGANJU *Director*

# *CONSOLIDATED CASH FLOW STATEMENT*

*FOR THE YEAR ENDED 31 JULY 1994*

| | Notes | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 18(a) | 178,928 | 88,394 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 1,150 | 8,289 |
| Interest paid | | (127,517) | (64,404) |
| Dividends paid | | (4,165) | (4,165) |
| Dividend paid to minority | | (2,508) | (2,508) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (133,040) | (62,788) |
| TAXATION PAID | | (17,007) | (29,539) |
| INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | | (105,155) | (74,507) |
| Proceeds from disposal of fixed assets | | 5,987 | 9,838 |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (99,168) | (64,669) |
| NET CASH OUTFLOW BEFORE FINANCING | | (70,287) | (68,602) |
| FINANCING | | | |
| Loan received | | 10,497 | 21,020 |
| Proceeds on issue of shares to minority | | — | 13,487 |
| Repayment of amounts borrowed | | (67,091) | (84,287) |
| Finance leases entered into | | — | 263 |
| Capital element of finance lease payments | | (1,027) | (1,802) |
| NET CASH OUTFLOW FROM FINANCING | | (57,621) | (51,319) |
| DECREASE IN CASH AND CASH EQUIVALENTS | 18(b) | (127,908) | (119,921) |



UNGA GROUP LIMITED

# *NOTES TO THE ACCOUNTS*

*FOR THE YEAR ENDED 31 JULY 1994*

## 1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The company prepares its accounts on the historical cost basis of accounting, modified to include the revaluation of certain assets

CONSOLIDATION

The consolidated accounts incorporate the accounts of Unga Group Limited, its subsidiaries and its associated company, all of which are made up to 31 July.

TURNOVER

Turnover represents net sales to external customers during the year.

TAXATION

Current taxation is provided on the basis of the results for the year as shown in the accounts, adjusted in accordance with tax legislation.

Deferred taxation is accounted for to the extent that it is probable that timing differences will reverse in the foreseeable future.

FIXED ASSETS

Fixed assets are stated at cost or as professionally revalued on the following bases:

(a) Freehold and leasehold land and buildings not in production use - open market value.

(b) Other assets - depreciated replacement cost.

Professional valuations are carried out in accordance with the company's policy of revaluing certain fixed assets every five years. The last valuation was as at 31 July 1992.

INVESTMENT PROPERTIES

Investment properties are revalued on an open market basis annually; the net surplus arising therefrom is credited to capital reserve.

LEASED ASSETS

Assets acquired under finance leases are capitalised at the date of the agreement. The interest element of each instalment is charged to the profit and loss account at the time each instalment falls due.

# NOTES TO THE ACCOUNTS

*(Continued)*

## 1 ACCOUNTING POLICIES *(continued)*

DEPRECIATION

No depreciation is provided on freehold land and investment properties. Depreciation on other assets is calculated to write off the cost or valuation of fixed assets in equal annual instalments over their estimated useful lives. The annual rates generally in use are:

| | |
|---|---|
| Freehold buildings | 2.5% |
| Leasehold land | period of lease |
| Long leasehold buildings | 2.5% |
| Short leasehold buildings | period of lease |
| Plant and machinery | 7.5% |
| Furniture and fittings | 12.5% - 20% |
| Motor vehicles | 25% |
| Silos | shorter of 50 years or the unexpired period of the lease for the land on which they are built |

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at directors' valuation based on the net asset value of each subsidiary company at the balance sheet date.

INVESTMENT IN ASSOCIATED COMPANY

Investment in associated company is stated at the group's share of net assets at 31 July.

Income taken into account represents the group's share of the results for the year to 31 July.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing the stocks plus an allocation of normal overhead expenditure attributable to the processes through which they have passed.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit and loss account.

| | | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| 2 | **GROUP OPERATING PROFIT** | | |
| | The group operating profit is arrived at after charging: | | |
| | Depreciation | 149,709 | 142,361 |
| | Auditors' remuneration | 4,395 | 3,388 |
| | Directors' emolument - fees for services as directors | 970 | 185 |
| | - other emoluments | 3,230 | 2,437 |
| | and after crediting: | | |
| | Profit on disposal of fixed assets | 4,566 | 4,392 |
| 3 | **INTEREST** | | |
| | Interest receivable: | | |
| | Deposits | 1,226 | 8,607 |
| | Interest payable: | | |
| | Loans | 31,560 | 29,811 |
| | Bank overdrafts | 98,823 | 28,302 |
| | Finance leases | 421 | 524 |
| | Overdue creditors | 28,768 | — |
| | Current account with associated company | 1,362 | — |
| | | 160,934 | 58,637 |
| 4 | **TAXATION** | | |
| | Based on the adjusted profit for the year: | | |
| | Current tax at 35% | 127,098 | 49,644 |
| | Drought levy at 2.5% | 9,679 | — |
| | | 136,777 | 49,644 |
| | Adjustment for previous year | (350) | 258 |
| | | 136,427 | 49,902 |

At 31 July 1994, there were tax losses in subsidiary companies amounting to shs 219,983,000 (1993 - shs 190,681,000) to be carried forward.

The effective tax rate is materially higher than the standard rate mainly due to excess depreciation over capital allowances.

At 31 July 1994, the potential deferred tax liability on timing differences in subsidiary companies amounted to shs 69,498,000 (1993 - shs 68,432,000).



UNGA GROUP LIMITED

# NOTES TO THE ACCOUNTS

*(Continued)*

| | | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| **5** | **EXTRAORDINARY ITEMS** | | |
| | Reversal of provision made in 1993 for loss on closure of subsidiary company: | | |
| | Investment | — | (10,418) |
| | Loans and current accounts-trading | 22,501 | (113,159) |
| | -other | 8,677 | (43,387) |
| | | 31,178 | (166,964) |
| | Diminution of investment in CPC Kenya Limited | (13,155) | — |
| | Provision for net deficit in CPC Kenya Limited | (8,512) | — |
| | Extraordinary items before taxation and minority interests | 9,511 | (166,964) |
| | Taxation relief attributable to reversal of provision on trading balances | (8,438) | 39,606 |
| | | 1,073 | (127,358) |
| | Minority interests | 698 | 22,500 |
| | | 1,771 | (104,858) |

Elliot's Bakeries Limited went into liquidation on 10 February 1993. On 12 October 1994, the joint liquidators declared a dividend of 20 % on the accepted claims.

**6 PROFIT/(LOSS) BEFORE APPROPRIATIONS**

A profit of shs 33,391,000 (1993 - loss of shs 4,922,000) has been dealt with in the accounts of Unga Group Limited.

| | | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| **7** | **DIVIDENDS - GROSS** | | |
| | Interim dividend - paid on 26 August 1994 | 4,165 | — |
| | Proposed final dividend | 10,413 | 4,165 |
| | | 14,578 | 4,165 |

**8 EARNINGS PER SHARE**

The earnings per share has been calculated on the profit before extraordinray items of shs 114,654,000 (1993 - shs 11,349,000) and on 5,206,529 ordinary shares.



UNGA GROUP LIMITED

## 9 FIXED ASSETS

| | GROUP Land and buildings shs'000 | GROUP Plant and machinery shs'000 | GROUP Work in progress shs'000 | GROUP Total shs'000 | COMPANY Plant and machinery shs'000 |
|---|---|---|---|---|---|
| COST OR VALUATION | | | | | |
| At 1 August 1993 | 512,267 | 1,312,589 | 18,152 | 1,843,008 | 20,767 |
| Adjustment | — | (1,392) | — | (1,392) | — |
| Additions | — | 89,010 | 16,145 | 105,155 | 179 |
| Transfers | — | 34,297 | (34,297) | — | — |
| Disposals | — | (5,711) | — | (5,711) | — |
| At 31 July 1994 | 512,267 | 1,428,793 | — | 1,941,060 | 20,946 |
| **Comprising:** | | | | | |
| Valuation in 1992 | 512,146 | 1,194,056 | — | 1,706,202 | 4,615 |
| Cost | 121 | 234,737 | — | 234,858 | 16,331 |
| | 512,267 | 1,428,793 | — | 1,941,060 | 20,946 |
| DEPRECIATION | | | | | |
| At 1 August 1993 | 14,653 | 158,310 | — | 172,963 | 10,247 |
| Charge for the year | 14,652 | 135,057 | — | 149,709 | 3,292 |
| Disposals | — | (4,290) | — | (4,290) | — |
| At 31 July 1994 | 29,305 | 289,077 | — | 318,382 | 13,539 |
| NET BOOK VALUE | | | | | |
| At 31 July 1994 | 482,962 | 1,139,716 | — | 1,622,678 | 7,407 |
| At 31 July 1993 | 497,614 | 1,154,279 | 18,152 | 1,670,045 | 10,520 |

| **Land and buildings comprise:** | |
|---|---|
| Freehold | 31,768 |
| Long leasehold | 200,604 |
| Short leasehold | 250,590 |
| | 482,962 |



The net book value of group plant and machinery includes shs 1,553,000 (1993 - shs 2,420,000) in respect of assets in subsidiary companies that were the subject of finance leases.

The adjustment relates to the reversal of shs 1,392,329 being notional interest capitalised in 1993 in a subsidiary company in excess of the total interest incurred.

## 10 INVESTMENT PROPERTIES

| | Chester House shs'000 | Unga House shs'000 | Unga Gate Plot shs'000 | Total shs'000 |
|---|---|---|---|---|
| VALUATION | | | | |
| At 1 August 1993 | 310,000 | 155,000 | 3,000 | 468,000 |
| Surplus on revaluation | 65,000 | 15,000 | — | 80,000 |
| At 31 July 1994 | 375,000 | 170,000 | 3,000 | 548,000 |

The investment properties are long leasehold.

The investment properties were revalued as at 31 July 1994 on an open market value basis by Lloyd Masika Limited, registered valuers and estate agents.

## 11 INVESTMENTS IN SUBSIDIARIES

| | 1994 shs'000 | 1993 shs'000 |
|---|---|---|
| Shareholdings at directors' valuation: | | |
| At 1 August 1993 | 1,584,121 | 1,615,297 |
| Surplus on revaluation | 160,544 | 48,479 |
| Provision for diminution in value of investments | — | (79,655) |
| At 31 July 1994 | 1,744,665 | 1,584,121 |
| Unsecured long term loan | 15,000 | 20,000 |
| | 1,759,665 | 1,604,121 |

A subsidiary company, Elliot's Bakeries Limited, went into liquidation on 10 February 1993.

| | | 1994<br>shs'000 | 1993<br>shs'000 |
|---|---|---|---|
| **12** | **INVESTMENT IN ASSOCIATED COMPANY - Unquoted** | | |
| | Share of net assets in CPC Kenya Limited | — | 13,056 |
| | Share of revenue reserve at 31 July of associated company | — | 581 |

The group holds 49.9% of the total issued ordinary share capital of CPC Kenya Limited, whose principal activities are the manufacture and distribution of food products. CPC Kenya Limited had negative net assets of shs 17,058,000 at 31 July 1994. The group's share of this deficit has been accounted for in extraordinary items (see Note 5).

| | | 1994<br>shs'000 | 1993<br>shs'000 |
|---|---|---|---|
| **13** | **STOCKS** | | |
| | Finished products | 167,367 | 115,957 |
| | Raw materials | 539,821 | 156,417 |
| | Production supplies | 58,490 | 46,498 |
| | Engineering stores | 35,717 | 27,699 |
| | Goods in transit | 441,076 | 29,563 |
| | Others | 2,006 | 1,184 |
| | | 1,244,477 | 377,318 |
| **14** | **SHARE CAPITAL** | | |
| | Authorised: | | |
| | 6,200,000 ordinary shares of shs 5 each | 31,000 | 31,000 |
| | 1,800,000 undenominated shares of shs 5 each | 9,000 | 9,000 |
| | | 40,000 | 40,000 |
| | Issued and fully paid: | | |
| | 5,206,529 ordinary shares of shs 5 each | 26,033 | 26,033 |

**15 RESERVES**

| GROUP | Capital shs '000 | Revenue shs'000 | Total shs'000 |
|---|---|---|---|
| At 1 August 1993 | 1,382,106 | 225,532 | 1,607,638 |
| Adjustment | (2,152) | (338) | (2,490) |
| Surplus for the year | — | 101,847 | 101,847 |
| Realised on disposal of fixed assets | (567) | 567 | — |
| Surplus on revaluation of investment properties | 80,000 | — | 80,000 |
| At 31 July 1994 | 1,459,387 | 327,608 | 1,786,995 |

| COMPANY | Capital shs '000 | Revenue shs'000 | Total shs'000 |
|---|---|---|---|
| At 1 August 1993 | 1,432,513 | 175,125 | 1,607,638 |
| Surplus for the year | — | 18,813 | 18,813 |
| Surplus on revaluation of investments in subsidiaries | 160,544 | — | 160,544 |
| At 31 July 1994 | 1,593,057 | 193,938 | 1,786,995 |

| | | 1994<br>shs '000 | 1993<br>shs '000 |
|---|---|---|---|
| **16** | **LOANS** | | |
| | GROUP | | |
| | Secured loan from a financial institution repayable in monthly instalments by 1995; interest at 35% per annum | 7,020 | 7,020 |
| | Secured loan from a financial institution repayable in monthly instalments by 1995; interest at 45% per annum | — | 14,000 |
| | Secured loan from a financial institution repayable in monthly instalments by 1994; interest at 31% per annum | 1,630 | 5,638 |
| | Secured bank loan repayable in monthly instalments by 1994; interest at the ruling bank rate | 2,302 | 20,326 |
| | Secured bank loan repayable in semi-annual instalments by 1994; interest at 32% per annum | 5,000 | 15,000 |
| | Secured bank loan repayable in annual instalments by 1994; interest at 28% per annum | — | 12,605 |
| | Unsecured bank loan repayable in monthly intalments by 1995; interest at 12% per annum | 10,497 | — |
| | Secured consortium debenture loan repayable in quarterly instalments by 1999; interest at 20.5% per annum | 37,500 | 42,100 |
| | Secured consortium debenture loans repayable in quarterly instalments by instalments by 1994; interest at 27% per annum | — | 3,854 |
| | | 63,949 | 120,543 |
| | Less: repayable within one year | 31,949 | 60,165 |
| | | 32,000 | 60,378 |

The terms of the secured loan from a financial institution repayable by 1995 were renegotiated during the year.

| | | | |
|---|---|---|---|
| **17** | **FINANCE LEASES** | | |
| | Secured liabilities under finance leases expiring by: | | |
| | 1994 | 20 | 222 |
| | 1995 | 500 | 1,325 |
| | | 520 | 1,547 |
| | Less: repayable within one year | 520 | 1,076 |
| | | — | 471 |

# GROUP FIVE YEAR FINANCIAL REVIEW

| | | 1994 shs'000 | 1993 shs'000 | 1992 shs'000 (as restated) | 1991 shs'000 (as restated) | 1990 shs'000 (as restated) |
|---|---|---|---|---|---|---|
| RESULTS: | | | | | | |
| Turnover | | 5,993,799 | 3,357,870 | 2,985,365 | 2,432,425 | 2,234,096 |
| Operating profit / (loss) | | 397,190 | 115,286 | 62,026 | (4,828) | 1,204 |
| Interest receivable | | 1,226 | 8,607 | 2,765 | 2,411 | 7,041 |
| Interest payable | | (160,934) | (58,637) | (68,067) | (80,765) | (61,279) |
| Share of (loss) /profit of associated company | | — | (2,164) | 2,240 | 1,816 | — |
| Profit / (loss) before taxation | | 237,482 | 63,092 | (1,036) | (81,366) | (53,034) |
| Taxation | | 136,427 | 49,902 | 29,438 | 10,193 | 31,908 |
| Profit / (loss) after taxation | | 101,055 | 13,190 | (30,474) | (91,559) | (84,942) |
| Minority interests | | 13,599 | (1,841) | 2,764 | 21,812 | 23,715 |
| Extraordinary items | | 1,771 | (104,858) | 51,182 | 53,141 | — |
| Ordinary dividends | | (14,578) | (4,165) | (4,165) | — | (4,165) |
| Retained surplus/(deficit) | | 101,847 | (97,674) | 19,307 | (16,606) | (65,392) |
| ASSETS EMPLOYED : | | | | | | |
| Fixed assets | | 1,622,678 | 1,670,045 | 2,012,926 | 1,240,882 | 1,320,806 |
| Investment properties * | | 548,000 | 468,000 | 360,890 | 247,016 | 246,094 |
| Nationalised assets in Uganda | | — | — | — | — | 34,264 |
| Associated company | | — | 13,056 | 15,220 | 13,473 | — |
| Net current assets/(liabilities) | | 55,339 | (53,597) | (171,554) | (247,483) | (278,540) |
| | | 2,226,017 | 2,097,504 | 2,217,482 | 1,253,888 | 1,322,624 |
| FINANCED BY: | | | | | | |
| Share capital | | 26,033 | 26,033 | 26,033 | 26,033 | 26,033 |
| Reserves | | 1,786,995 | 1,607,638 | 1,642,543 | 854,643 | 916,188 |
| Shareholders' funds | | 1,813,028 | 1,633,671 | 1,668,576 | 880,676 | 942,221 |
| Loans | | 32,000 | 60,378 | 115,454 | 136,416 | 141,909 |
| Finance leases | | — | 471 | 1,425 | 872 | 303 |
| Minority interests | | 380,989 | 402,984 | 432,027 | 235,924 | 238,191 |
| | | 2,226,017 | 2,097,504 | 2,217,482 | 1,253,888 | 1,322,624 |
| RATIOS: | | | | | | |
| Earnings/(loss)per share | shs | 22.02 | 2.18 | (6.43) | (14.34) | (12.41) |
| Shareholders' funds per share | shs | 348.22 | 313.77 | 320.48 | 169.15 | 180.97 |
| Profit / (loss) after taxation and minority interests to: | | | | | | |
| Turnover | % | 1.91 | 0.34 | (0.93) | (2.87) | (2.74) |
| Capital employed | % | 5.15 | 0.54 | (1.25) | (5.56) | (4.63) |

* Investment properties have been reclassified from 1 August 1992. Prior years' results have therefore been restated in line with the new policy.

# NOTES TO THE ACCOUNTS

*(Continued)*

| | 1994 shs '000 | 1993 shs '000 |
|---|---|---|
| **16 LOANS** | | |
| GROUP | | |
| Secured loan from a financial institution repayable in monthly instalments by 1995; interest at 35% per annum | 7,020 | 7,020 |
| Secured loan from a financial institution repayable in monthly instalments by 1995; interest at 45% per annum | — | 14,000 |
| Secured loan from a financial institution repayable in monthly instalments by 1994; interest at 31% per annum | 1,630 | 5,638 |
| Secured bank loan repayable in monthly instalments by 1994; interest at the ruling bank rate | 2,302 | 20,326 |
| Secured bank loan repayable in semi-annual instalments by 1994; interest at 32% per annum | 5,000 | 15,000 |
| Secured bank loan repayable in annual instalments by 1994; interest at 28% per annum | — | 12,605 |
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| Secured consortium debenture loan repayable in quarterly instalments by 1999; interest at 20.5% per annum | 37,500 | 42,100 |
| Secured consortium debenture loans repayable in quarterly instalments by instalments by 1994; interest at 27% per annum | — | 3,854 |
| | 63,949 | 120,543 |
| Less: repayable within one year | 31,949 | 60,165 |
| | 32,000 | 60,378 |

The terms of the secured loan from a financial institution repayable by 1995 were renegotiated during the year.

| | 1994 shs '000 | 1993 shs '000 |
|---|---|---|
| **17 FINANCE LEASES** | | |
| Secured liabilities under finance leases expiring by: | | |
| 1994 | 20 | 222 |
| 1995 | 500 | 1,325 |
| | 520 | 1,547 |
| Less: repayable within one year | 520 | 1,076 |
| | — | 471 |



UNGA GROUP LIMITED

## 18 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a)Reconciliation of group operating profit to net cash inflow from operating activities

| | 1994 shs'000 | 1993 shs'000 |
|---|---|---|
| Group operating profit | 397,190 | 115,286 |
| Net changes to group structure | — | 61,413 |
| Depreciation | 149,709 | 142,361 |
| Profit on disposal of fixed assets | (4,566) | (4,392) |
| Increase in stocks | (867,159) | (184,007) |
| Increase in debtors | (93,131) | (84,079) |
| Increase in creditors | 563,841 | 47,224 |
| Movement in associated company | 33,044 | (5,412) |
| Net cash inflow from operating activities | 178,928 | 88,394 |

(b)Analysis of the balance of cash and cash equivalents

| | 1994 shs'000 | 1993 shs'000 | Movement shs'000 |
|---|---|---|---|
| Deposits, bank and cash balances | 10,577 | 18,104 | (7,527) |
| Bank overdrafts | 353,362 | 232,981 | (120,381) |
| | | | (127,908) |

# *NOTES TO THE ACCOUNTS*

*(Continued)*

| | | 1994 shs'000 | 1993 shs'000 |
|---|---|---|---|
| **19** | **CONTINGENT LIABILITIES** | | |
| | GROUP | | |
| | Guarantee in favour of Barclays Bank of Kenya Limited for loans, overdraft and other banking facilities to Elliot's Bakeries Limited | — | 35,000 |
| | Guarantee in favour of a supplier of capital equipment to Elliot's Bakeries Limited | — | 69,352 |
| | | | 104,352 |



During 1991, the VAT department issued an assessment to a subsidiary company for shs 11,500,000 to which the subsidiary made an objection. The issue in dispute is the effective date of the introduction of Value Added Tax on certain of the subsidiary's products. To date there has been no response from the VAT department.



| | 1994 shs'000 | 1993 shs'000 |
|---|---|---|
| COMPANY | | |
| Guarantees in favour of Barclays Bank of Kenya Limited for loans, overdrafts and other banking facilities to subsidiaries | 360,703 | 269,644 |
| Guarantees in favour of Standard Chartered Bank Kenya Limited for loans, overdrafts and other banking facilities to subsidiaries | 49,588 | 102,370 |
| | 410,291 | 372,014 |



**20 CAPITAL COMMITMENTS**

Commitments at the year end for which no provision has been made in these accounts:

| | 1994 shs'000 | 1993 shs'000 |
|---|---|---|
| GROUP | | |
| Contracted | 120,943 | 34,815 |
| Authorised but not contracted | 241,823 | 119,173 |

# GROUP FIVE YEAR FINANCIAL REVIEW

| | | 1994 shs'000 | 1993 shs'000 | 1992 shs'000 (as restated) | 1991 shs'000 (as restated) | 1990 shs'000 (as restated) |
|---|---|---|---|---|---|---|
| RESULTS: | | | | | | |
| Turnover | | 5,993,799 | 3,357,870 | 2,985,365 | 2,432,425 | 2,234,096 |
| Operating profit / (loss) | | 397,190 | 115,286 | 62,026 | (4,828) | 1,204 |
| Interest receivable | | 1,226 | 8,607 | 2,765 | 2,411 | 7,041 |
| Interest payable | | (160,934) | (58,637) | (68,067) | (80,765) | (61,279) |
| Share of (loss) /profit of associated company | | — | (2,164) | 2,240 | 1,816 | — |
| Profit / (loss) before taxation | | 237,482 | 63,092 | (1,036) | (81,366) | (53,034) |
| Taxation | | 136,427 | 49,902 | 29,438 | 10,193 | 31,908 |
| Profit / (loss) after taxation | | 101,055 | 13,190 | (30,474) | (91,559) | (84,942) |
| Minority interests | | 13,599 | (1,841) | 2,764 | 21,812 | 23,715 |
| Extraordinary items | | 1,771 | (104,858) | 51,182 | 53,141 | — |
| Ordinary dividends | | (14,578) | (4,165) | (4,165) | — | (4,165) |
| Retained surplus/(deficit) | | 101,847 | (97,674) | 19,307 | (16,606) | (65,392) |
| ASSETS EMPLOYED : | | | | | | |
| Fixed assets | | 1,622,678 | 1,670,045 | 2,012,926 | 1,240,882 | 1,320,806 |
| Investment properties * | | 548,000 | 468,000 | 360,890 | 247,016 | 246,094 |
| Nationalised assets in Uganda | | — | — | — | — | 34,264 |
| Associated company | | — | 13,056 | 15,220 | 13,473 | — |
| Net current assets/(liabilities) | | 55,339 | (53,597) | (171,554) | (247,483) | (278,540) |
| | | 2,226,017 | 2,097,504 | 2,217,482 | 1,253,888 | 1,322,624 |
| FINANCED BY: | | | | | | |
| Share capital | | 26,033 | 26,033 | 26,033 | 26,033 | 26,033 |
| Reserves | | 1,786,995 | 1,607,638 | 1,642,543 | 854,643 | 916,188 |
| Shareholders' funds | | 1,813,028 | 1,633,671 | 1,668,576 | 880,676 | 942,221 |
| Loans | | 32,000 | 60,378 | 115,454 | 136,416 | 141,909 |
| Finance leases | | — | 471 | 1,425 | 872 | 303 |
| Minority interests | | 380,989 | 402,984 | 432,027 | 235,924 | 238,191 |
| | | 2,226,017 | 2,097,504 | 2,217,482 | 1,253,888 | 1,322,624 |
| RATIOS: | | | | | | |
| Earnings/(loss)per share | shs | 22.02 | 2.18 | (6.43) | (14.34) | (12.41) |
| Shareholders' funds per share | shs | 348.22 | 313.77 | 320.48 | 169.15 | 180.97 |
| Profit / (loss) after taxation and minority interests to: | | | | | | |
| Turnover | % | 1.91 | 0.34 | (0.93) | (2.87) | (2.74) |
| Capital employed | % | 5.15 | 0.54 | (1.25) | (5.56) | (4.63) |

* Investment properties have been reclassified from 1 August 1992. Prior years' results have therefore been restated in line with the new policy.



UNGA GROUP LIMITED

# *FORM OF PROXY*

I/We..........................................................................................................................................................

of.......................................................................................................................being member/members

of Unga Group Limited hereby appoint..............................................................................................................

and failing him/her.........................................................................................................................................
and failing him/her the duly appointed chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the sixty seventh annual general meeting of the company to be held on Friday, 17 February 1995 at 11.30 a.m. and at any adjournment thereof.

As witness my/our hand this.......................................................day of ...................................................1995.

..........................................
signed

NOTES

1 If you are unable to attend this meeting personally, this form of proxy should be completed and returned to the Secretary, Unga Group Limited, PO Box 30096, Nairobi, to reach him not later than 24 hours before the time appointed for holding the meeting.

2 A person appointed to act as a proxy need not also be a member of the company.

3 If the appointer be a corporation, this form must be under its common seal or under the hand of an officer or attorney authorised in writing.

UNGA GROUP LIMITED

FOLD 2

STAMP

The Secretary
**Unga Group Limited**
P.O. Box 30096
NAIROBI

FOLD 1

FOLD 3

INSERT FLAP INSIDE