FINANCIAL STATEMENTS
30 JUNE 1999

UNGA GROUP LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999

UNGA GROUP LIMITED

Contents

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

UNGA GROUP LIMITED

Corporate Information

Board of Directors

R Kemoli MBE, BSc (Econ) (Chairman)

A McKittrick (Group Managing Director)

J G Kiereini EGH, EBS, SS

J J Mvoyi BA

K Kiplagat LLB, LLM, JSD

R A Bird ACIB (British) - (alternate: A S M Ndegwa)

J M Muia B Comm, MBA, CPA(K), CPS(K) (Group Finance Director)

Secretary & Registrar
J P G Gachoya B Comm, FCIS, CPS(K)

Registered Office
Ngano House, Commercial Street
Industrial Area
P O Box 30096
Nairobi
Kenya

Auditors
Gill & Johnson
P O Box 40092
Nairobi
Kenya

Bankers
Barclays Bank of Kenya Limited
Barclays Plaza Branch
P O Box 46661
Nairobi
Kenya

Financial Calendar
Year Ended 30 June 1999

Financial Results
Announced 6 October 1999

Financial Statements
Issued 27 October 1999

72nd Annual General Meeting
To be held on 19 November 1999

Group Companies
Kenya National Mills Limited
- Unga Limited
- Unga Feeds Limited
  - Unga Uganda Limited
- Ungax Limited
- Unga Foods Limited
- Unga Maize Millers Limited
- Unga Farm Care (EA) Limited
  - Unga Farm Care (Tanzania) Limited (in formation)
- Bullpak Limited

Chester House Limited
Sofar Investments Limited

Notice of Meeting

NOTICE IS HEREBY GIVEN that the seventy - second annual general meeting of **UNGA GROUP LIMITED** will be held in the Council Chamber of the Professional Centre, Parliament Road, Nairobi on Friday, 19 November1999 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 1999.

2 To re-elect retiring directors:

(a) Dr K Kiplagat and Mr J M Muia retire by rotation in accordance with articles 88 and 89 of the articles of association and, being eligible, offer themselves for re-election.

(b) Mr J G Kiereini 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 seventy-second annual general meeting to move the following resolution:

"That Mr J G Kiereini, having attained the age of seventy years, be and is hereby re-elected a director of the company in accordance with section 186 (5) of the Companies Act."

3 To approve the remuneration of the directors.

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

5 To transact any other competent business.

BY ORDER OF THE BOARD

J P G GACHOYA
Secretary
Nairobi
27 October 1999

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.

Chairman's Report

UNGA GROUP LIMITED

I present my report as Chairman of your company for the year ended 30 June 1999.

Directors

There has not been any change in the composition of your Board and I have continued to receive the support of my fellow directors in our endeavours to turn-round the fortunes of the Unga Group.

Trading Performance

The company incurred a loss before tax of **shs 330 million** compared to a loss of **shs 708 million** for the previous year. This creditable improvement in performance does not fully reflect the true trading position because this year's results have been adversely affected by activities of the previous year. Having said that, there are various factors that continue to contribute to the disappointing performance of your company. Firstly, the economic slump, due to the collapse of tourism, adverse weather conditions and the continued suspension of donor aid, has led to a decline in purchasing power. Secondly, since the beginning of the calendar year, the Kenya shilling has continued to weaken thus increasing the cost of imported grains, spares and equipment.

The combined effect of the above factors has been a decline in customer demand for our wheat and maize meal products. Significant lowering of prices has not resulted in the desired improvement in trade. The shortage of maize in food-deficit areas of the country has also not served to increase sales. Whilst there has been a slight improvement in maize meal sales volumes compared to last year, sales volumes of wheat flour and animal feeds have declined. There is now considerable concern in the wheat milling industry, with most millers operating well below their installed capacity due to reduced market demand.

Faced with the above scenario, your Board has continued to re-examine operations with a view to reducing costs. As a result, significant savings have been made in milling operations following a comprehensive programme of mill repairs and machinery maintenance introduced to improve both reliability and output efficiency. However, the resultant savings are being eroded by high interest costs due to heavy reliance on debt financing.

Considerable progress has been made in the cost-effective purchase of our raw materials; the control of stocks and the reduction of debtors. However, our stringent 'NO CREDIT" policy has impacted negatively on our effort to recover lost share of the market where extended credit is a powerful sales incentive.

The animal feeds business provided impressive results considering the economic environment. This was achieved through the strict control of overheads. The property business also performed satisfactorily. The joint venture paper conversion company has significantly contributed to savings in our packaging costs.

Investments were made during the year to improve customer service and delivery. The major ones were an Almatix Laboratory for dip testing and upgrading of the Information Technology systems. The group is now virtually Year 2000 compliant both in hardware and software. A top-of -the-range software is already operational.

The disposal of non-core assets and businesses continued during the year. Our breakfast cereal and pet foods business in Nairobi was sold in March 1999. Certain residential properties have also been sold.

Staff training has been going on since January 1999 directed at changing attitudes, improving communications and implementing goal-oriented behaviour. The fruits are noticeable by a change in our organisation culture. Staff has now stabilised and a programme of skills development is currently being undertaken.

In my statement last year, I talked of addressing the East African market. Expansion efforts in this direction have continued resulting in setting up Unga Uganda Limited in Kampala which distributes animal health products in that country. A joint venture [Unga Farm Care (Tanzania) Limited (in formation)] is being established to distribute the same products in Tanzania. However, recent changes in tax structures in Uganda have adversely affected our flour sales to that country.

Future Plans

The survival of the company will depend on building the core values that we have identified. These are: continued staff training and development for better individual and team performances; continued plant refurbishment and enhancement to further improvement efficiency that will, in turn, translate into a competitive edge in the market; an increased presence within the East African region through joint ventures and direct investments; cost effective and advantageous methods of sourcing and storing grain; improved service delivery to all our customers through rationalisation of distribution; launching additional value-added products and restructuring the capital base to improve return on investment.

In addition, discussions continue to be held with potential investors for a possible strategic partnership.

Dividends

Your Board considers that the immediate priority is the recovery of our company and putting in place the structure that will realise benefits in the future. For this reason and also due to the loss incurred, your Board does not recommend the payment of a dividend for the year under consideration.

Staff

I would like to extend my appreciation to the staff for their hard work and patience in these trying times, especially the current trading environment. Their considerable efforts and the recent training programmes will not be long in bearing fruit. The reduced loss for the year points in this direction.

R KEMOLI
Chairman

Nairobi
14 October 1999

Report of the Directors

The directors present their report together with the audited financial statements of the group for the year ended 30 June 1999.

ACTIVITIES

The company operates as a holding company. The principal activities of the group are the milling of wheat and maize, the manufacture of self-opening bags, animal feeds and related products, and the owning and development of properties for rental purposes.

In April 1998, a decision was made to discontinue the operations of a subsidiary company and sell all its assets. The Nakuru plant and the Nairobi plant were sold in September 1998 and March 1999 respectively, whereas the Mombasa plant has not yet been sold.

	1999 shs '000	**1998** shs'000
GROUP RESULTS		
Loss before taxation	(330,378)	(708,239)
Taxation	49,923	50,249
Loss after taxation and before extraordinary items	(380,301)	(758,488)
Extraordinary items	12,103	89,855
Loss after extraordinary items and before minority interests	(392,404)	(848,343)
Minority interests	106,504	199,890
Loss before appropriation	(285,900)	(648,453)
Dividends	-	9,372
Transfer to revenue reserve	(285,900)	(657,825)

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year.

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

Dr K Kiplagat and Mr J M Muia retire by rotation in accordance with articles 88 and 89 of the articles of association and, being eligible, offer themselves for re-election.

Mr J G Kiereini, having attained the age of seventy years, retires under the provisions of section 186 (2) of the Companies Act and, being eligible, offers himself for re-election.

AUDITORS
Gill & Johnson, having expressed 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
5 October 1999

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 22 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 1999 and of the loss and cash flows of the group for the year ended on that date.

GILL & JOHNSON
8 October 1999

Deloitte Touche
Tohmatsu

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

Consolidated Profit & Loss Account
For the Year Ended 30 June 1999

UNGA GROUP LIMITED

	NOTE	1999 shs' 000	1998 shs'000
TURNOVER	2	6,903,494	9,418,920
GROUP OPERATING LOSS	3	(22,130)	(170,309)
INTEREST RECEIVABLE	4	5,410	5,729
INTEREST PAYABLE	4	(291,834)	(309,664)
LOSS BEFORE EXCEPTIONAL ITEM		(308,554)	(474,244)
EXCEPTIONAL ITEM	5	21,824	233,995
LOSS BEFORE TAXATION		(330,378)	(708,239)
TAXATION	6	49,923	50,249
LOSS AFTER TAXATION AND BEFORE EXTRAORDINARY ITEMS		(380,301)	(758,488)
EXTRAORDINARY ITEMS	7	12,103	89,855
LOSS AFTER EXTRAORDINARY ITEMS AND BEFORE MINORITY INTERESTS	8	(392,404)	(848,343)
MINORITY INTERESTS		106,504	199,890
LOSS BEFORE APPROPRIATION		(285,900)	(648,453)
DIVIDENDS - gross	9	-	9,372
LOSS FOR THE YEAR	17	(285,900)	(657,825)
LOSS PER SHARE	10	shs (5.84)	shs (11.92)

Consolidated Balance Sheet
30 June 1999

UNGA GROUP LIMITED

	NOTE	1999 shs'000	1998 shs'000
ASSETS EMPLOYED:			
FIXED ASSETS	11	2,275,534	2,499,141
INVESTMENT PROPERTIES	12	755,000	795,000
INVESTMENT IN SUBSIDIARY COMPANY	13	1	-
CURRENT ASSETS			
Fixed assets		-	72,547
Stocks	14	1,422,203	1,658,500
Debtors		557,802	707,170
Due from subsidiary company		4,555	-
Taxation recoverable		27,432	25,291
Deposits, bank and cash balances		153,038	148,777
		2,165,030	2,612,285
CURRENT LIABILITIES			
Creditors		1,370,946	1,530,660
Taxation		7,426	8,782
Finance lease repayable within one year	15	1,320	-
Loans payable within one year	18	20,644	45,593
Bank overdrafts (secured)		1,133,583	1,283,860
		2,533,919	2,868,895
NET CURRENT LIABILITIES		(368,889)	(256,610)
		2,661,646	3,037,531
FINANCED BY:			
SHARE CAPITAL	16	234,294	234,294
RESERVES	17	1,949,613	2,274,500
SHAREHOLDERS' FUNDS		2,183,907	2,508,794
LOANS	18	83,329	52,487
FINANCE LEASE	15	2,353	-
MINORITY INTERESTS		392,057	476,250
		2,661,646	3,037,531

The financial statements on pages 9 to 22 were approved by the board of directors on 5 October 1999 and were signed on its behalf by:

R KEMOLI Director

J M MUIA Director

Company Balance Sheet
30 June 1999

	NOTE	1999 shs'000	1998 shs'000
ASSETS EMPLOYED:			
FIXED ASSETS	11	10,481	11,458
INVESTMENTS IN SUBSIDIARY COMPANIES	13	2,008,774	2,372,891
CURRENT ASSETS			
Debtors		10,473	23,545
Due from subsidiary companies		162,417	107,762
Taxation recoverable		1,109	119
Deposits, bank and cash balances		18,090	17,978
		192,089	149,404
CURRENT LIABILITIES			
Creditors		27,437	24,959
NET CURRENT ASSETS		164,652	124,445
		2,183,907	2,508,794
FINANCED BY:			
SHARE CAPITAL	16	234,294	234,294
RESERVES	17	1,949,613	2,274,500
SHAREHOLDERS' FUNDS		2,183,907	2,508,794

The financial statements on pages 9 to 22 were approved by the board of directors on 5 October 1999 and were signed on its behalf by:

R KEMOLI Director

J M MUIA Director

Consolidated Cash Flow Statement
For the Year Ended 30 June 1999

	NOTE	1999 shs'000	1998 shs'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	19(a)	365,314	(185,072)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		5,410	5,300
Interest paid		(287,947)	(307,016)
Dividends paid		-	(78,098)
Dividends paid to minorities		-	(19,452)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(282,537)	(399,266)
TAXATION PAID		(53,420)	(115,244)
INVESTING ACTIVITIES			
Purchase of fixed assets		(130,400)	(220,335)
Proceeds from disposal of fixed assets		222,692	14,226
Investment in subsidiary		(1)	-
Minority interest in a subsidiary company		23,324	-
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		115,615	(206,109)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		144,972	(905,691)
FINANCING			
Loans received		53,000	122,763
Repayment of amounts borrowed		(47,107)	(42,083)
Finance lease entered into		4,124	-
Capital element of finance lease payments		(451)	(412)
NET CASH INFLOW FROM FINANCING		9,566	80,268
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	19(b)	154,538	(825,423)

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING
The financial statements are prepared 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 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 group policy of revaluing certain fixed assets every five years. The last valuation was as at 30 June 1997.

DEPRECIATION
No depreciation is provided on freehold land and investment properties.

Depreciation on other assets is calculated to write off their cost or valuation 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.

Excess depreciation represents the additional depreciation, following revaluations of fixed assets, over depreciation based on historical cost. The amount is transferred annually from capital reserve to revenue reserve.

1 **ACCOUNTING POLICIES** (continued)

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

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 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 117,778,000 (1998 - shs 120,584,000).

3 **GROUP OPERATING LOSS**

	1999	**1998**
	shs'000	shs'000
The group operating loss is arrived at after charging:		
Depreciation	260,579	265,688
Auditors' remuneration	6,720	7,253
Directors' emoluments -		
Fees for services as directors	1,800	1,675
Other emoluments	13,663	13,783
and after crediting:		
Profit on disposal of fixed assets	58,036	3,706

		1999 shs'000	1998 shs'000
4	**INTEREST**		
	Interest receivable:		
	Deposits	5,410	5,729
	Interest payable:		
	Loans	22,997	24,806
	Bank overdrafts	268,184	284,858
	Finance lease	653	-
		291,834	309,664

5 EXCEPTIONAL ITEM

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

6 TAXATION

	1999 shs'000	1998 shs'000
Based on the adjusted profit for the year at 32.5%	50,081	50,249
Adjustment for previous years	(158)	-
	49,923	50,249

At 30 June 1999, there were tax losses in subsidiary companies amounting to shs 1,392,701,000 (1998 - shs 983,018,000) to be offset against future taxable profits.

The loss before taxation is higher than the tax losses for the year mainly due to excess depreciation over capital allowances and unrealised losses on exchange.

At 30 June 1999, the potential deferred tax liability on timing differences in group companies amounted to shs 32,474,000 (1998 - shs 37,883,000).

		1999	1998
		shs'000	shs'000

7 EXTRAORDINARY ITEMS

Extraordinary items comprise the following costs and charges arising from closure of the business of a subsidiary company:

	1999 shs'000	1998 shs'000
Redundancy payments	10,784	20,684
Fixed assets write-down	1,319	60,083
Stocks write-down	-	9,088
	12,103	89,855

8 LOSS AFTER EXTRAORDINARY ITEMS AND BEFORE MINORITY INTERESTS

A profit of shs 39,230,000 (1998- shs 59,759,000) has been dealt with in the financial statements of Unga Group Limited.

9 DIVIDENDS - gross

	1999 shs'000	1998 shs'000
Interim dividend	-	9,372

10 LOSS PER SHARE

The loss per share has been calculated on the loss after minority interests and before extraordinary items divided by the number of ordinary shares in issue at 30 June.

UNGA GROUP LIMITED

11 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 1998	1,116,741	1,845,662	-	2,962,403	28,588
Additions	1,399	109,461	19,540	130,400	5,079
Disposals	(75,550)	(126,259)	-	(201,809)	(8,875)
At 30 June 1999	1,042,590	1,828,864	19,540	2,890,994	24,792
Comprising:					
Valuation in 1992	18,000	60,636	-	78,636	4,615
Valuation in 1997	1,023,191	1,296,104	-	2,319,295	-
Cost	1,399	472,124	19,540	493,063	20,177
	1,042,590	1,828,864	19,540	2,890,994	24,792
DEPRECIATION					
At 1 July 1998	52,862	410,400	-	463,262	17,130
Charge for the year	48,329	212,250	-	260,579	3,736
Eliminated on disposals	(7,457)	(102,243)	-	(109,700)	(6,555)
Written down on directors' valuation	74	1,245	-	1,319	-
At 30 June 1999	93,808	521,652	-	615,460	14,311
NET BOOK VALUE					
At 30 June 1999	948,782	1,307,212	19,540	2,275,534	10,481
At 30 June 1998	1,063,879	1,435,262	-	2,499,141	11,458

Land and buildings comprise:	
Freehold	11,000
Long leasehold	497,593
Short leasehold	440,189
	948,782

At 30 June 1999, the net book value of group plant and machinery included shs 5,125,000 in respect of a motor vehicle that was the subject of a finance lease.

Included in group plant and machinery is idle packaging machinery at the Eldoret Mill of a subsidiary company whose net book value is shs 7,540,679 (1998 - shs 14,663,166).

12 INVESTMENT PROPERTIES

	Chester House shs'000	Unga House shs'000	Unga Gate Plot shs'000	Total shs'000
VALUATION				
At 1 July 1998	570,000	220,000	5,000	795,000
Deficit on revaluation	(20,000)	(20,000)	-	(40,000)
At 30 June 1999	550,000	200,000	5,000	755,000

The investment properties are long leasehold.

The investment properties were revalued as at 30 June 1999 on an open market basis by Lloyd Masika Limited, registered valuers and estate agents.

13 INVESTMENTS IN SUBSIDIARY COMPANIES

GROUP
During the year, the group recommenced business in Uganda through a new subsidiary, Unga Uganda Limited. The first financial statements of this subsidiary will be made up to 30 June 2000.

	1999 shs'000	1998 shs'000
COMPANY		
Shareholdings at directors' valuation:		
At 1 July	2,352,391	2,379,913
Deficit on revaluation	(364,117)	(27,522)
At 30 June	1,988,274	2,352,391
Unsecured short term loan	20,500	20,500
	2,008,774	2,372,891

14 STOCKS

	1999 shs'000	1998 shs'000
Finished products	316,235	271,821
Raw materials	432,781	623,293
Production supplies	65,460	102,051
Engineering stores	84,523	53,105
Goods in transit	523,204	608,230
	1,422,203	1,658,500

		1999 shs'000	1998 shs'000
15	**FINANCE LEASE**		
	Secured obligations under a finance lease repayable in monthly instalments by 2001	3,673	-
	Less: repayable within one year	1,320	-
		2,353	-
16	**SHARE CAPITAL**		
	Authorised:		
	50,000,000 ordinary shares of shs 5 each	250,000	250,000
	Issued and fully paid:		
	46,858,758 ordinary shares of shs 5 each	234,294	234,294

17 RESERVES

	Capital shs'000	Revenue (deficit) shs'000	Total shs'000
GROUP			
At 1 July 1998	2,485,180	(210,680)	2,274,500
Loss for the year	-	(285,900)	(285,900)
Deficit on revaluation of investment properties	(38,987)	-	(38,987)
Surplus realised on disposal of revalued assets	(87,058)	87,058	-
Transfer of excess depreciation	(99,014)	99,014	-
At 30 June 1999	2,260,121	(310,508)	1,949,613
COMPANY			
At 1 July 1998	2,200,783	73,717	2,274,500
Retained profit for the year	-	39,230	39,230
Deficit on revaluation of investments in subsidiary companies	(364,117)	-	(364,117)
At 30 June 1999	1,836,666	112,947	1,949,613

18 LOANS

		1999 shs'000	1998 shs'000
(i)	Secured loan fron National Industrial Credit Bank Limited repayable in monthly instalments by 2002; interest at 21.5% per annum	50,973	64,982
(ii)	Loan from East African Development Bank repayable in monthly instalments by 1999, interest at 22% per annum	-	8,463
(iii)	Loan from Co-operative Bank of Kenya Limited repayable in monthly instalments by 2001; interest at 3% above base rate	-	24,635
(iv)	Loan from Nampak Limited repayable in annual instalments by 2003; interest at 8% per annum	53,000	-
		103,973	98,080
Less:	Payable within one year		
(i)	Loan from National Industrial Credit Bank Limited	17,700	12,495
(ii)	Loan from East African Development Bank	-	8,463
(iii)	Loan from Co-operative Bank of Kenya Limited	-	24,635
(iv)	Loan from Nampak Limited	2,944	-
Total payable within one year		20,644	45,593
At 30 June		83,329	52,487

The loan from Co-operative Bank of Kenya Limited was reclassified in 1998 as payable within one year following the closure of the operations of a subsidiary company and was fully settled during the current year.

UNGA GROUP LIMITED

19 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

		1999 shs'000	1998 shs'000
(a)	Reconciliation of group operating loss to net cash inflow/(outflow) from operating activities		
	Group operating loss	(22,130)	(170,309)
	Depreciation	260,579	265,688
	Profit on disposal of fixed assets	(58,036)	(3,706)
	Redundancy payments	(10,784)	(20,684)
	Restructuring costs	(21,824)	(233,995)
	Decrease/(increase) in stocks	236,297	(326,810)
	Decrease/(increase) in debtors	149,368	(272,296)
	(Decrease)/increase in creditors	159,714 (163,601)	577,040
	Increase in subsidiary company balance	(4,555)	-
	Net cash inflow/(outflow) from operating activities	365,314	(185,072)

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

	1999 shs'000	1998 shs'000	Movement shs'000
Deposits, bank and cash balances	153,038	148,777	4,261
Bank overdrafts	1,133,583	1,283,860	150,277
Increase in cash and cash equivalents			154,538

20 CONTINGENT LIABILITIES

GROUP

(i) 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 court case has been on-going and the likely outcome is not known.

(ii) A former employee sued a subsidiary company in 1998 for wrongful termination of service. The likely outcome of the court case is not known.

(iii) Two other claims relating to mileage and breach of contract amounting to shs 2,317,000 were filed against a subsidiary company during the year ended 30 June 1998. Their outcome has not yet been determined

	1999 shs'000	1998 shs'000
COMPANY		
Guarantees in favour of Barclays Bank of Kenya Limited for loans, overdrafts and other banking facilities to a subsidiary company	676,114	1,194,404
Guarantees in favour of Standard Chartered Bank Kenya Limited for loans, overdrafts and other banking facilities to a subsidiary company	-	27,208
Guarantees in favour of Co-operative Bank of Kenya Limited for loans, overdrafts and other banking facilities to a subsidiary company	-	86,589
Guarantees in favour of East African Development Bank for loans, overdrafts and other banking facilities to a subsidiary company	-	8,463
Guarantees in favour of ABN AMRO Bank NV for loans, overdrafts and other banking facilities to a subsidiary company	389,425	-
	1,065,539	1,316,664

21 CAPITAL COMMITMENTS

Commitments for which no provision has been made in these financial statements:

GROUP		
Contracted	89,893	45,342
Authorised but not contracted	217,904	483,658

Group Five Year Financial Review

UNGA GROUP LIMITED

	1999	1998	1997	1996 (11 months)	1995
	shs'000	shs'000	shs'000	shs'000	shs'000
RESULTS					
Turnover	6,903,494	9,418,920	9,270,823	7,437,740	7,100,668
Operating (loss)/profit	(22,130)	(170,309)	610,210	218,690	503,245
Interest receivable	5,410	5,729	4,605	1,658	7,333
Interest payable	(291,834)	(309,664)	(185,275)	(108,618)	(75,113)
Exceptional item	(21,824)	(233,995)	(94,324)	-	-
(Loss)/profit before taxation	(330,378)	(708,239)	335,216	111,730	435,465
Taxation	49,923	50,249	135,262	54,674	190,835
(Loss)/profit after taxation	(380,301)	(758,488)	199,954	57,056	244,630
Minority interests	106,504	199,890	(39,311)	(7,142)	(50,564)
Extraordinary items	(12,103)	(89,855)	-	-	(365)
Dividends	-	(9,372)	(78,098)	(52,065)	(52,065)
(Loss)/retained profit	(285,900)	(657,825)	82,545	(2,151)	141,636
ASSETS EMPLOYED:					
Fixed assets	2,275,534	2,499,141	1,587,684	1,593,949	1,523,033
Investment properties	755,000	795,000	970,000	914,000	838,500
Subsidiary company	1	-	-	-	-
Net current (liabilities)/assets	(368,889)	(256,610)	387,767	251,694	342,893
	2,661,646	3,037,531	2,945,451	2,759,643	2,704,426
FINANCED BY:					
Share capital	234,294	234,294	39,049	26,033	26,033
Reserves	1,949,613	2,274,500	2,446,880	2,294,179	2,222,742
Shareholders' funds	2,183,907	2,508,794	2,485,929	2,320,212	2,248,775
Loans	83,329	52,487	8,200	17,400	25,300
Finance lease	2,353	-	-	412	-
Minority interests	392,057	476,250	451,322	421,619	430,351
	2,661,646	3,037,531	2,945,451	2,759,643	2,704,426
RATIOS:					
(Loss)/earnings per share shs	(5.84)	(11.92)	3.43	1.07	4.14
Shareholders' funds per share shs	46.61	53.54	53.05	49.52	47.99
(Loss)/profit after taxation and minority interests to:					
Turnover %	(3.97)	(5.93)	1.73	0.67	2.73
Capital employed %	(10.29)	(18.39)	5.45	1.81	7.18

Due to the bonus share issue during 1998, the earnings per share and the shareholders' funds per share for the previous years have been amended in line with generally accepted accounting practice.