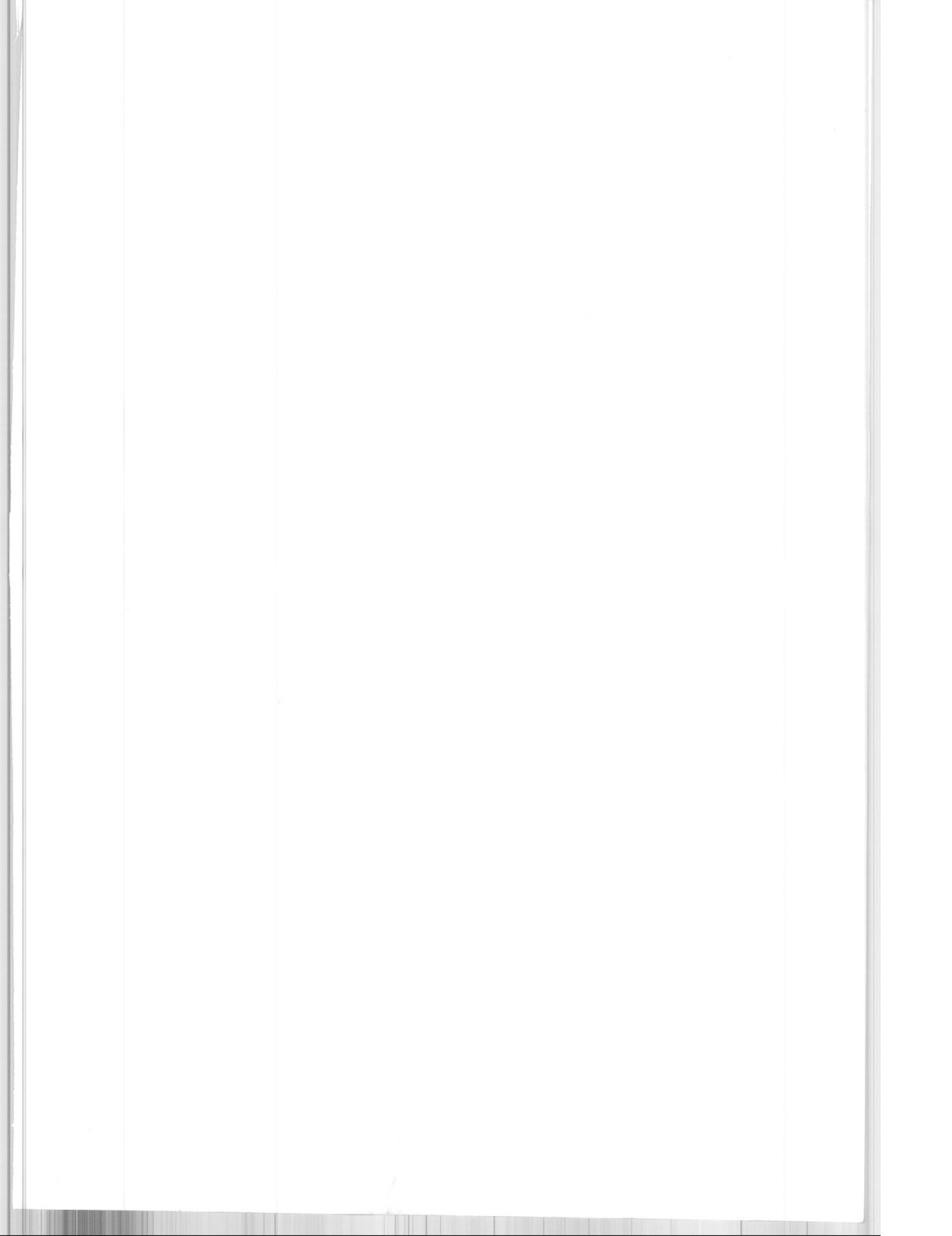


UNGA GROUP LIMITED

HD
6406
82
0543
1995





FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1995

CONTENTS	PAGES
Corporate information	2
Notice of meeting	3
Chairman's statement	4
Report of the directors	5
Report of the auditors	6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes to the financial statements	11 - 19
Group five year financial review	20
Financial charts	21

CMA - Ke Library



AR1164

HD
9049
.C8
U543
1995

1. Unga group limited -- periodicals
2. Corn Industry -- Kenya -- periodicals

CORPORATE INFORMATION



DN Ndegwa
Chairman



FW Wanganju
Group Managing Director



JG Kiereini
Director



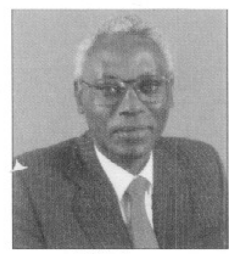
R Kemoli
Director



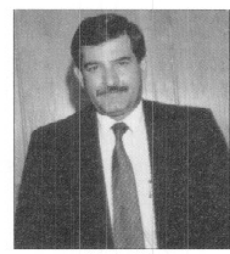
JJ Mvoyi
Director



CN Lagat
Director



P Ndegwa
Director



BA Butt
Director (alt to P Ndegwa)



JPG Gachoya
Secretary

Chairman
DN Ndegwa CBS, FCIB, MA

Group Managing Director
FW Wanganju B Comm., CPA(K), FKIM

Non Executive Directors
JG Kiereini EGH, EBS, SS
R Kemoli
JJ Mvoyi
CN Lagat
P Ndegwa
BA Butt (alternate to P Ndegwa)

JPG Gachoya, B Comm., FCIS, CPS(K)

Registered Office
Unga House, Muthithi Road,
Westlands
P O Box 30096 Nairobi, Kenya
Telephone 748080 Fax: 745780
Telegrams "MERTAC" Kenya

Registrars
Livingstone Registrars Limited
P O Box 30029 Nairobi, Kenya

Auditors
Gill & Johnson
P O Box 40092 Nairobi, Kenya

Bankers
Barclays Bank of Kenya Limited
P O Box 30011 Nairobi, Kenya

Financial Calendar
Year ended 31 July 1995
Financial Results:
announced 22 November 1995

Financial Statements
issued 31 January 1996

68th Annual General Meeting
to be held 23 February 1996

Dividends
Interim:
announced 27 July 1995
closing date 26 August 1995
paid 8 September 1995
Final:
announced 22 November 1995
closing date 10 February 1996
payable on 23 February 1996

Share Price
The market price per share on
22 November 1995 was
shs 140.00

Group Companies
Kenya National Mills Limited
Unga Limited
Unga Feeds Limited
Unga Maize Millers Limited
Proctor and Allan Limited
Elianto Kenya Limited
Sofar Investments Limited
Torr's Bakeries Limited
Chester House Limited

2007/1164
2



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the sixty eighth Annual General Meeting of UNGA GROUP LIMITED will be held in the Council Chamber of the Professional Centre, Parliament Road, Nairobi on Friday, 23 February 1996 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 1995.
- 2 To approve the final dividend of shs 9.00 per share for the year ended 31 July 1995.
- 3 To re-elect retiring directors:-
 - (a) Messrs JG Kiereini and P Ndegwa retire by rotation and, being eligible, offer themselves for re-election.
 - (b) Mr DN Ndegwa retires in accordance with section 186 (2) of the Companies Act. Special notice is hereby given that a notice has been received that it is intended at the sixty eighth annual general meeting to move the following resolution:

"That Mr DN Ndegwa be and is hereby re-elected a director of the company in accordance with section 186 (5) of the Companies Act."
- 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
19 January 1996

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.

CHAIRMAN'S STATEMENT

In many past years, this statement commenced with a passionate plea to readers to imagine the Chairman writing it in a transport of great pleasure. Then after so many words attempting to explain good intentions, sound accountability and triumphant transparency, the bottom line summed it all up - 'a tale told by fools signifying nothing'.

This time round, the Chairman's duty is different, lighter and more pleasant. For Unga Group, it was the year of impressive growth. The share prices at the Nairobi Stock Exchange soared from unknown depths to rank among the greats. They shot up from shs 45.50 to shs 146.00 in twelve months.

Sales for the year under review rose by 18.5% from the previous year while pre-tax profits improved by 83.4%. The improvement in pre-tax profits was significantly enhanced by reduced interest charges attained through sound management of working capital.

The results closely followed corporate and business plans set in motion from 1993. Their aim was to capture perceived opportunities in provision of national staple foods for every home and feeds for animals, poultry and pets. To remain on course, Unga subsidiary companies processed 100,000 metric tons of maize, 218,000 metric tons of wheat, 110,000 metric tons of feeds and 4,500 metric tons of crude edible oils.

Aside from seasonal factors, consumers' demand stuck firmly with Unga products. That fact was brought home when reports kept coming in from consumers who detected substitutes packaged under Unga trade marks. New entrants in the milling business may be reminded that customers are ever vigilant of unfair trade practices which promote confusion to the detriment of sound value judgement.

The finished products were distributed through a revamped delivery network to consumers' doorsteps at which Unga Trade Centers played a prominent and effective role.

Direct orders from Uganda continued to expand, although many branded items seemed to find their way to that market through third parties.

Nearer home, the working of transitional policies to a liberal economy seemed to be taking a heavy toll in rural activities. There was a backlog of due payments to farmers from statutory boards - four months in the case of dairy farmers. To continue business means recognising a prolonged and expensive production cycle. Besides, payment delays divert farmers' timely investments and, because of size and scale, are a sure recipe for a national depression. There are increasing cases of fraud and theft - a recent theft and recovery of shs 6m worth of imported drugs would have provided a chapter for Sherlock Holmes ...

The main drive of Unga business strategies is to supply products of enhanced value to consumers. Maize meal products faced stiff competition while imported breakfast cereals continued to affect growth in this line of business. During the year, the group introduced two new products, "Hostess" and "Ujimix". The group has also acquired distribution rights for "Almatix" acaricide in Kenya and similar rights for Pfizer animal health products in Kenya and Uganda.

The group continues to pursue a prudent renewal programme for its processing plants and in this respect, two new packaging lines have

been installed at Unga Limited, Commercial Street; otherwise production capacities present little problems in the foreseeable future. The computerization of the group's information technology is in full swing. No single investor can adequately address the threat to business brought about by deteriorating public utilities. We appreciate reported assurances of restoration of a good network of roads, water supply and continuous flow of electric power.

In all business achievements, Unga people perform a central role. As a team, they can be relied upon to apply operational policies with drive and dedication. In each subsidiary company, management have prepared plans to boost team work and fine-tune group synergy in service of a common mission: to supply valued products to every home in a liberalised and privatised market.

Reference was made in my statement last year regarding the Joint Venture between Elianto Kenya Limited and CPC Kenya Limited. The venture was amicably terminated. Elianto Kenya Limited has since reverted to profitability under the group's management.

No further dividends were received from the liquidators of Elliot's Bakeries Limited during the year.

FUTURE PROSPECTS

For the country to sustain growth in the economy, policy makers must address the agricultural sector. Transitional problems to a viable liberalized economy should receive immediate priority to prevent confusion and fatigue. The effects of inflationary fallout from the 1993 crisis continue to be felt. Farmers in particular find themselves sandwiched between falling incomes and high cost pressures. Reports of imminent shortfalls in wheat yields due to inconsistent policies, coupled with diminishing stocks of wheat worldwide, do not augur well for the future, nor does the current depletion of maize stocks through exports. In so far as market forces take centre stage, there is merit in establishing stabilisation initiatives for major staple commodities.

DIVIDEND

Your directors declared an interim dividend of shs 1.00 per share which was paid in September 1995. The directors have since reviewed the improved results against the group corporate strategies and commitment to shareholders, and recommended an improved final dividend of shs 9.00 per share. The total dividend for the year is therefore shs 10.00 per share compared to shs 2.80 per share in the previous year.

The board has considered representations from shareholders that the annual general meeting should be held during the calendar year in which dividends are declared. To that end, the board has decided that in future the financial year will end on 30 June. The current financial year will therefore cover eleven months to 30 June 1996.

D N NDEGWA
Chairman

Nairobi

29 December 1995

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 31 July 1995.

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.

During the year, the group sold its investment in CPC Kenya Limited and acquired the minority interest in one of the subsidiary companies.

	1995 shs'000	1994 shs'000
GROUP RESULTS		
Profit before taxation	435,465	237,482
Taxation	<u>190,835</u>	<u>136,427</u>
Profit before minority interests	244,630	101,055
Minority interests	<u>(50,564)</u>	<u>13,599</u>
Profit before extraordinary items	194,066	114,654
Extraordinary items	<u>(365)</u>	<u>1,771</u>
Profit before appropriations	193,701	116,425
Dividends	<u>52,065</u>	<u>14,578</u>
Transfer to revenue reserve	<u>141,636</u>	<u>101,847</u>

DIVIDENDS

An interim dividend of shs 1 per share was paid on 8 September 1995. The directors recommend payment of a final dividend of shs 9 per share, making a total dividend of shs 10 per share for the year ended 31 July 1995.

DIRECTORS

The present board of directors is shown on page 2.

In accordance with articles 88 and 89 of the articles of association, Messrs JG Kiereini and P Ndegwa retire by rotation and, being eligible, offer themselves for re-election.

Mr DN Ndegwa retires under the provisions of section 186 of the Companies Act and, being eligible, offers himself 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

22 November 1995



REPORT OF THE AUDITORS TO THE MEMBERS OF UNGA GROUP LIMITED

We have audited the financial statements on pages 7 to 19 and have obtained all the information and explanations considered necessary for our audit.

The financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation.

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 financial statements, 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 1995 and of the profit and cash flows of the group for the year ended on that date.

30 November 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 1995

	Notes	1995 shs'000	1994 shs'000
TURNOVER		<u>7,100,668</u>	<u>5,993,799</u>
GROUP OPERATING PROFIT	2	503,245	397,190
INTEREST RECEIVABLE	3	7,333	1,226
INTEREST PAYABLE	3	<u>(75,113)</u>	<u>(160,934)</u>
PROFIT BEFORE TAXATION		435,465	237,482
TAXATION	4	<u>190,835</u>	<u>136,427</u>
PROFIT BEFORE MINORITY INTERESTS		244,630	101,055
MINORITY INTERESTS		<u>(50,564)</u>	<u>13,599</u>
PROFIT BEFORE EXTRAORDINARY ITEMS		194,066	114,654
EXTRAORDINARY ITEMS	5	<u>(365)</u>	<u>1,771</u>
PROFIT BEFORE APPROPRIATIONS	6	193,701	116,425
DIVIDENDS - GROSS	7	<u>52,065</u>	<u>14,578</u>
SURPLUS FOR THE YEAR	14	<u>141,636</u>	<u>101,847</u>
EARNINGS PER SHARE	8	<u>shs 37.27</u>	<u>shs 22.02</u>

CONSOLIDATED BALANCE SHEET

31 JULY 1995

	Notes	1995 shs'000	1994 shs'000
ASSETS EMPLOYED:			
FIXED ASSETS	9	1,523,033	1,622,678
INVESTMENT PROPERTIES	10	838,500	548,000
CURRENT ASSETS			
Stocks	12	1,184,985	1,244,477
Debtors		346,908	292,139
Taxation recoverable		3,058	2,070
Deposits, bank and cash balances		29,373	10,577
		<u>1,564,324</u>	<u>1,549,263</u>
CURRENT LIABILITIES			
Creditors		608,077	928,433
Due to associated company		—	26,750
Taxation		84,873	138,332
Loans payable within one year	15	10,420	31,949
Finance leases		—	520
Bank overdrafts (secured)		465,996	353,362
Dividends - gross		52,065	14,578
		<u>1,221,431</u>	<u>1,493,924</u>
NET CURRENT ASSETS		<u>342,893</u>	<u>55,339</u>
		<u>2,704,426</u>	<u>2,226,017</u>
FINANCED BY:			
SHARE CAPITAL	13	26,033	26,033
RESERVES	14	2,222,742	1,786,995
SHAREHOLDERS' FUNDS		<u>2,248,775</u>	<u>1,813,028</u>
LOANS	15	25,300	32,000
MINORITY INTERESTS		430,351	380,989
		<u>2,704,426</u>	<u>2,226,017</u>

The financial statements on pages 7 to 19 were approved by the board of directors on 22 November 1995 and were signed on its behalf by:

D N NDEGWA *Director*

F W WANGANJU *Director*

COMPANY BALANCE SHEET

31 JULY 1995

	Notes	1995 shs'000	1994 shs' 000
ASSETS EMPLOYED:			
FIXED ASSETS	9	6,452	7,407
INVESTMENTS IN SUBSIDIARY COMPANIES	11	2,190,371	1,759,665
CURRENT ASSETS			
Debtors		2,817	4,710
Due from subsidiary companies		108,214	69,415
Due from associated company		-	66
Taxation recoverable		608	-
Deposits, bank and cash balances		8,805	5,334
		<u>120,444</u>	<u>79,525</u>
CURRENT LIABILITIES			
Creditors		13,618	15,021
Due to subsidiary companies		2,809	3,272
Taxation		-	698
Dividends - gross		52,065	14,578
		<u>68,492</u>	<u>33,569</u>
NET CURRENT ASSETS		<u>51,952</u>	<u>45,956</u>
		<u>2,248,775</u>	<u>1,813,028</u>
FINANCED BY:			
SHARE CAPITAL	13	26,033	26,033
RESERVES	14	2,222,742	1,786,995
SHAREHOLDERS' FUNDS		<u>2,248,775</u>	<u>1,813,028</u>

The financial statements on pages 7 to 19 were approved by the board of directors on 22 November 1995 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 1995

	Notes	1995 shs'000	1994 shs'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(a)	349,222	178,928
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		7,333	1,150
Interest paid		(77,644)	(127,517)
Dividends paid		(14,578)	(4,165)
Dividend paid to minority		(8,893)	(2,508)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(93,782)	(133,040)
TAXATION PAID		(245,282)	(17,007)
INVESTING ACTIVITIES			
Purchase of fixed assets		(81,481)	(105,155)
Proceeds from disposal of fixed assets		6,234	5,987
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(75,247)	(99,168)
NET CASH OUTFLOW BEFORE FINANCING		(65,089)	(70,287)
FINANCING			
Loans received		7,129	10,497
Repayment of amounts borrowed		(35,358)	(67,091)
Capital element of finance lease payments		(520)	(1,027)
NET CASH OUTFLOW FROM FINANCING		(28,749)	(57,621)
DECREASE IN CASH AND CASH EQUIVALENTS	16(b)	(93,838)	(127,908)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 1995

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CONSOLIDATION

The consolidated financial statements incorporate the accounts of Unga Group Limited and its subsidiary companies, 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 financial statements, adjusted in accordance with the 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. The basis of valuation is as follows:

- (a) Land and buildings - 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 FINANCIAL STATEMENTS

(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
Computer equipment	20%
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 SUBSIDIARY COMPANIES

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

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

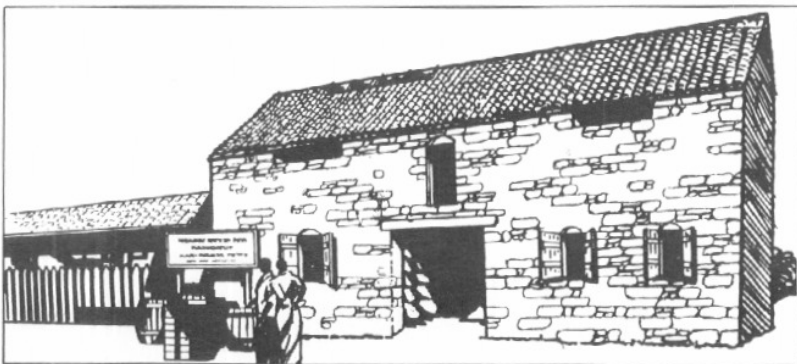
Assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are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

CORPORATE ACTIVITIES



THE STORY OF THE UNGA GROUP

The Unga story started in 1908 when Unga Limited was formed to serve the milling needs of the fledgling wheat growing industry establishing itself in the Rift Valley of Kenya.

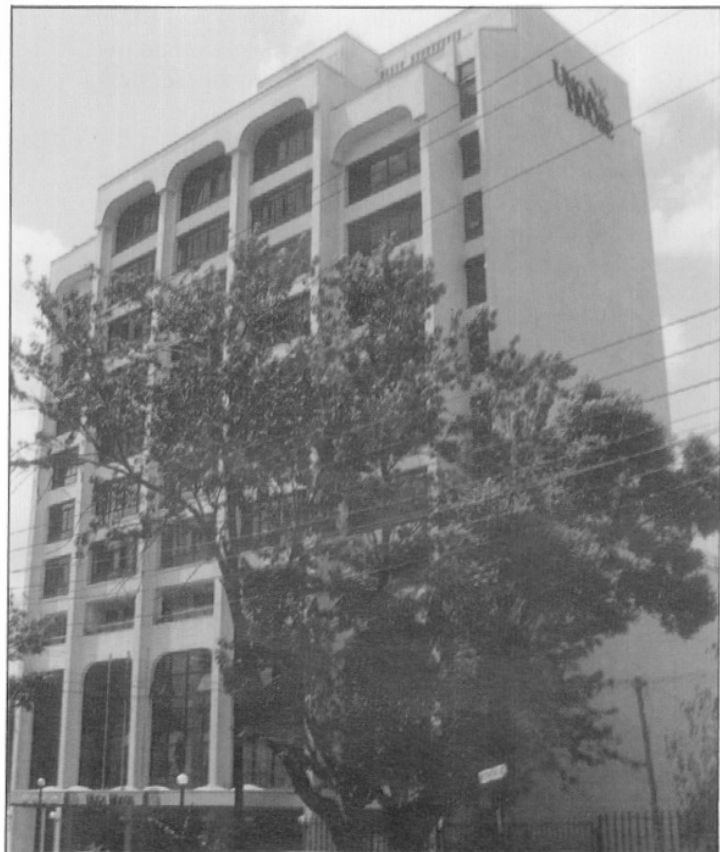


Tremendous development and growth of Unga Group has occurred over the years, from the original Unga Mill built in Nairobi in 1908 to...

The company's first mill was built in Nairobi on what is now Koinange Street and where Chester House stands. Since that time the company has grown from strength to strength to the point where, in the early 1980s, it was restructured into Unga Limited, Unga Maize Millers Limited and Unga Feeds Limited, handling wheat, maize and animal feeds respectively. Proctor & Allan Limited became part of the group in 1966 followed by Elianto Kenya Limited in 1973.

Since 1956, Unga Group Limited has been a publicly listed company with its shares traded on the Nairobi Stock Exchange.

From its humble beginnings in 1908, the group has grown to become the largest food processing conglomerate in Kenya today, operating 10 production facilities and several distribution centres.



... the new Unga Group Headquarters at Unga House, Westlands, Nairobi

THE MARKET PLACE IN 1990s



The Unga Trade Centre, Kisumu, is shown above.

The 1990s have seen substantial and significant changes to the Kenyan economy with liberalisation of foreign exchange regulations and removal of price controls. These factors have led to greater economies of scale, a higher level of efficiency and an expanded market through exports. Unga Group has now expanded its distribution network to over 3,000 wholesalers creating a nationwide network servicing over 30,000 retail outlets.

In addition, the group has established several regional Unga Trade Centres to promote the full range of group products by making them readily available and closer to consumers and further to provide free advice to consumers and farmers on a variety of agricultural issues.



One of the Group's objectives is to promote exports. In 1995, the Group companies exhibited products in Trade Fairs in Addis Ababa, Ethiopia, Kampala, Uganda and Dar es Salaam, Tanzania. Presidents Moi of Kenya and Mwinyi of Tanzania are seen above being taken around the Unga Group stand at the Dar es Salaam Trade Show by Mr Ogana, the Tanzania Director of External Trade.

A significant change in the 1990s has been the branding of all group products. This marketing re-orientation has led to greater product recognition reflected through increased sales and brand loyalty.

This reaffirms our Group Mission Statement -

"To supply high quality products and services at affordable prices, providing the customer with unbeatable value for money and investors with a fair return on investment".



The Unga Group is an active and conspicuous corporate member of the Agricultural Society of Kenya. The Group donated the Members Gate at Jamhuri Park Show Ground and annually exhibits the full range of company products at the show. The Group Chairman, Mr DN Ndegwa is seen above with members of staff at the Unga stand at the 1994 Nairobi International Show. The stand won 2nd prize for the best medium local manufacturer.

UNGA - THE CORPORATE CITIZEN



In early 1994, the Unga Group sponsored the first luncheon of the Agribusiness Association of Kenya whose objective is to revitalise the national agricultural sector in order to unlock the tremendous potential in Kenya. The Group Managing Director, Mr FW Wanganju delivered the opening address and is seen above talking to Mr S O'Brien, World Bank representative in Kenya and Directors of Agribusiness.

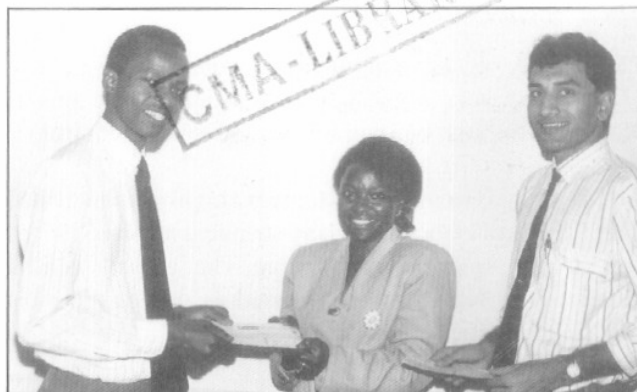


The recent United Nations Conference on Women held in Beijing, China, was a milestone in international affairs. Unga Group made a donation of shs 250,000 to the National Council of Women of Kenya for the delegation to the Conference.

The group believes its contribution to the growth of Kenya's economy has been considerable. Thousands of farmers benefit from the group by receiving over shs 3.0 billion per year for supplies of wheat and maize.

In addition, a large number of Kenyan companies, organisations and individuals benefit by supplying materials and services to the group including packaging, power, water, machinery, printing and transportation. The group's products are in turn consumed by over 3 million people each day.

The Unga Group also contributes to the Kenyan economy through employment of over 1,500 people, donations to charitable organisations, and sponsorship of various sporting tournaments and educational support schemes. The Unga Group is a corporate citizen feeding the nation to build a better tomorrow.



Unga Group appreciates the value of excellence in professional training and recently gave awards to two students who excelled in section 4 of the National Accountancy Examinations. The two students, Mr David Ngata (left) of the University of Nairobi and Mr Lalji Vekaria of Oil Seals and Bearings Centre Ltd (right) are seen receiving their cash awards from Unga Maize Millers' Personnel Manager, Ms Janet Gechuki.

IN PURSUIT OF EXCELLENCE



Unga Group executives from the various group companies held their annual seminar in Mombasa in August 1995 to discuss and map out the future direction of the Group in light of the rapidly changing socio-economic environment and general liberalisation of the economy. The Group Chairman, Mr DN Ndegwa is pictured (seated 6th from left) with the participants at a Mombasa hotel.

The primary objective of all Unga Group operations is to produce the very highest quality products and this is illustrated through our commitment to quality control.

At every Unga Group factory there is a highly sophisticated quality control laboratory where stringent tests are carried out at each stage of production. The group's central laboratory in Nairobi is recognised as one of the most sophisticated operations of its type in Africa.



Unga Group encourages employees to form cohesive teams to foster team spirit. A choir made up of employees from subsidiary companies is seen above entertaining guests at a function.

Unga's pursuit of excellence also extends to its staff training as its modern production equipment requires a highly skilled labour force to ensure its smooth and efficient operation. The group's human resource training is therefore extensive, with both local and overseas training being pursued to stay abreast of changing technology.



Employees of Unga Group proudly participate in the Labour Day Parade at Uhuru Park and are seen displaying the Unga Limited flag for all to see.



Sports have given this country a great name internationally. Unga Group makes its contribution to the development of sports by sponsoring tournaments and competitions. The Group Chairman Mr DN Ndegwa is seen above presenting a golf bag to the winner of the Unga - sponsored golf tournament at the Nyahururu Golf Club early in the year.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	1995 shs'000	1994 shs'000
2 GROUP OPERATING PROFIT		
The group operating profit is arrived at after charging:		
Depreciation	172,424	149,709
Permanent diminution in value of fixed assets	5,883	-
Auditors' remuneration	5,361	4,395
Directors' emoluments -		
Fees for services as directors	875	970
Other emoluments	4,210	3,230
and after crediting:		
Profit on disposal of fixed assets	<u>3,415</u>	<u>4,566</u>
3 INTEREST		
Interest receivable:		
Deposits	<u>7,333</u>	<u>1,226</u>
Interest payable:		
Loans	10,951	31,560
Bank overdrafts	63,509	98,823
Finance leases	551	421
Overdue creditors	-	28,768
Current accounts with associated company	<u>102</u>	<u>1,362</u>
	<u>75,113</u>	<u>160,934</u>
4 TAXATION		
Based on the adjusted profit for the year:		
Current tax at 35%	191,128	127,098
Drought levy at 2.5%	-	9,679
Adjustment for previous years	<u>(293)</u>	<u>(350)</u>
	<u>190,835</u>	<u>136,427</u>

At 31 July 1995 there were tax losses in subsidiary companies amounting to shs 210,929,000 (1994 - shs 219,983,000) 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 1995, the potential deferred tax liability on timing differences in subsidiary companies amounted to shs 62,550,000 (1994 - shs 69,498,000).

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	1995 shs'000	1994 shs'000
5 EXTRAORDINARY ITEMS		
Reversal of provision made in 1993 for loss on closure of subsidiary company:		
Loans and current accounts - trading	-	22,501
- other	-	8,677
	-	31,178
Diminution of investment in CPC Kenya Limited	-	(13,155)
Provision for net deficit in CPC Kenya Limited	(471)	(8,512)
Extraordinary items before taxation and minority interests	(471)	9,511
Taxation relief attributable to reversal of provision on trading balances	-	(8,438)
	(471)	1,073
Minority interests	106	698
	(365)	1,771
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 BEFORE APPROPRIATIONS		
A profit of shs 57,106,000 (1994 - shs 33,391,000) has been dealt with in the accounts of Unga Group Limited.		
7 DIVIDENDS - GROSS		
Interim dividend - paid on 8th September 1995	5,207	4,165
Proposed final dividend	46,858	10,413
	52,065	14,578
8 EARNINGS PER SHARE		
The earnings per share has been calculated on the profit before extraordinary items of shs 194,066,000 (1994 - shs 114,654,000) and on 5,206,529 ordinary shares.		

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. FIXED ASSETS

	GROUP			COMPANY	
	Land and buildings shs'000	Plant and machinery shs'000	Work in progress shs'000	Total shs'000	Plant and machinery shs'000
COST OR VALUATION					
At 1 August 1994	512,266	1,428,794	-	1,941,060	20,946
Additions	14,621	65,888	972	81,481	1,691
Transfers from group companies	-	-	-	-	1,600
Disposals	-	(8,698)	-	(8,698)	-
Transfers to group companies	-	-	-	-	(1,076)
At 31 July 1995	<u>526,887</u>	<u>1,485,984</u>	<u>972</u>	<u>2,013,843</u>	<u>23,161</u>
Comprising:					
Valuation in 1992	512,146	1,192,341	-	1,704,487	4,615
Cost	14,741	293,643	972	309,356	18,546
	<u>526,887</u>	<u>1,485,984</u>	<u>972</u>	<u>2,013,843</u>	<u>23,161</u>
DEPRECIATION					
At 1 August 1994	29,304	289,078	-	318,382	13,539
Charge for the year	14,654	157,770	-	172,424	2,637
Permanent diminution in value	-	5,883	-	5,883	-
Transfers from group companies	-	-	-	-	1,167
Disposals	-	(5,879)	-	(5,879)	-
Transfers to group companies	-	-	-	-	(634)
At 31 July 1995	<u>43,958</u>	<u>446,852</u>	<u>-</u>	<u>490,810</u>	<u>16,709</u>
NET BOOK VALUE					
At 31 July 1995	<u>482,929</u>	<u>1,039,132</u>	<u>972</u>	<u>1,523,033</u>	<u>6,452</u>
At 31 July 1994	<u>482,962</u>	<u>1,139,716</u>	<u>-</u>	<u>1,622,678</u>	<u>7,407</u>
Land and buildings comprise:					
Freehold	31,400				
Long leasehold	210,280				
Short leasehold	241,249				
	<u>482,929</u>				

In the opinion of the directors, a pasta plant in a subsidiary company has a net realisable value of shs 5,000,000 resulting in an adjustment for the permanent diminution in value of shs 5,883,000. The related surplus on previous revaluation has been adjusted in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10 INVESTMENT PROPERTIES

	Chester House shs'000	Unga House shs'000	Unga Gate Plot shs'000	Total shs'000
VALUATION				
At 1 August 1994	375,000	170,000	3,000	548,000
Surplus on revaluation	<u>250,000</u>	<u>40,000</u>	<u>500</u>	<u>290,500</u>
At 31 July 1995	<u>625,000</u>	<u>210,000</u>	<u>3,500</u>	<u>838,500</u>

The investment properties are long leasehold.

The investment properties were revalued as at 31 July 1995 on an open market value basis by Lloyd Masika Limited, registered valuers and estate agents.

11 INVESTMENTS IN SUBSIDIARY COMPANIES

Shareholdings at directors' valuation:

	1995 shs'000	1994 shs'000
At 1 August 1994	1,744,665	1,584,121
Surplus on revaluation	<u>430,706</u>	<u>160,544</u>
At 31 July 1995	2,175,371	1,744,665
Unsecured long term loan	<u>15,000</u>	<u>15,000</u>
	<u>2,190,371</u>	<u>1,759,665</u>

12 STOCKS

Finished products	168,560	167,367
Raw materials	500,408	539,821
Production supplies	85,455	58,490
Engineering stores	47,567	35,717
Goods in transit	382,459	441,076
Others	536	2,006
	<u>1,184,985</u>	<u>1,244,477</u>

13 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	<u>9,000</u>	<u>9,000</u>
	<u>40,000</u>	<u>40,000</u>

Issued and fully paid:

5,206,529 ordinary shares of shs 5 each	<u>26,033</u>	<u>26,033</u>
---	---------------	---------------

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14 RESERVES

	Capital shs'000	Revenue shs'000	Total shs'000
GROUP			
At 1 August 1994	1,459,387	327,608	1,786,995
Surplus for the year	-	141,636	141,636
Realised on disposal of fixed assets	(492)	492	-
Adjustment on acquisition of minority interest in a subsidiary	10,967	-	10,967
Transfer due to diminution in value of fixed assets	(8,995)	8,995	-
Surplus on revaluation of investment properties	283,144	-	283,144
	<u>1,744,011</u>	<u>478,731</u>	<u>2,222,742</u>
COMPANY			
At 1 August 1994	1,593,057	193,938	1,786,995
Surplus for the year	-	5,041	5,041
Surplus on revaluation of investments in subsidiary companies	430,706	-	430,706
At 31 July 1995	<u>2,023,763</u>	<u>198,979</u>	<u>2,222,742</u>

15 LOANS

	1995 shs'000	1994 shs'000
GROUP		
Unsecured bank loan repayable in monthly instalments by 1995; interest at 12% per annum	3,720	-
Secured loan from a financial institution repayable in monthly instalments by 1995; interest at 35% per annum	-	7,020
Secured loan from a financial institution repayable in monthly instalments by 1994; interest at 31% per annum	-	1,630
Secured bank loan repayable in monthly instalments by 1994; interest at the ruling bank rate	-	2,302
Secured loan repayable in semi-annual instalments by 1994; interest at 32% per annum	-	5,000
Unsecured loan repayable in monthly instalments by 1995; interest at 12% per annum	-	10,497
Secured consortium debenture loans repayable by 1999 in quarterly instalments; interest at 1.5% above the rate published by the Central Bank of Kenya on the first day of every quarter. The rate for the last quarter was 20.44%	32,000	37,500
	<u>35,720</u>	<u>63,949</u>
Less: repayable within one year	<u>10,420</u>	<u>31,949</u>
	<u>25,300</u>	<u>32,000</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

16 NOTES TO THE CASH FLOW STATEMENT

	1995 shs'000	1 994 shs'000
(a) Reconciliation of group operating profit to net cash inflow from operating activities		
Group operating profit	503,245	397,190
Depreciation	172,424	149,709
Permanent diminution in value of fixed assets	5,883	—
Profit on disposal of fixed assets	(3,415)	(4,566)
Adjustment on minority acquisition	10,967	—
Decrease/(increase) in stocks	59,492	(867,159)
Increase in debtors	(54,769)	(93,131)
(Decrease)/increase in creditors	(317,855)	563,841
Movement in associated company	(26,750)	33,044
Net cash inflow from operating activities	<u>349,222</u>	<u>178,928</u>

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

	1995 shs'000	1994 shs'000	Movement shs'000
Deposits, bank and cash balances	29,373	10,577	18,796
Bank overdrafts	<u>465,996</u>	<u>353,362</u>	(112,634)
Decrease in cash and cash equivalents			<u>(93,838)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

17 CONTINGENT LIABILITIES

GROUP

- (i) 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.
- (ii) A legal claim has been made on a subsidiary company by a former tenant for breach of a lease agreement entered into and terminated in 1985. The former tenant is asking for some specific and general damages which the subsidiary company has disputed. The likely outcome of the court case is not known.

	1995 shs'000	1994 shs'000
COMPANY		
Guarantees in favour of Barclays Bank of Kenya Limited for loans, overdrafts and other banking facilities to subsidiary companies	466,096	360,703
Guarantees in favour of Standard Chartered Bank Kenya Limited for loans, overdrafts and other banking facilities to subsidiary companies	31,900	49,588
	<u>497,996</u>	<u>410,291</u>

18 CAPITAL COMMITMENTS

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

GROUP

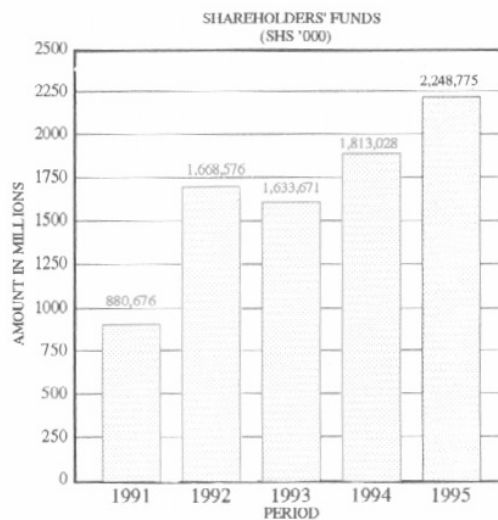
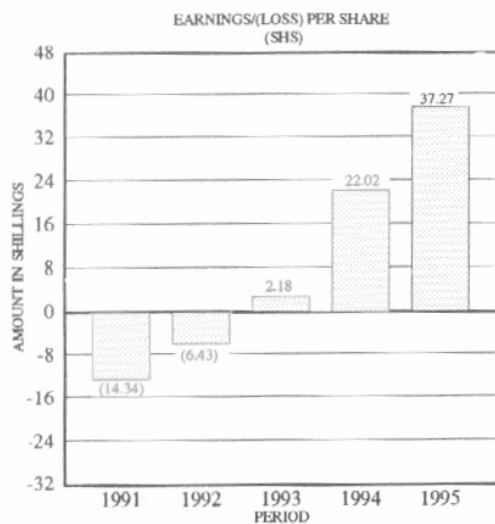
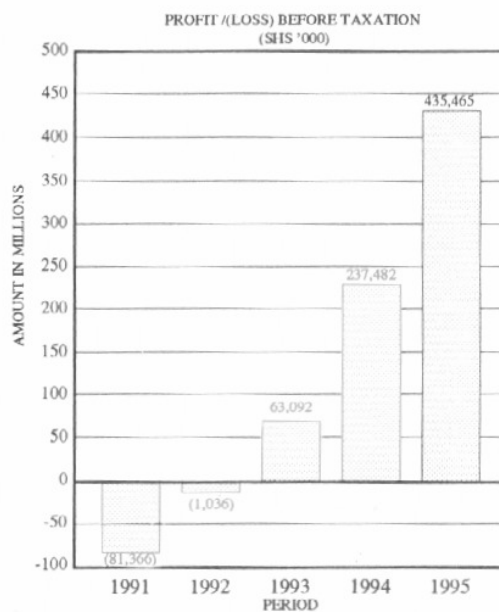
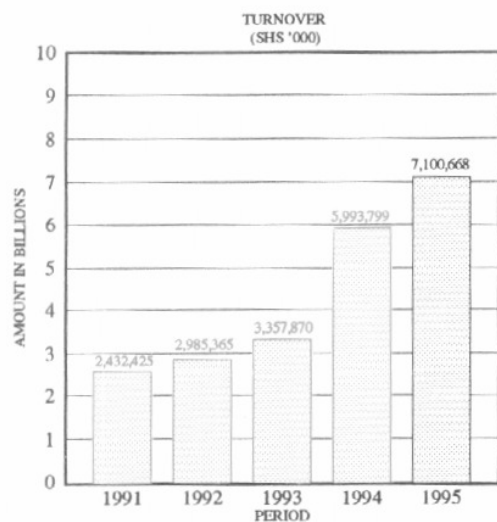
Contracted	<u>119,934</u>	<u>120,943</u>
Authorised but not contracted	<u>238,404</u>	<u>241,823</u>

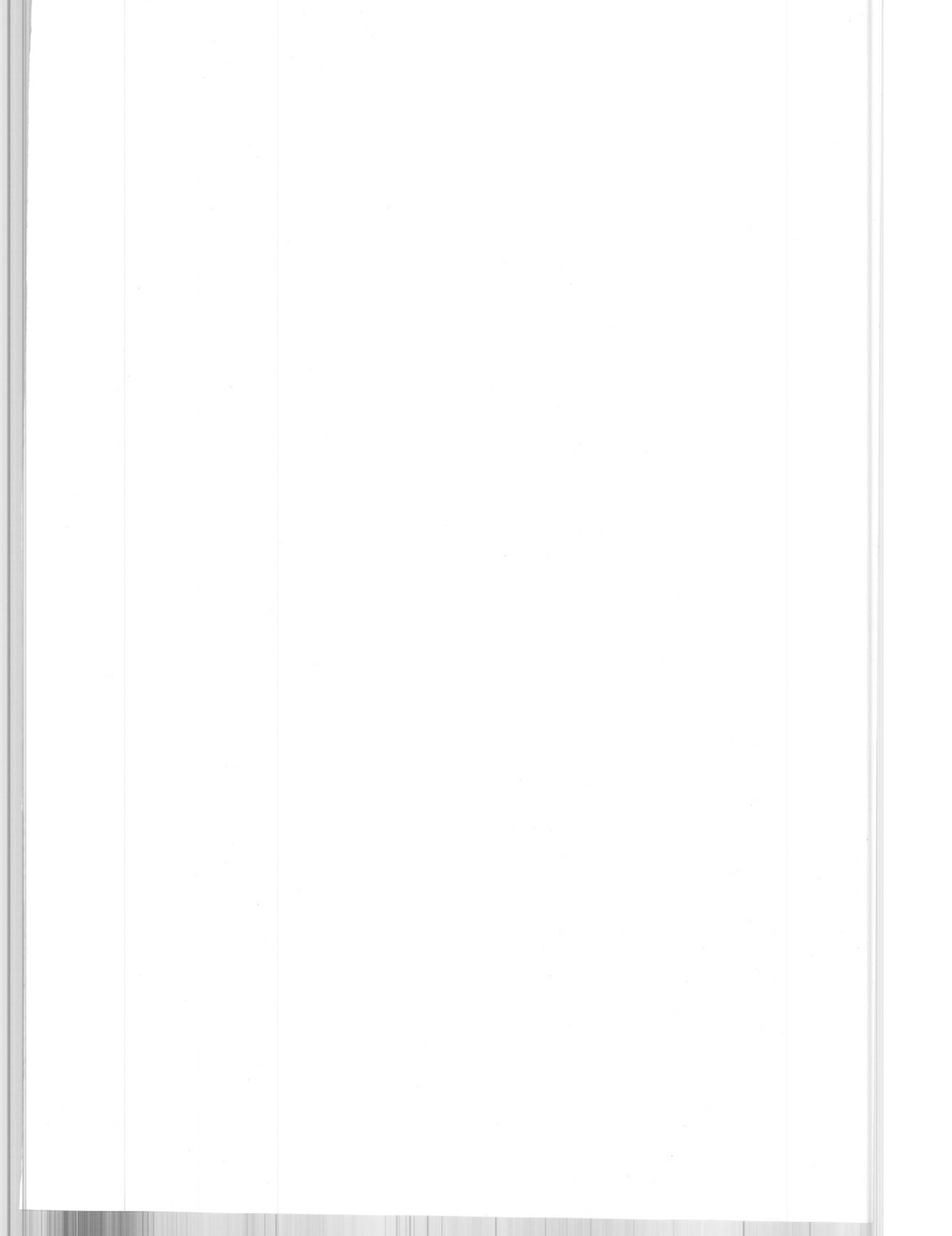
GROUP FIVE YEAR FINANCIAL REVIEW

	1995 shs'000	1994 shs'000	1993 shs'000	1992 shs'000 (as restated)	1991 shs'000 (as restated)
RESULTS:					
Turnover	7,100,668	5,993,799	3,357,870	2,985,365	2,432,425
Operating profit / (loss)	503,245	397,190	115,286	62,026	(4,828)
Interest receivable	7,333	1,226	8,607	2,765	2411
Interest payable	(75,113)	(160,934)	(58,637)	(68,067)	(80,765)
Share of (loss) /profit of associated company	-	-	(2,164)	2,240	1,816
Profit / (loss) before taxation	435,465	237,482	63,092	(1,036)	(81,366)
Taxation	190,835	136,427	49,902	29,438	10,193
Profit / (loss) after taxation	244,630	101,055	13,190	(30,474)	(91,559)
Minority interests	(50,564)	13,599	(1,841)	2,764	21,812
Extraordinary items	(365)	1,771	(104,858)	51,182	53,141
Ordinary dividends	(52,065)	(14,578)	(4,165)	(4,165)	-
Retained surplus/(deficit)	141,636	101,847	(97,674)	19,307	(16,606)
ASSETS EMPLOYED:					
Fixed assets	1,523,033	1,622,678	1,670,045	2,012,926	1,240,882
Investment properties (*)	838,500	548,000	468,000	360,890	247,016
Associated company	-	-	13,056	15,220	13,473
Net current assets/(liabilities)	342,893	55,339	(53,597)	(171,554)	(247,483)
	2,704,426	2,226,017	2,097,504	2,217,482	1,253,888
FINANCED BY:					
Share capital	26,033	26,033	26,033	26,033	26,033
Reserves	2,222,742	1,786,995	1,607,638	1,642,543	854,643
Shareholders' funds	2,248,775	1,813,028	1,633,671	1,668,576	880,676
Loans	25,300	32,000	60,378	115,454	136,416
Finance leases	-	-	471	1,425	872
Minority interests	430,351	380,989	402,984	432,027	235,924
	2,704,426	2,226,017	2,097,504	2,217,482	1,253,888
RATIOS:					
Earnings /(loss)per share	shs 37.27	22.02	2.18	(6.43)	(14.34)
Shareholders' funds per share	shs 431.91	348.22	313.77	320.48	169.15
Profit /(loss) after taxation and minority interests to:					
Turnover	% 2.73	1.91	0.34	(0.93)	(2.87)
Capital employed	% 8.63	5.15	0.54	(1.25)	(5.56)

(*) Investment properties have been reclassified from 1 August 1992. 1992 and 1991 figures have therefore been restated in line with the new policy.

FINANCIAL CHARTS





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 eighth annual general meeting of the company to be held on Friday, 23 February 1996 at 11.30 a.m. and at any adjournment thereof.

As witness my/our hand this day of 1996

.....
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.

Handwritten text and stamps, including a rectangular stamp with illegible characters.

FOLD 2

STAMP

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

FOLD 1

FOLD 3

INSERT FLAP INSIDE

