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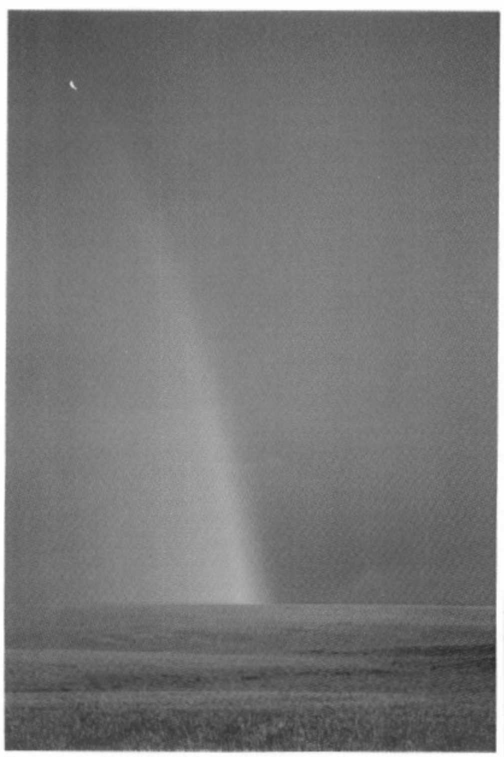
UNGA GROUP LIMITED

FINANCIAL STATEMENTS
30 JUNE 1997

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997

UNGA GROUP LIMITED

Contents



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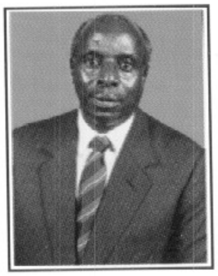
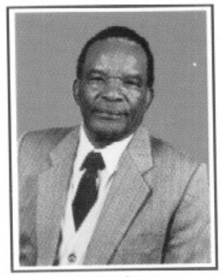
2. Corn Industry -- Kenya -- periodicals

UNGA GROUP LIMITED

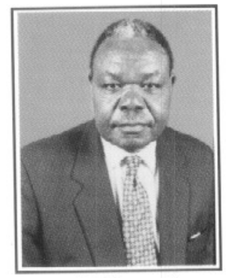
Directors and Officials



J G Kiereini
Director

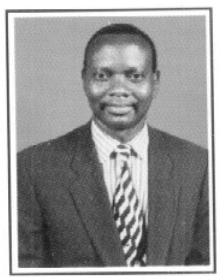


D N Ndegwa
Chairman

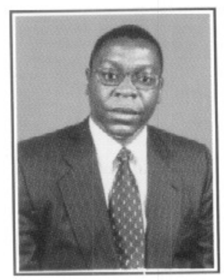


R Kemoli
Director

J J Mvoyi
Director

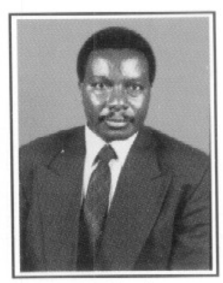


S N Kinuthia
Group Managing Director



K Kiplagat
Director

J M Muia
Group Finance Director



J P G Gachoya
Group Company Secretary

2007/1160

Corporate Information

Directors
D N Ndegwa, CBS, FCIB, MA (Chairman) (alternate R A Bird)
S N Kinuthia, (Group Managing)
J G Kiereini
R Kemoli
J J Mvoyi
K Kiplagat
J M Muia, (Group Finance)

Secretary
J P G Gachoya

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 30 June 1997

Financial Results
Announced 23 September 1997

Financial Statements
Issued 13 November 1997

70th Annual General Meeting
To be held on 5 December 1997

Interim Dividend
Announced: 12 March 1997
Share Register closed from
26 April to 9 May 1997
Paid: 9 May 1997

Final Dividend
Announced: 24 September 1997
Share Register closing from
22 November to 5 December 1997
Payable on: 5 December 1997

Share Price
Market price per share on:
23 September 1997 shs 158.00

Group Companies
Kenya National Mills Limited
- Unga Limited
- Unga Maize Millers Limited
- Unga Feeds Limited
- Elianto Kenya Limited
- Proctor and Allan Limited
- Ufuta Limited

Sofar Investments Limited
Chester House Limited

Notice of Meeting

NOTICE IS HEREBY GIVEN that the seventieth annual general meeting of the members of **UNGA GROUP LIMITED** will be held in the Council Chamber of the Professional Centre, Parliament Road, Nairobi on Friday, 5 December 1997 at 11.30 a.m. for the following purposes:

1 To consider the financial statements and the reports of the directors and auditors thereon for the year ended 30 June 1997.

2 To approve the final dividend of shs 8.80 per share for the year ended 30 June 1997.

3 To re-elect retiring directors:

a) Mr D N Ndegwa retires by rotation and, being eligible, seeks re-election in accordance with section 186 of the Companies Act. Special notice is hereby given that a notice has been received that is intended at the seventieth annual general meeting to move the following resolution:

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

b) Mr J G Kiereini retires by rotation in accordance with articles 88 and 89 and, being eligible, offers himself 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
13 November 1997

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.

NOTES: 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 Report

It is with great pleasure that I present my report and financial statements of our company for the year ended 30 June 1997. First I wish to pay tribute to Mr F W Wanganju who served the group in various capacities for fifteen years and retired in June 1997 as Group Managing Director. At the same time I take this opportunity to welcome Mr S N Kinuthia who was appointed Group Managing Director in July 1997. Mr Kinuthia brings a wealth of experience in corporate management and business restructuring. For the past two years, he has assisted the group with the development of its corporate strategy.

In my address last year, I referred to the comprehensive review of the group's corporate vision and strategies. The principal purpose of these plans was to prepare for the challenges of competition in a global economy and thereby achieve a high level of business growth.

The implementation of the change process is now in full swing in tandem with the operations of the group as a going concern. Business activities of the group have been divided into four units more or less on functional lines: milling operations under Unga Limited; edible oils, breakfast cereals and pet foods under Elianto Kenya Limited; animal feeds remain intact under Unga Feeds Limited and Chester House Limited will continue to stand alone. The core processes of procurement, production, marketing and sales have been revamped while new products have also been developed, marketed and show a promising start.

The restructured organisation will require fresh skills to cope with demand for new technology and processes. The human resources management have therefore assumed centre-stage in moving round pegs from square holes for which suitable training schemes have been found indispensable. The idea is to reach out for an empowered work force with unbeatable standards of workmanship. For some workers, such demands proved too burdensome to allow transformation into the stipulated change programme. Others were found too close to retirement age to make training worthwhile. The board therefore devised an acceptable package as an option to continued employment.

Your board has continued to play a very pro-active role in the re-organisation of the group culminating in a recent two-day workshop in strategic planning for the entire board and senior management. We discussed our future and the important role that management must play in realisation of our objectives. This interactive process between the board and management is deemed absolutely essential for purposes of a harmonious understanding of policy formulation and implementation.

Let me now address the results of our company over the past financial year. Turnover rose by 14.8 per cent to shs 9.3bn. I regard this achievement as a good start judging from the circumstances in which the group underwent functional changes at every station. I therefore express my thanks to management for hard work and dedication.

There were adequate supplies of wheat at stable prices, but local supplies of maize were not enough due to poor harvests because of a prolonged drought last year. It became necessary to

import expensive grain although removal of import duty on imports from PTA countries gave a welcome relief. The feeds business recorded a creditable performance in spite of inadequate and increasingly expensive raw materials. The edible oils, breakfast cereals and pet food have yet to register acceptable returns.

Recently, the three economic measures of exchange rate, interest rate and inflation rate made a complete U-turn scuttling many business plans into a state of confusion. The situation was further confounded by conflicting perceptions about the stage of deregulation, liberalisation and privatisation underpinned by IMF structural adjustment programmes. Agriculture was the home base for past economic regime and seems to require new assurances and guidelines. More important, an uncertain future could lead into reduced resources for investment and erosion of consumer spending. In addition current weather predictions suggest a shortage of grain harvest in 1998 almost following on the heels of a national election.

Meanwhile there are notable inconsistencies in the process of deregulation of the economy and the pressures brought about by globalisation. Full scale market driven policies are essential to the emergence of growth. In my opinion, all the positive lessons of a market driven exchange model can be learnt from our own but forgotten Ukulima market in Nairobi.

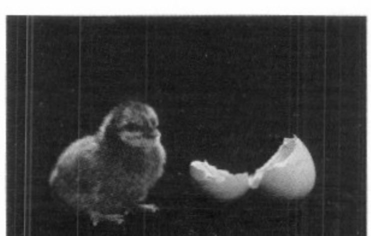
Unga will maintain a careful watch on emerging developments and sustain profitable performance at every level. The group has therefore continued to renew plant and machinery and acquisition of modern technology. In this respect, the group has planned to incur certain capital expenditures for renewal, expansion and efficiency improvement to keep up with the changing business needs. A new paper conversion plant for Eldoret has already been ordered and plans are at an advanced stage to install a new animal feed mill at a convenient site in Nairobi.

DIVIDENDS

Your directors recommend the same dividend distribution as in the previous period, in view of the envisaged capital expenditure. An interim dividend of shs 1.20 per share was paid in May 1997. The directors now recommend a final dividend of shs 8.80 per share, making a total of shs 10.00 per share.

D N Ndegwa
Chairman

Nairobi
2 October 1997



Report of the Directors

UNGA GROUP LIMITED

The directors present their report together with the audited financial statements of the group for the year ended 30 June 1997.

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

	1997	1996 (11 months)
	shs'000	shs'000
GROUP RESULTS		
Profit before taxation	335, 216	111,730
Taxation	135,262	54,674
Profit before minority interests	199,954	57,056
Minority interests	39,311	7,142
Profit available for appropriation	160,643	49,914
Dividends	78,098	52,065
Transfer to/(from) revenue reserve	82,545	(2,151)

DIVIDENDS
An interim dividend of shs 1.20 per share was paid on 9 May 1997. The directors recommend payment of a final dividend of shs 8.80 per share, making a total dividend of shs 10 per share in respect of the year.

DIRECTORS
The present board of directors is shown on page 2.

Mr F W Wanganju resigned on 18 June 1997.

Mr S N Kinuthia was appointed a director on 1 July 1997.

Mr D N Ndegwa retires by rotation and, being eligible, offers himself for re-election under the provisions of section 186 of the Companies Act.

Mr J G Kiereini retires by rotation in accordance with articles 88 and 89 of the articles of association 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
23 September 1997

Gill & Johnson

Certified Public Accountants
(Kenya)

"Kirungii", Ring road, Westlands
P.O. Box 40092
Nairobi, Kenya
Telephone: 254-2-441344/05-12
Facsimile: 254-2-448966
Dropping Zone Box No.92
E-mail : admin@dtti.co.ke

REPORT OF THE AUDITORS
TO THE MEMBERS OF UNGA GROUP LIMITED

We have audited the financial statements on pages 9 to 20 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 misstatement. 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 30 June 1997 and of the profit and cash flows of the group for the year ended on that date.

GILL & JOHNSON
30 September 1997

1907 - 1997
90 years of Service excellence in Kenya

Deloitte Touche Tohmatsu International

Partners:
D.M. Ndonye V.M. Allen* J.S.L Bewers* H. Gadhoke*
N.R. Hira S.O. Onyango J.W. Wangai
British*

Consolidated Profit & Loss Account

For the Year Ended 30 June 1997

UNGA GROUP LIMITED

	NOTE	1997 shs'000	1996 (11 months) shs'000
TURNOVER	2	9,270,823	7,437,740
GROUP OPERATING PROFIT	3	610,210	218,690
INTEREST RECEIVABLE	4	4,605	1,658
INTEREST PAYABLE	4	(185,275)	(108,618)
PROFIT BEFORE EXCEPTIONAL ITEM		429,540	111,730
EXCEPTIONAL ITEM	5	(94, 324)	-
PROFIT BEFORE TAXATION		335,216	111,730
TAXATION	6	135,262	54,674
PROFIT BEFORE MINORITY INTERESTS	7	199,954	57,056
MINORITY INTERESTS		39,311	7,142
PROFIT AVAILABLE FOR APPROPRIATION		160,643	49,914
DIVIDENDS - GROSS	8	78,098	52,065
SURPLUS/(DEFICIT) FOR THE YEAR	15	82,545	(2,151)
EARNINGS PER SHARE	9	shs 20.57	shs 6.39

Consolidated Balance Sheet

30 June 1997

UNGA GROUP LIMITED

	NOTE	1997 shs'000	1996 shs'000
ASSETS EMPLOYED:			
FIXED ASSETS	10	1,587,684	1,593,949
INVESTMENT PROPERTIES	11	970,000	914,000
CURRENT ASSETS			
Stocks	13	1,340,778	1,499,562
Debtors		434,445	387,641
Taxation recoverable		10,351	31,669
Deposits, bank and cash balances		51,151	67,798
		1,836,725	1,986,670
CURRENT LIABILITIES			
Creditors		950,972	950,837
Taxation		58,837	14,972
Loans repayable within one year	16	9,200	7,900
Finance lease repayable within one year	17	412	550
Bank overdrafts (secured)		360,811	713,859
Proposed dividends		68,726	46,858
		1,448,958	1,734,976
NET CURRENT ASSETS		387,767	251,694
		2,945,451	2,759,643
FINANCED BY:			
SHARE CAPITAL	14	39,049	26,033
RESERVES	15	2,446,880	2,294,179
SHAREHOLDERS' FUNDS		2,485,929	2,320,212
LOANS	16	8,200	17,400
FINANCE LEASE	17	-	412
MINORITY INTERESTS		451,322	421,619
		2,945,451	2,759,643

The financial statements on pages 9 to 20 were approved by the board of directors on 23 September 1997 and were signed on its behalf by:

D N NDEGWA Director

S N KINUTHIA Director

Company Balance Sheet

30 June 1997

	NOTE	1997 shs'000	1996 shs'000
ASSETS EMPLOYED:			
FIXED ASSETS	10	10,460	10,202
INVESTMENTS IN SUBSIDIARY COMPANIES	12	2,400,413	2,223,670
CURRENT ASSETS			
Debtors		13,872	6,496
Due from subsidiary companies		192,991	137,538
Taxation recoverable		1,357	-
Deposits, bank and cash balances		14,945	15,039
		223,165	159,073
CURRENT LIABILITIES			
Creditors		62,345	21,631
Due to subsidiary companies		17,038	2,482
Taxation		-	167
Bank overdraft		-	1,595
Proposed dividends		68,726	46,858
		148,109	72,733
NET CURRENT ASSETS		75,056	86,340
		2,485,929	2,320,212
FINANCED BY:			
SHARE CAPITAL	14	39,049	26,033
RESERVES	15	2,446,880	2,294,179
SHAREHOLDERS' FUNDS		2,485,929	2,320,212

The financial statements on pages 9 to 20 were approved by the board of directors on 23 September 1997 and were signed on its behalf by:

D N NDEGWA Director

S N KINUTHIA Director

Consolidated Cash Flow Statement

For the Year Ended 30 June 1997

UNGA GROUP LIMITED

	NOTE	1997 shs'000	1996 (11 months) shs'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(a)	815,629	363,462
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,752	1,538
Interest paid		(185,312)	(111,834)
Dividends paid		(56,230)	(57,272)
Dividends paid to minorities		(16,266)	(17,786)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(253,056)	(185,354)
TAXATION PAID		(70,079)	(153,186)
INVESTING ACTIVITIES			
Purchase of fixed assets		(158,403)	(289,586)
Proceeds from disposal of fixed assets		10,760	64,684
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(147,643)	(224,902)
NET CASH INFLOW/(OUTFLOW)BEFORE FINANCING		344,851	(199,980)
FINANCING			
Repayment of amounts borrowed		(7,900)	(10,420)
Finance lease entered into		-	1,370
Capital element of finance lease payments		(550)	(408)
NET CASH OUTFLOW FROM FINANCING		(8,450)	(9,458)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18(b)	336,401	(209,438)

Notes To The Financial Statements
For the Year Ended 30 June 1997

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 financial statements of Unga Group Limited and its subsidiary companies, all of which are made up to 30 June.

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.

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 dates of the agreements. The interest element of each instalment is charged to the profit and loss account at the time each instalment falls due.

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 and 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.

1 **ACCOUNTING POLICIES** (continued)

STOCKS
Stocks are stated at the lower of cost and net realisible 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 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.

2 **TURNOVER**
Turnover includes rental income from investment properties amounting to shs 115,953,000 (1996-11 months-shs 95,431,000).

		1997 shs'000	1996 (11 months) shs'000
3	**GROUP OPERATING PROFIT**		
	The group operating profit is arrived at after charging:		
	Depreciation	191,638	168,356
	Auditors' remuneration	6,584	6,019
	Directors' emoluments - fees for services as directors	1,400	735
	- other emoluments	9,893	4,844
	and after crediting:		
	Profit on disposal of fixed assets	3,900	14,370
4	**INTEREST**		
	Interest receivable:		
	Deposits	4,605	1,658
	Interest payable:		
	Loans	5,953	6,616
	Bank overdrafts	179,099	101,946
	Finance lease	223	56
		185,275	108,618

5 **EXCEPTIONAL ITEM**
The exceptional item represents amounts paid to employees and a director under the group's restructuring programme.

		1997 shs'000	1996 (11 months) shs'000
6	**TAXATION**		
	Based on the adjusted profit for the year at 35%	135,139	54,849
	Adjustment for previous years	123	(175)
		135,262	54,674

At 30 June 1997, there were tax losses in subsidiary companies amounting to shs 200,811,000 (1996 - shs 283,327,000) to be offset against future profits.

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

At 30 June 1997, the potential deferred tax liability on timing differences in subsidiary companies amounted to shs 38,513,000 (1996 - shs 53,580,000).

7 PROFIT BEFORE MINORITY INTERESTS

A profit of shs 87,572,000 (1996 - 11months - shs 75,203,000) has been dealt with in the financial statements of Unga Group Limited.

		1997 shs'000	1996 (11 months) shs'000
8	**DIVIDENDS - GROSS**		
	Interim dividend - paid on 9 May 1997	9,372	-
	- paid on 17 May 1996	-	5,207
	Proposed final dividend	68,726	46,858
		78,098	52,065

9 EARNINGS PER SHARE

The earnings per share has been calculated on the profit after minority interests divided by the number of ordinary shares in issue at 30 June.

As indicated on Note 14, a one for two bonus issue was made during the year. The 1996 comparative figure has been amended in line with generally accepted accounting practice.

10 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 July 1996	517,645	1,707,550	-	2,225,195	24,765
Additions	91,782	45,233	21,388	158,403	3,427
Disposals	(3,100)	(25,947)	-	(29,047)	(4,667)
Revaluation surplus	33,350	-	-	33,350	-
At 30 June 1997	639,677	1,726,836	21,388	2,387,901	23,525
Comprising:					
Valuation in 1992	472,295	1,192,265	-	1,664,560	4,615
Valuation in 1997	43,500	-	-	43,500	-
Cost	123,882	534,571	21,388	679,841	18,910
	639,677	1,726,836	21,388	2,387,901	23,525
DEPRECIATION					
At 1 July 1996	56,874	574,372	-	631,246	14,563
Charge for the year	15,582	176,056	-	191,638	3,090
Disposals	(1,306)	(20,881)	-	(22,187)	(4,588)
Written back on revaluation	(480)	-	-	(480)	-
At 30 June 1997	70,670	729,547	-	800,217	13,065
NET BOOK VALUE					
At 30 June 1997	569,007	997,289	21,388	1,587,684	10,460
At 30 June 1996	460,771	1,133,178	-	1,593,949	10,202

Land and buildings comprise:	
Freehold	28,500
Long leasehold	347,373
Short leasehold	193,134
	569,007

The freehold land and building and one long leasehold plot were valued as at 30 June 1997 on an open market basis Lloyd Masika Limited, registered valuers and estate agents.

At 30 June 1997, the net book value of plant and machinery included shs 1,006,552 (1996 -shs 1,372,571) in respect of a motor vehicle that was the subject of a finance lease.

Certain fixed assets were revalued as at 30 June 1997 on a depreciated replacement cost basis by Lloyd Masika Limited, registered valuers and estates agents, at shs 2,664,206,000. This basis assumes adequate potential profitability in relation to the total value of the assets and reflects both obsolescence within the life-spans placed upon the various asset categories and continued usefulness. This valuation has not been incorporated in these financial statements.

11 INVESTMENT PROPERTIES

	Chester House shs'000	Unga House shs'000	Unga Gate Plot shs'000	Total shs'000
VALUATION				
At 1 July 1996	680,000	230,000	4,000	914,000
(Deficit)/surplus on revaluation	(2,500)	57,500	1,000	56,000
At 30 June 1997	677,500	287,500	5,000	970,000

The investment properties are long leasehold.

The investment properties were revalued as at 30 June 1997 on an open market value basis by Lloyd Masika Limited, registered valuers and estate agents.

12 INVESTMENTS IN SUBSIDIARY COMPANIES

	1997 shs'000	1996 shs'000
Shareholdings at directors' valuation:		
At 1 July	2,223,670	2,175,371
Surplus on revaluation	156,243	48,299
At 30 June	2,379,913	2,223,670
Unsecured long term loan	20,500	-
	2,400,413	2,223,670

13 STOCKS

	1997 shs'000	1996 shs'000
Finished products	217,895	224,871
Raw materials	503,890	617,498
Production supplies	70,148	93,965
Engineering stores	62,070	61,790
Goods in transit	486,256	500,674
Others	519	764
	1,340,778	1,499,562

14 SHARE CAPITAL

	1997 shs'000	1996 shs'000
Authorised:		
8,000,000 (1996 - 6,200,000) ordinary shares of shs 5 each	40,000	31,000
1,800,000 undenominated shares of 5 each	-	9,000
	40,000	40,000
Issued and fully paid:		
7,809,793 (1996 - 5,206,529) ordinary shares of shs 5 each	39,049	26,033

At the annual general held on 6 December 1996, the shareholders resolved that the unissued share capital of the company comprising 1,800,000 undenominated shares of shs 5 each be converted into ordinary shares of shs 5 each.

At the same annual general meeting, the shareholders also approved a bonus of one ordinary share for every two ordinary shares held.

15 RESERVES

	Capital shs'000	Revenue shs'000	Total shs'000
GROUP			
At 1 July 1996	1,799,092	495,087	2,294,179
Capitalised on bonus issue	-	(13,016)	(13,016)
Surplus for the year	-	82,545	82,545
Realised on disposal of fixed assets	(1,238)	1,238	-
Surplus on revaluation of investment properties	54,582	-	54,582
Surplus on revaluation of fixed assets	28,590	-	28,590
	1,881,026	565,854	2,446,880
COMPANY			
At 1 July 1996	2,072,062	222,117	2,294,179
Capitalised on bonus issue	-	(13,016)	(13,016)
Surplus for the year	-	9,474	9,474
Surplus on revaluation of investments in subsidiary companies	156,243	-	156,243
	2,228,305	218,575	2,446,880

		1997 shs'000	1996 shs'000
16	**LOANS**		
	Secured consortium debenture loans repayable by 1999 in quarterly instalments; interest at 4.5% above the base rate of Barclays Merchant Finance Limited. The rate for the last quarter was 26.5%	17,400	25,300
	Less: repayable within one year	9,200	7,900
		8,200	17,400

		1997 shs'000	1996 shs'000
17	**FINANCE LEASE**		
	GROUP		
	Secured obligations under a finance lease repayable in monthly instalments by 1998	412	962
	Less: repayable within one year	412	550
		-	412

18 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	1997 shs'000	1996 (11 months) shs'000
Group operating profit	610,210	218,690
Depreciation	191,638	168,356
Profit on disposal of fixed assets	(3,900)	(14,370)
Restructuring costs	94,324	-
Decrease /(increase) in stocks	158,784	(314,577)
Increase in debtors	(46,951)	(40,613)
Increase in creditors	172	345,976
Net cash inflow from operating activities	815,629	363,462

(b) Analysis of changes in cash and cash equivalents:

	1997 shs'000	1996 shs'000	Movement shs'000
Deposits, bank and cash balances	51,151	67,798	(16,647)
Bank overdrafts	360,811	713,859	353,048
Increase in cash and cash equivalents			336,401

Notes To The Financial Statements
Continued

19 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) In 1995, a legal claim was 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.

	1997 shs'000	**1996** shs'000
COMPANY		
Guarantees in favour of Barclays Bank of Kenya Limited for loans, overdrafts and other banking facilities to subsidiary companies	324,706	687,634
Guarantees in favour of Standard Chartered Bank Kenya Limited for loans, overdrafts and other banking facilities to subsidiary companies	52,969	49,930
	377,675	737,564

20 CAPITAL COMMITMENTS

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

	1997 shs'000	1996 shs'000
GROUP		
Contracted	3,517	20,581
Authorised but not contracted	952,339	61,653

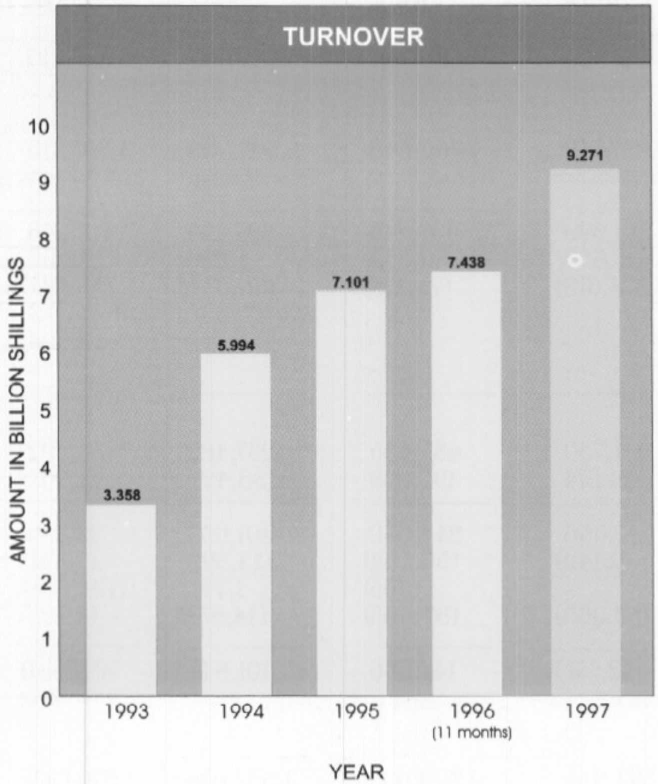
Group Five Year Financial Review

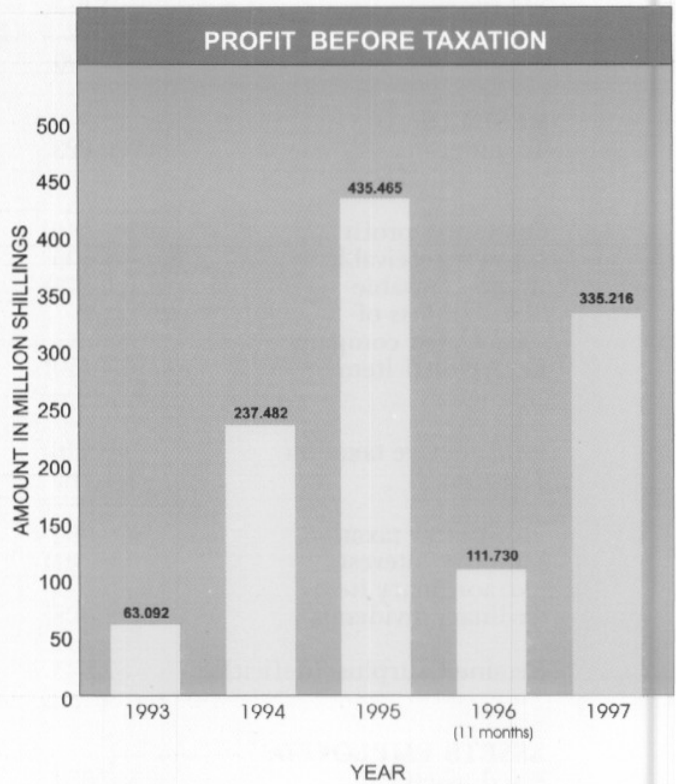
UNGA GROUP LIMITED

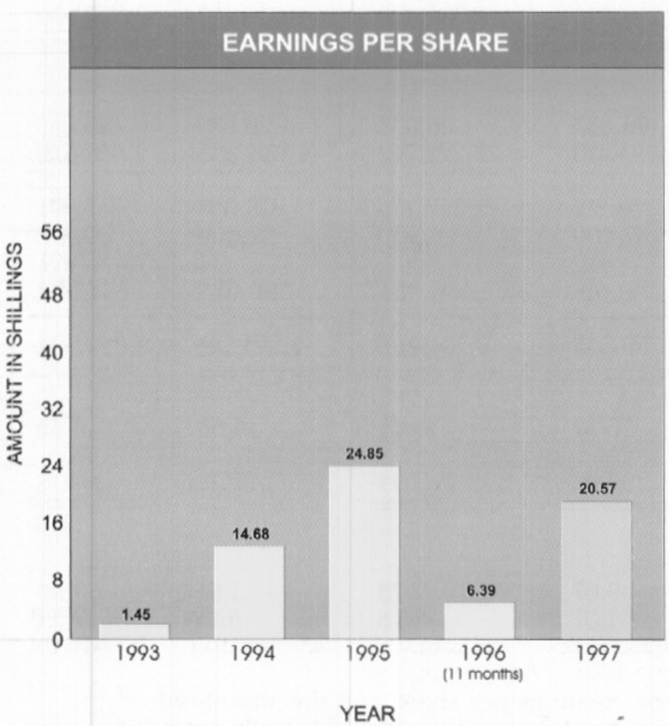
		1997 shs'000	1996 (11 months) shs'000	1995 shs'000	1994 shs'000	1993 shs'000
RESULTS:						
Turnover		9,270,823	7,437,740	7,100,668	5,993,799	3,357,870
Operating profit		610,210	218,690	503,245	397,190	115,286
Interest receivable		4,605	1,658	7,333	1,226	8,607
Interest payable		(185,275)	(108,618)	(75,133)	(160,934)	(58,637)
Share of loss of associated company		-	-	-	-	(2,164)
Exceptional item		(94,324)	-	-	-	-
Profit before taxation		335,216	111,730	435,465	237,482	63,092
Taxation		135,262	54,674	190,835	136,427	49,902
Profit after taxation		199,954	57,056	244,630	101,055	13,190
Minority interests		(39,311)	(7,142)	(50,564)	13,599	(1,841)
Extraordinary items		-	-	(365)	1,771	(104,858)
Ordinary dividends		(78,098)	(52,065)	(52,065)	(14,578)	(4,165)
Retained surplus/(deficit)		82,545	(2,151)	141,636	101,847	(97,674)
ASSETS EMPLOYED:						
Fixed assets		1,587,684	1,593,949	1,523,033	1,622,678	1,670,045
Investment properties		970,000	914,000	838,500	548,000	468,000
Associated company		-	-	-	-	13,056
Net current assets/(liabilities)		387,767	251,694	342,893	55,339	(53,597)
		2,945,451	2,759,643	2,704,426	2,226,017	2,097,504
FINANCED BY:						
Share capital		39,049	26,033	26,033	26,033	26,033
Reserves		2,446,880	2,294,179	2,222,742	1,786,995	1,607,638
Shareholders' funds		2,485,929	2,320,212	2,248,775	1,813,028	1,633,671
Loans		8,200	17,400	25,300	32,000	60,378
Finance lease		-	412	-	-	471
Minority interests		451,322	421,619	430,351	380,989	402,984
		2,945,451	2,759,643	2,704,426	2,226,017	2,097,504
RATIOS:						
Earnings per share	shs	20.57	6.39	24.85	14.68	1.45
Shareholders' funds per share	shs	318.30	297.09	287.94	232.15	209.18
Profit after taxation and minority interest to:						
Turnover	%	1.73	0.67	2.73	1.91	0.34
Capital employed	%	5.45	1.81	7.18	5.15	0.54

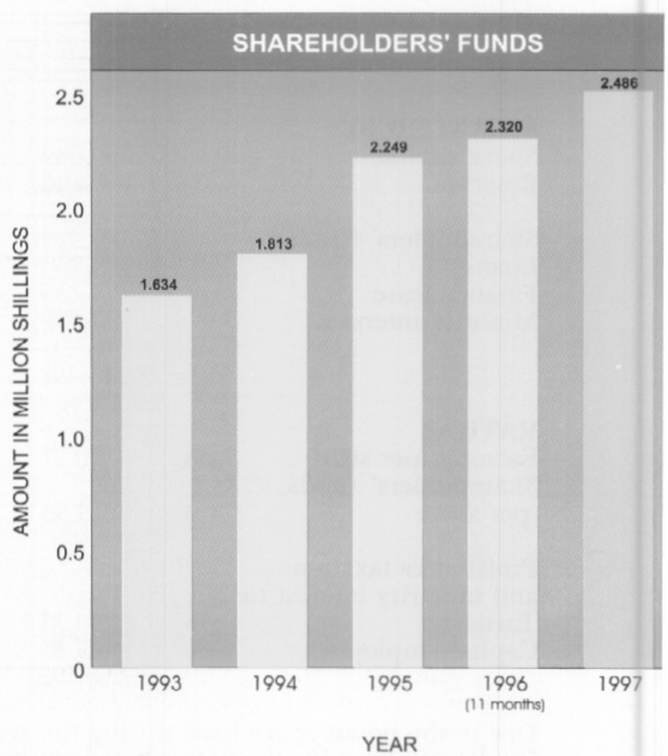
Due to the bonus share issue during the year, the earnings per share and the shareholders' funds per share for the previous years have been amended in line with generally accepted accounting practice.

FINANCIAL CHARTS









FORM OF PROXY

UNGA GROUP LIMITED

I/We ____

of __________________________________ being a 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 seventieth annual general meeting of the company to be held on Friday, 5 December 1997 at 11.30 a.m. and at any adjournment thereof.

I authorize my proxy to vote as follows on the resolutions for the meeting:

Item No.	Yes	No
1		
2		
3(a)		
3(b)		
4		
5		
6		

As witness my/our hand this ______________ day of ____________________ 1997.

____

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, P O Box 30096 Nairobi, to reach him not later than 24 hours before the time appointed for 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 an attorney authorised in writing.