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UNGA GROUP LIMITED

Financial Statements
June 2001

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

UNGA GROUP LIMITED

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UNGA GROUP LIMITED

Corporate Information

Directors
R Kemoli (Chairman)
A McKittrick (Group Managing Director)
J G Kiereini
K Kiplagat
J J Mvoyi
A S M Ndegwa

Secretary
A Simwa
P O Box 30029
Nairobi

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

Auditors
Gill & Johnson
"Kirungii", Ring Road, Westlands
P O Box 40092
Nairobi

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

Financial Calendar
Year Ended 30 June 2001

Financial Results
Announced 17 October 2001

Financial Statements
Issued 26 November 2001

74th Annual General Meeting
To be held on 21 December 2001

Group Companies
Kenya National Mills Limited
Sofar Investments Limited
Chester House Limited
Unga Investments Limited
Unga Holdings Limited
Unga Limited
Unga Feeds Limited
Unga Foods Limited
Ungax Limited
Unga Maize Millers Limited
Unga Farm Care (East Africa) Limited
Unga Uganda Limited
Unga Farm Care (Tanzania) Limited
Bullpak Limited

Notice of Meeting

UNGA GROUP LIMITED

NOTICE IS HEREBY GIVEN that the seventy fourth annual general meeting of **UNGA GROUP LIMITED** will be held in the Samburu Room, Ground Floor, Inter-Continental Hotel, City Hall Way, Nairobi on Friday 21 December 2001 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 30th June 2001.

2. To re-elect retiring directors:

   Messrs. A McKittrick and K Kiplagat retire by rotation in accordance with Articles 88 and 89 of the Articles of Association. Mr. A McKittrick offers himself for re-election.

   Mr. A S M Ndegwa retires in accordance with Article 93 and being eligible, offers himself for re-election.

3. To approve the remuneration of the directors.

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

5. To transact any other competent business.

BY ORDER OF THE BOARD

A Simwa
Secretary
Nairobi
26 November 2001

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

Chairman's Report

I present my report as Chairman of your company for the year ended 30th June 2001.

TRADING PERFORMANCE

The recorded turnover of **Shs. 7.1 Billion** was an increase over prior year of 5.4%. During the year most products fetched higher prices in line with local inflation, but this was negated by stagnation of sales volumes caused by the poor state of our economy.

There were no significant changes in business activity during the course of the year. The human foods segment, primarily involved with the milling of wheat and maize, remained the core activity and accounted for 72% of total sales whilst the animal health and nutrition business represented 27% of the company's turnover.

The loss before tax of **Shs. 287 Million** was a significant improvement (63%) over the prior year result and is mainly attributable to higher turnover, enhancements in cost control and reduced financing expense. There were no significant asset write-downs in the year.

In line with the cyclical nature of the milling industry in Kenya, performance in the first six months of the year was good and sales for the human food line notably exceeded prior year levels. With reasonable margins, the possibility of an early turn around was envisaged. However, these gains were reversed abruptly in the second half of the year when the wheat business faced the full brunt of a worsening business environment. The combination of high wheat costs, a shrinking customer base and severe competition from both local millers and imported flour, all contributed to a decline in sales volumes and revenues of wheat.

Competitively priced raw materials and prudent cost management allowed the maize milling and animal feeds businesses to deliver excellent results, with volume, turnover and profit targets all being bettered. It is my pleasure to report that whereas maize milling has benefited immensely from the ongoing mill rehabilitation process, while animal feeds has gained significant advantage from recent plant investments and improved utilisation of feed formulation programmes.

Last year, I reported that a separate business to deal with animal health care and crop protection had been established. I am pleased to report that the process of registering a line of Unga label ethical products has been completed in Kenya and is at an advanced stage in Uganda and Tanzania. However, due to the drought that persisted in the early part of the year, delays in product registration and the usual problems associated with market entry, this line of business has not performed as well as expected. Operational changes are being made to ensure that the business makes up lost ground.

A key pillar of your Board's policy is business rationalisation and the alignment of your company with the industry in order to deal with the dynamism of current times. In line with this policy, the sale of Chester House and all other major properties was completed in the year. This now marks the significant reduction in the real estate business and leaves the group with the processing of agricultural products and distribution of farm chemicals as the core business.

BUSINESS IMPROVEMENT INITIATIVES

Last year, I reported that the group had concluded a partnership agreement with Seaboard Corporation whereby the latter brought in capital into the group and assumed responsibility fo operational management. I am pleased to report that this arrangement has begun to yield benefits. Along wit providing finance for imported grain, Seaboard has introduced valuable business concepts to all aspects of th company. The benefits of this alliance are already being felt in the reduced cost of doing business. Wi Seaboard's support, we have completed mill refurbishment programmes, including the installation of ne automated packing lines and have begun work on a distribution centre to serve the wheat flour and maize m operations in Nairobi.

In the last 3 years the cost of finance has been a major hindrance to the profitability of your company. This matter has been addressed with the result that the group's bank borrowings have been reduced from Shs. 2 Billion in 1998 to Shs. 820 Million in 2001. This improvement was realised through the sale of properties, injection of capital by Seaboard Corporation and the issuance of Rights in June 2000, a concerted effort to reduce the cash tied-up in working capital and the use of alternative financing products now available from the market. This year's finance cost of Shs. 129 Million, which is 57% lower than in the previous year, is a reflection of the success of these efforts.

FUTURE OUTLOOK AND PLANS

Your Board's immediate goal is to return the group to profitability. We are aware that the current economic environment poses a number of challenges, which your company has to face and address. It is important to recognise that some uncertainties do exist in the short to-medium term. The above notwithstanding, your Board has made specific plans to address the challenges and capitalise on available opportunities. Marketing and new business development will receive increased attention to:

- Introduce value added products; and
- Increase our presence in Uganda and Tanzania.

On the positive side, I am happy to report that following consultative meetings between the wheat millers, local wheat farmers and the government, the Treasury agreed to waive the 35% duty levied on imported wheat with effect from August 2001. The implications of the duty waiver are that your company is now able to mill wheat at acceptable margins, compete effectively against duty-free flour and no longer needs to finance duty payments. Another boon to our business is the good rains, which have led to a bumper harvest of maize and other agricultural produce.

The search for business alliances to increase the product width and market reach in order to serve the customer better is an ongoing process. To this end I am pleased to report that your company has recently reached an agreement with DeLaval (a division of Tetra Pak) to distribute their range of dairy equipment in Eastern Africa. This arrangement is a further step in our efforts to position the group as a market leader in animal health and nutrition across the region.

DIVIDENDS

In view of the loss incurred, your Board does not recommend the payment of a dividend for the year under consideration.

DIRECTORS AND STAFF

During the year, your Board and members of staff put in a lot of time and energy into formulating and implementing business plans as well as ensuring that operations are carried out smoothly and cost effectively. I owe them particular gratitude since their individual and joint efforts have enabled your group to continue to operate with a marked improvement in operating efficiencies and financial management.

R KEMOLI
Chairman 16 October 2001

Report of the Directors

The directors present their report together with the audited financial statements of the group for the year ended 30 June 2001.

ACTIVITIES

The company operates as a holding company. The principal activities of the group continue to be the milling of wheat and maize, the manufacture of packaging materials and animal nutrition products, the distribution of animal health and nutrition and crop protection products and the owning of properties for rental purposes.

	2001 Shs'000	2000 Shs'000
GROUP RESULTS		
Loss before taxation	(287,015)	(778,312)
Taxation	62,493	118,623
Loss before extraordinary items	(224,522)	(659,689)
Extraordinary items	-	(223,103)
Loss before minority interests	(224,522)	(882,792)
Minority interests	92,038	200,194
Transfer to revenue reserve	(132,484)	(682,598)

DIVIDEND

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.

Messrs. R A Bird and J M Muia resigned on 1 September and 31 October 2001 respectively and Mr. A S M Ndegwa was appointed a director on 11 September 2001.

Messrs A McKittrick and K Kiplagat retire by rotation in accordance with Articles 88 and 89 of the Articles of Association and Mr. A S M Ndegwa retires in accordance with Article 91 of the said Articles and being eligible the three directors offer themselves for re-election.

SECRETARY

Mr. J M Muia resigned on 31 October 2001 and Mr. A Simwa was appointed Company Secretary on 1 November 2001.

AUDITORS

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

BY ORDER OF THE BOARD

A McKITTRICK
Group Managing Director

Nairobi
8 October 2001

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that each company in the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each company in the group and to enable them ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Gill & Johnson

Certified Public Accountants
(Kenya)

"Kirungii" Ring road, Westlands
P.O. Box 40092
Nairobi, Kenya
Telephone: 254-2-441344/05-12
Fascimile: 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 29 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 7, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those 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. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith; and

(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2001 and of the loss and cash flows of the group for the year then ended in accordance with International Accounting Standards and comply with the Companies Act.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements, which gives disclosures concerning the going concern basis of the financial statements of the group.

Gill & Johnson
16 October 2001

Deloitte Touche Tohmatsu

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

Consolidated Income Statement
For The Year Ended 30 June 2001

UNGA GROUP LIMITED

	Notes	2001 Shs'000	2000 Shs'000
TURNOVER		7,106,310	6,829,041
COST OF SALES		6,511,087	6,267,455
GROSS PROFIT		595,223	561,586
OTHER OPERATING INCOME		69,509	133,954
DISTRIBUTION COSTS		(223,963)	(189,504)
ADMINISTRATIVE EXPENSES		(486,099)	(557,332)
OTHER OPERATING EXPENSES		(112,301)	(320,178)
OPERATING LOSS	4	(157,631)	(371,474)
FINANCE COSTS - NET	6	(129,384)	(298,610)
LOSS BEFORE EXCEPTIONAL ITEMS		(287,015)	(670,084)
EXCEPTIONAL ITEMS		-	(108,228)
LOSS BEFORE TAXATION		(287,015)	(778,312)
TAXATION CREDIT	7	62,493	118,623
LOSS BEFORE EXTRAORDINARY ITEMS		(224,522)	(659,689)
EXTRAORDINARY ITEMS		-	(223,103)
LOSS BEFORE MINORITY INTERESTS	8	(224,522)	(882,792)
MINORITY INTERESTS		92,038	200,194
LOSS FOR THE YEAR		(132,484)	(682,598)
LOSS PER SHARE	9	Shs (2.52)	Shs (14.57)

Consolidated Balance Sheet

30 June 2001

UNGA GROUP LIMITED

	Notes	2001 Shs'000	2000 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	10	1,999,871	2,209,484
Investment properties	11	31,929	245,000
Intangible assets	12	14,947	-
Retirement benefits asset	15	80,068	88,029
Deferred taxation	16	185,084	80,452
		2,311,899	2,622,965
Current assets			
Properties held for sale	17	19,929	-
Inventories	18	974,069	1,174,297
Trade and other receivables		278,292	361,030
Due from group companies	19	29,358	20,263
Taxation recoverable		33,218	29,638
Short term deposits and treasury bills	20	159,609	73,598
Cash and bank balances		30,855	219,245
		1,525,330	1,878,071
Total assets		3,837,229	4,501,036
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	264,772	234,294
Share premium		73,148	-
Revaluation reserve		1,350,826	1,463,462
Revenue reserve (deficit)		(464,904)	(459,904)
		1,223,842	1,237,852
Minority interests		888,647	970,561
Non current liabilities			
Borrowings	23	37,120	65,211
Service gratuity	24	53,796	53,177
		90,916	118,388
Current liabilities			
Trade and other payables		465,772	959,918
Due to related companies	25	317,117	380,884
Borrowings	23	830,393	820,833
Taxation payable		20,542	12,600
		1,633,824	2,174,235
Total equity and liabilities		3,837,229	4,501,036

The financial statements on pages 9 to 29 were approved by the board of directors on 8 October 2001 and were signed on its behalf by:

R KEMOLI *Director*

A McKITTRICK *Director*

Company Balance Sheet
30 June 2001

UNGA GROUP LIMITED

	Notes	2001 Shs'000	2000 Shs'000
ASSETS			
Non current assets			
Investments in subsidiary companies	13	994,673	1,104,691
Investment in associated company	14	173,084	192,027
		1,167,757	1,296,718
Current assets			
Trade and other receivables		1,131	-
Due from subsidiary companies		33,975	51,228
Taxation recoverable		1,758	1,511
Investment in treasury bills	20	19,510	-
Cash and bank balances		409	-
		56,783	52,739
Total assets		1,224,540	1,349,457
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	264,772	234,294
Share premium	22	73,148	-
Revaluation reserve	22	741,300	851,318
Revenue reserve	22	144,622	152,240
		1,223,842	1,237,852
Current liabilities			
Trade and other payables		698	31,605
Loan repayable within one year	23	-	80,000
		698	111,605
Total equity and liabilities		1,224,540	1,349,457

The financial statements on pages 9 to 29 were approved by the board of directors on 8 October 2001 and were signed on its behalf by:

R KEMOLI *Director*

A MCKITTRICK *Director*

Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2001

UNGA GROUP LIMITED

	Share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Revenue reserve (deficit) Shs'000	Total Shs'000
At 1 July 1999	234,294	-	1,890,208	(7,545)	2,116,957
Revaluation reserve realised on disposal of property, plant and equipment	-	-	(24,915)	24,915	-
Transfer of excess depreciation	-	-	(73,945)	73,945	-
Revaluation reserve realised on disposal of investment properties	-	-	(131,379)	131,379	-
Write down of investment property	-	-	(220,000)	-	(220,000)
Deferred taxation	-	-	23,493	-	23,493
Loss for the year	-	-	-	(682,598)	(682,598)
At 30 June 2000	234,294	-	1,463,462	(459,904)	1,237,852
Issue of shares	30,478	73,148	-	-	103,626
Transfer of excess depreciation	-	-	(90,019)	90,019	-
Revaluation reserve realised on disposal of property, plant and equipment	-	-	(31,325)	31,325	-
Revaluation reserve eliminated on transfer of property, plant and equipment to investment properties	-	-	(6,140)	6,140	-
Deferred taxation	-	-	14,848	-	14,848
Loss for the year	-	-	-	(132,484)	(132,484)
At 30 June 2001	**264,772**	**73,148**	**1,350,826**	**(464,904)**	**1,223,842**

Consolidated Cash Flow Statement

For The Year Ended 30 June 2001

UNGA GROUP LIMITED

	Notes	2001 Shs'000	2000 Shs'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	26(a)	(176,222)	341,891
Interest received		14,262	12,239
Interest paid		(166,778)	(319,228)
Taxation paid		(10,685)	(43,763)
Net cash used in operating activities		(339,423)	(8,861)
INVESTING ACTIVITIES			
Proceeds on disposal of investment property		245,000	-
Proceeds on disposal of property, plant and equipment		56,726	184,288
Acquisition of property, plant and equipment		(147,657)	(241,947)
Minority interest in subsidiary companies		-	561,510
Dividends paid to minority in a subsidiary company		(2,120)	-
Net cash from investing activities		151,949	503,851
FINANCING ACTIVITIES			
Issue of shares		23,626	-
Loans received	26(d)	-	300,000
Loans repaid	26(d)	(259,231)	(17,622)
Finance lease repayments		(2,411)	(1,262)
Net cash (used in)/from financing activities		(238,016)	281,116
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(425,490)	776,106
CASH AND CASH EQUIVALENTS AT 1 JULY		(204,439)	(980,545)
CASH AND CASH EQUIVALENTS AT 30 JUNE	26(b)	(629,929)	(204,439)

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards. The principal policies adopted remain unchanged from the previous year, except for investment properties, and are set out below.

BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis of accounting, modified by 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 each year.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the relevant assets and liabilities.

REVENUE RECOGNITION

Turnover, which represents net sales to external customers during the year, is recognised when goods are delivered and title has passed.

Interest income is recognised when it accrues, by reference to the principal outstanding and the interest rate applicable.

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.

TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing the inventories plus an allocation of normal overhead expenditure attributable to the processes through which they have passed. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling.

TREASURY BILLS

Treasury bills are stated at redemption value less unearned discount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation. 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 property, plant and equipment every five years.

1 **ACCOUNTING POLICIES (Continued)**

DEPRECIATION

Depreciation is calculated to write off the cost or valuation of property, plant and equipment 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	5 - 7.5%
Furniture and fittings	12.5%
Motor vehicles	25%
Silos	Shorter of 50 years or the unexpired period of the lease for the land on which they are built

Excess depreciation, representing the additional depreciation following revaluations of property, plant and equipment over depreciation based on historical cost, is transferred annually from revaluation reserve to revenue reserve.

INVESTMENT PROPERTIES

Investment properties are carried at fair value. This is defined by International Accounting Standard No. 40 as the most probable price reasonably obtainable in the market at the balance sheet date. Surplus or deficit arising from revaluation is dealt with in the income statement.

The directors have opted for early adoption of International Accounting Standard No. 40.

INTANGIBLE ASSETS

Intangible assets represent computer software which is stated at cost less amortisation. Amortisation is calculated to write off the cost of computer software on a straight line basis over its estimated useful life of five years.

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 provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

FOREIGN CURRENCIES

Assets and liabilities denominated 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 income statement.

UNGA GROUP LIMITED

1 **ACCOUNTING POLICIES (Continued)**

RETIREMENT BENEFIT COSTS

The group participates in a defined benefit retirement scheme operated by Unga Group Limited for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by payments from both the employees and the employer. Benefits are paid to retiring staff in accordance with scheme rules. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. It is intended that the scheme will be valued once every three years: the last valuation was as at 31 December 1999. The group's contributions are charged to the income statement in the year to which they relate.

The amount recognised in the balance sheet represents the difference between the value of past service pension benefits and the fair value of scheme assets.

The group also contributes to a statutory defined contribution benefit scheme, the National Social Security Fund. Contributions are determined by local statute and are currently limited to a maximum of Shs 80 per employee per month. The group's contributions are charged to the income statement in the year to which they relate.

The group's unionisable staff who resign or retire at retirement age or whose services are terminated for reasons other than gross misconduct are entitled to gratuity payments in accordance with the prevailing Collective Bargaining Agreement. Service gratuity is provided in the financial statements as it accrues to each employee.

2. **GOING CONCERN**

As at 30 June 2001, the group had revenue reserve deficit of Shs 464,904,000 and its current liabilities exceeded its current assets by Shs 108,494,000, primarily because of trading losses in the subsidiary companies in recent years. Continued operations of the group are dependent upon early return to profitability and/or injection of additional funds. The directors have been working to turn the group round and this is a continuing process. These efforts have already borne fruit through the introduction of a Strategic Partner among other things. Attention continues to be focused on the management of working capital by minimising the investment in inventories and receivables, which has resulted in a significant reduction in the level of bank debt and interest expense, along with the continued reduction in total debt owed to third parties. A shift towards increased marketing activities and new business development is expected to lead to improved turnover and margins, resulting in improved profitability.

In view of the foregoing, the directors consider it appropriate to prepare the financial statements on a going concern basis.

3 SEGMENTAL REPORTING
Year Ended 30 June 2001

(a) Primary reporting format – Business segments

	Human foods Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
REVENUE					
External sales	5,144,128	1,915,399	46,783	-	7,106,310
Inter-segment sales	375,415	-	158,999	(534,414)	-
Total revenue	5,519,543	1,915,399	205,782	(534,414)	7,106,310
RESULT					
Operating (loss)/profit	(158,786)	(8,381)	9,536	-	(157,631)
Finance costs					(129,384)
Loss before taxation					(287,015)
Taxation credit					62,493
Loss before minority interest					(224,522)

Inter-segment sales are charged at market prices.

OTHER INFORMATION	Human foods Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Consolidated Shs'000
Capital additions	121,305	26,017	335	147,657
Depreciation and amortisation	201,405	49,750	15,520	266,675
Segment assets	2,575,836	1,046,849	214,544	3,837,229
Segment liabilities	1,332,205	359,482	33,053	1,724,740

(b) Secondary reporting format – Geographical segments
Over 90% of the group's consolidated income is derived in Kenya.

3 SEGMENTAL REPORTING (Continued)
Year Ended 30 June 2000

(a) Primary reporting format – Business segments

	Human foods Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
REVENUE					
External sales	5,005,735	1,668,881	154,425	-	6,829,041
Inter-segment sales	289,253	-	110,891	(400,144)	-
Total revenue	5,294,988	1,668,881	265,316	(400,144)	6,829,041
RESULT					
Operating (loss)/profit	(317,602)	17,683	(87,395)	15,840	(371,474)
Finance costs					(298,610)
Exceptional items					(108,228)
Loss before taxation					(778,312)
Taxation credit					118,623
Loss before extraordinary items					(659,689)
Extraordinary items					(223,103)
Loss before minority interest					(882,792)

Inter-segment sales are charged at market prices.

	Human foods Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Consolidated Shs'000
OTHER INFORMATION				
Capital additions	184,421	55,509	2,017	241,947
Depreciation	184,338	43,101	20,423	247,862
Segment assets	3,007,056	1,002,018	491,962	4,501,036
Segment liabilities	1,528,079	402,436	362,108	2,292,623

(b) Secondary reporting format – Geographical segments
Over 90% of the group's consolidated income is derived in Kenya.

		2001 Shs'000	2000 Shs'000
4	**OPERATING LOSS**		
	The operating loss is arrived at after charging:		
	Depreciation	259,778	247,862
	Amortisation	6,897	-
	Equipment written off	5,822	-
	Directors' emoluments - fees	2,250	2,250
	- other	8,913	9,482
	- compensation for loss of office	-	19,689
	Auditors' remuneration	5,255	6,708
	Staff costs (note 5)	421,079	380,133
	Loss on disposal of investment property	-	84,017
	and after crediting:		
	Profit on disposal of property, plant and equipment	21,258	4,237
5	**STAFF COSTS**		
	Salaries and wages	374,181	358,180
	Pension costs – defined benefit scheme	7,020	8,902
	Termination benefits	13,259	4,546
	Service gratuity	13,885	4,568
	Social security costs (NSSF)	1,630	1,371
	Restructuring costs	8,085	-
	Other staff costs	3,019	2,566
		421,079	380,133
	The average number of employees during the period was 619 (2000 – 669) permanent employees and 261 (2000 – 320) temporary employees.		
6	**FINANCE COSTS - NET**		
	Interest receivable:		
	Deposits and bank balances	14,262	12,408
	Reversal of interest on loan from related company	8,127	-
		22,389	12,408
	Net foreign exchange gains/(losses)	681	(5,004)
	Interest payable:		
	Bank overdraft facilities	(126,135)	(247,082)
	Bank loans	(26,271)	(48,829)
	Finance leases	(48)	(862)
	Loans from related company	-	(4,240)
	Other loans	-	(5,001)
		(152,454)	(306,014)
		(129,384)	(298,610)

UNGA GROUP LIMITED

7 TAXATION

		2001 Shs'000	2000 Shs'000
(a)	Taxation credit		
	Current taxation based on the chargeable profit for the year at 30%	15,047	28,783
	Adjustment for previous years	-	17,948
		15,047	46,731
	Deferred taxation credit (note 16)	(77,540)	(165,354)
		(62,493)	(118,623)
(b)	Reconciliation of taxation credit to the expected tax based on accounting loss		
	Accounting loss before taxation	(287,015)	(778,312)
	Tax at the applicable rate of 30%	(86,104)	(233,493)
	Tax effect of expenses not allowable for tax	30,944	91,478
	Tax effect of income not subject to tax	(6,963)	(6,437)
	Effect of tax rate change	-	7,648
	Deferred taxation (charge)/credit not taken up	(370)	4,233
	Prior year under provision	-	17,948
	Taxation credit	(62,493)	(118,623)
(c)	Aggregate deferred taxation relating to items credited to equity		
	Deferred taxation on revaluation surplus realised on disposal	86	5,124
	Deferred taxation on transfer of excess depreciation	27,006	28,503
		27,092	33,627
	Less: minority interest	12,244	10,134
		14,848	23,493

8 LOSS BEFORE MINORITY INTERESTS

A loss of Shs 7,618,000 has been dealt with in the financial statements of Unga Group Limited (2000 – profit of Shs 23,629,000).

9 LOSS PER SHARE

Basic loss per share has been calculated on the loss for the year of Shs 132,484,000 (2000 –Shs 682,598,000) divided by the weighted average number of ordinary shares in issue during the year of 52,602,79[illegible] (2000 – 46,858,758).

Diluted loss per share is the same as basic loss per share.

The comparative amount has not been restated as the rights issue price was not significantly different from the market price of the shares on the date of the issue.

10 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and, buildings Shs'000	Plant machinery motor vehicles and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
COST OR VALUATION				
At 1 July 2000	1,009,389	1,873,718	155,234	3,038,341
Transfer to intangible assets	-	(34,487)	-	(34,487)
Additions	15,000	127,933	4,724	147,657
Disposals	(32,904)	(22,276)	-	(55,180)
Equipment written off	-	(23,068)	-	(23,068)
Other transfers	-	159,958	(159,958)	-
Transfer to investment properties	(15,500)	-	-	(15,500)
Transfer to current assets	(27,750)	-	-	(27,750)
At 30 June 2001	**948,235**	**2,081,778**	**-**	**3,030,013**
Comprising:				
Valuation in 1997	922,541	1,294,594	-	2,217,135
Cost	25,694	787,184	-	812,878
	948,235	2,081,778	-	3,030,013
DEPRECIATION				
At 1 July 2000	137,323	691,534	-	828,857
Transfers to intangible assets	-	(12,643)	-	(12,643)
Charge for the year	44,903	214,875	-	259,778
Eliminated on disposals	(3,339)	(16,373)	-	(19,712)
Eliminated on equipment written off	-	(17,246)	-	(17,246)
Reclassified to investment properties	(1,071)	-	-	(1,071)
Transfer to current assets	(7,821)	-	-	(7,821)
At 30 June 2001	**169,995**	**860,147**	**-**	**1,030,142**
NET BOOK VALUE				
At 30 June 2001	**778,240**	**1,221,631**	**-**	**1,999,871**
At 30 June 2000	872,066	1,182,184	155,234	2,209,484
NET BOOK VALUE (Cost basis)				
At 30 June 2001	**314,790**	**966,045**	**-**	**1,280,835**
At 30 June 2000	359,282	861,779	155,234	1,376,295

Land and buildings comprise:

	Shs'000
Long leasehold	353,432
Short leasehold	424,808
	778,240

10 PROPERTY, PLANT AND EQUIPMENT(Continued)

Investment property as at 30 June 2001 has been reclassified in compliance with International Accounting Standard No.40, Investment Property (note 11).

Computer software has been reclassified in compliance with International Accounting Standard No. 38, Intangible Assets (note 12). No prior year adjustment has been effected as amounts involved are not material.

Equipment written off relates to assets that were in Chester House, which was sold during the year.

	2001 Shs'000	2000 Shs'000
11 INVESTMENT PROPERTIES		
GROUP		
At 1 July	245,000	755,000
Opening balance adjustment	17,500	
Write down to realisable value	-	(305,000)
Disposals	(245,000)	(205,000)
Transfer from property, plant and equipment (note 10)	14,429	-
At 30 June	31,929	245,000

Investment property has been transferred from property, plant and equipment in accordance with International Accounting Standard No. 40, Investment Property.

In the opinion of the directors, the book value of the investment properties as at 30 June 2001 is not materially different from their fair values.

	2001 Shs'000
12 INTANGIBLE ASSETS	
GROUP	
COST	
Transfer from property, plant and equipment (note 10)	34,487
AMORTISATION	
Transfer from property, plant and equipment (note 10)	12,643
Amortisation for the year	6,897
	19,540
NET BOOK VALUE	
At 30 June	14,947

Intangible assets have been transferred from property, plant and equipment in accordance with International Accounting Standard No. 38, Intangible Assets.

13 INVESTMENT IN SUBSIDIARY COMPANIES

COMPANY

	2001 Shs'000	2000 Shs'000
Shareholdings at directors' valuation:		
At 1 July	1,104,691	1,921,324
Additional investment in subsidiary	-	86,101
Deficit on revaluation	(110,018)	(902,734)
At 30 June	994,673	1,104,691

Details of the company's subsidiaries are as follows:

Name	Country of incorporation	Percentage holding
Kenya National Mills Limited (Quoted)	Kenya	77.39
Sofar Investments Limited (Unquoted)	Kenya	84.92
Chester House Limited (Unquoted)	Kenya	100.00

Kenya National Mills Limited and Chester House Limited hold 69.37% and 17.12% of the issued share capital of Unga Investments Limited respectively. Unga Investments Limited has a 65% holding in its subsidiary, Unga Holdings Limited, which has the following subsidiaries:

Name	Country of incorporation	Percentage holding
Unga Limited	Kenya	100
Unga Feeds Limited	Kenya	100
Unga Farm Care (East Africa) Limited	Kenya	100
Unga Foods Limited	Kenya	100
Ungax Limited	Kenya	100
Unga Maize Millers Limited	Kenya	100
Bullpak Limited	Kenya	51

Unga Farm Care (East Africa) Limited has a 100% holding in Unga Uganda Limited, incorporated in Uganda, and a 74% (2000 - 60%) holding in Unga Farm Care (Tanzania) Limited, incorporated in Tanzania.

14 INVESTMENT IN ASSOCIATED COMPANY – Unquoted

COMPANY

The company holds 13.51% of the total issued ordinary share capital of Unga Investments Limited, which is a holding and investment company incorporated in Kenya. The investment is stated at directors' valuation based on the company's share of net assets at the balance sheet date.

15 RETIREMENT BENEFITS ASSET

GROUP

	2001 Shs'000	2000 Shs'000
At 1 July	88,029	84,138
(Charged)/credited to income statement	(7,961)	3,891
At 30 June	80,068	88,029

The retirement benefits asset represents the surplus of fair value of scheme assets over the value of past service pension benefits following an actuarial valuation carried out as at 31 December 1999. In accordance with a recommendation by the actuaries, the group is taking a contribution holiday for 15 years with effect from 1 April 2000.

The principal actuarial assumptions used in the valuation were:

Rate of interest	9%
Rate of salary escalation	7%
Rate of pension increases	0%

16 DEFERRED TAXATION

GROUP

Deferred taxation is provided on all temporary differences under the liability method using the enacted rate of 30%.

	2001 Shs'000	2000 Shs'000
The net deferred taxation asset is made up as follows:		
Accelerated capital allowances	(201,065)	(158,111)
Unrealised exchange differences	(26)	301
Provision for service gratuity	16,139	15,953
Provision for leave pay	2,031	-
Revaluation surplus	(199,411)	(226,503)
Tax losses available for offset against future profits	567,416	448,812
	185,084	80,452
Movement on the deferred taxation account is as follows:		
At 1 July	80,452	(118,529)
Revaluation reserve credit (note 7c)	14,848	23,493
Credited to minority interests (note 7c)	12,244	10,134
Income statement credit (note 7a)	77,540	165,354
At 30 June	185,084	80,452

Deferred taxation has been provided in full on the basis of management's long term profit forecasts which indicate that the subsidiary companies will generate sufficient profits in future to utilise the tax losses.

17 PROPERTIES HELD FOR SALE

GROUP

	2001 Shs'000	2000 Shs'000
Transfer from property plant and equipment (note 10)	19,929	-

In accordance with International Accounting Standard No. 1, the net book value of three properties which, as at year-end, had been withdrawn from use and were held for sale have been reclassified to current assets. Two of those properties have subsequently been sold.

UNGA GROUP LIMITED

18 INVENTORIES

GROUP	2001 Shs'000	2000 Shs'000
Finished products	248,597	165,202
Raw materials	563,375	662,949
Production supplies	44,268	58,711
Engineering stores	77,578	100,855
Goods in transit	40,251	186,580
	974,069	1,174,297

19 DUE FROM GROUP COMPANIES

GROUP		
Unga Uganda Limited	8,928	5,941
Unga Farm Care (Tanzania) Limited	20,430	14,322
	29,358	20,263

20 SHORT TERM DEPOSITS AND TREASURY BILLS

GROUP		
Redemption value of treasury bills	109,500	7,500
Less unearned income	(948)	(197)
	108,552	7,303
Bank deposits with local banks	51,057	66,295
	159,609	73,598
COMPANY		
Redemption value of treasury bills	20,000	-
Less unearned income	(490)	-
	19,510	-

The effective interest rate on treasury bills as at 30 June 2001 was 12.7% (2000 – 16.4%), while the average interest rate applicable on bank deposits during the year was 3.7 % (2000 – 7.0%).

21 SHARE CAPITAL

	2001 Shs'000	2000 Shs'000
Authorised:		
60,000,000 ordinary shares of Shs 5 each	300,000	300,000
Issued and fully paid:		
52,954,468 (2000 - 46,858,758) ordinary shares of Shs 5 each	264,772	234,294

At an extraordinary general meeting held on 9 June 2000, the shareholders authorised the directors to provisionally allot up to 8,519,774 new ordinary shares, nil paid, to the holders of ordinary shares on the register at the close of business on 7 June 2000 on the basis of two ordinary shares for every eleven ordinary shares held at a price of Shs 17 per share.

On 21 July 2000, the directors allotted 6,095,710 ordinary shares, being the rights taken up under the rights issue, for a consideration of Shs 103,627,070.

		Share premium Shs'000	Revaluation reserve Shs'000	Revenue reserve Shs'000
22	**RESERVES**			
	COMPANY			
	At 1 July 1999	-	1,754,052	128,611
	Deficit on revaluation of investments in subsidiary companies	-	(902,734)	-
	Profit for the year	-	-	23,629
	At 30 June 2000	-	851,318	152,240
	Issue of shares	73,148	-	-
	Deficit on revaluation of investments in subsidiary companies	-	(110,018)	-
	Loss for the year	-	-	(7,618)
	At 30 June 2001	**73,148**	**741,300**	**144,622**

		2001	2000
23	**BORROWINGS**	**2001**	**2000**
	GROUP	Shs'000	Shs'000
	Bank overdraft facilities	820,393	497,282
	Bank loans	-	253,351
	Finance leases	-	2,411
	Loan from related company (unsecured)	47,120	53,000
	Other loans	-	80,000
		867,513	886,044
	The borrowings are repayable as follows:		
	On demand or within one year	830,393	820,833
	In the second to fifth years	-	12,211
	After five years	37,120	53,000
		867,513	886,044
	Less: Amounts due for settlement within one year	830,393	820,833
	Amounts due for settlement after one year	37,120	65,211
	COMPANY		
	Other loans - due for settlement within one year	-	80,000
	The average interest rates paid were as follows:	**2001**	**2000**
	Bank overdraft facilities	14.21%	13.67%
	Bank loans	20.33%	22.10%
	Finance lease	15.36%	15.36%
	Loan from related company	—	8.00%
	Other loans	—	19.50%

Interest on loan from related company has been waived. Bank borrowings are arranged at floating rate

The bank overdraft facilities are from several local banks. Security for these borrowings includes an assets debenture for Shs 1.5 billion issued by a subsidiary company, corporate guarantees by gro companies and legal charges over certain properties owned by group companies.

24 SERVICE GRATUITY

GROUP

	2001 Shs'000	2000 Shs'000
At 1 July	53,177	48,609
Income statement charge	13,885	4,568
Paid during the year	(13,266)	-
At 30 June	53,796	53,177

The service gratuity represents the present value of future obligations for unionisable staff in accordance with the Collective Bargaining Agreement.

25 DUE TO RELATED COMPANIES

GROUP

	2001 Shs'000	2000 Shs'000
Nampak Holdings Limited	-	8,127
Seaboard Overseas Management Company Limited	317,117	372,757
	317,117	380,884

26 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating loss to cash (used in)/generated from operations

	2001 Shs'000	2000 Shs'000
Operating loss	(157,631)	(371,474)
Adjustments for:		
Depreciation	259,778	247,862
Amortisation	6,897	-
Equipment written off	5,822	-
Loss on disposal of investment property	-	84,017
Profit on disposal of property, plant and equipment	(21,258)	(4,237)
Legal and professional fees on reorganisation costs	-	(7,837)
Net foreign exchange gains/(losses)	681	(5,004)
Retirement benefits charge/(credit)	7,961	(3,891)
Service gratuity charge	13,885	4,568
Operating profit/(loss) before working capital changes	116,135	(55,996)
Decrease in inventories	200,228	247,906
Decrease in trade and other receivables	65,238	196,941
Decrease in trade and other payables	(479,822)	(40,025)
Movement in group company balances	(9,095)	(20,262)
Movement in subsidiary company balance	-	4,555
Movement in related company balance	(55,640)	8,772
Gratuity paid	(13,266)	-
Cash (used in)/generated from operations	(176,222)	341,891

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	2001 Shs'000	2000 Shs'000
Short term deposits and treasury bills	159,609	73,598
Cash and bank balances	30,855	219,245
Bank overdraft facilities	(820,393)	(497,282)
At 30 June	(629,929)	(204,439)

26 NOTES TO THE CASH FLOW STATEMENT (Continued)

		2001 Shs'000	2000 Shs'000
(c)	Analysis of loan balances		
	Bank loans	-	253,351
	Loan from related company	47,120	53,000
	Other loan	-	80,000
		47,120	386,351
(d)	Movement in loan balances		
	At 1 July	386,351	103,973
	Loans received	-	300,000
	Loans repaid	(259,231)	(17,622)
	Loan converted to share capital	(80,000)	-
	At 30 June	47,120	386,351

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

27 RELATED PARTY TRANSACTIONS

By an agreement entered on 17 March 2000 and later amended on 27 April 2001, a subsidiary company, Unga Holdings Limited, is managed by Seaboard Overseas Management Company Limited. Under the agreement, Seaboard Overseas Management Company Limited provides technical and operational support including a resident management team. The agreement is for an initial term of five years and may be extended for a further five year term at the option of Seaboard Overseas Management Company Limited.

A basic management fee is payable in the first three years to be determined on the basis of audited profits but subject to a maximum of US$ 450,000 per annum. Thereafter, a profit-based fee, without a maximum, will apply. The management fee payable in respect of this agreement for the 15 month period to 30 June 2001 is included in amounts due to related companies (note 25).

A subsidiary has a loan of Shs 47,120,000 from a related party, which is also the minority shareholder in the subsidiary. The interest accrued on this loan has been waived in the current year and reversed for previous years.

28 CAPITAL COMMITMENTS

	2001 Shs'000	2000 Shs'000
Commitments at the year end for which no provision has been made in these financial statements:		
GROUP		
Contracted	17,000	93,792
Authorised but not contracted for	85,169	15,107

29 CONTINGENT LIABILITIES

GROUP

A subsidiary company has a forward contract commitment of Shs 79,450,000 (2000 – Shs 142,344,000) for the purchase of US dollars at a fixed rate of exchange.

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 case has been ongoing and the likely outcome is not known.

COMPANY

The company has a guarantee for Shs 1.5 billion in favour of Barclays Bank of Kenya Limited to secure the overdraft facilities to a subsidiary company. The amount of facilities outstanding as at 30 June 2001, in respect of this guarantee, was Shs 733,261,000.

The company also has a guarantee for Shs 510 million in favour of Standard Chartered Bank Kenya Limited to secure overdraft facilities of a subsidiary company. The amount of facilities outstanding as at 30 June 2001, in respect of this guarantee, was Shs 86,997,000.

30 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

31 CURRENCY

The financial statements are presented in Kenya Shillings thousands (Shs'000).

FORM OF PROXY

UNGA GROUP LIMITED

I/We ____
of ____ being a member/members
of Unga Group Limited, hereby appoint ____
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 seventy fourth annual general meeting of the company to be held on Friday, 21 December 2001 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	Yes	No
1		
2		
3		
4		
5		

As witness my/our hand this ____________________ day of _________________________ 2001

____
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 the meeting.

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

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

FOLD 2

STAMP

FOLD 1

The Secretary,
UNGA GROUP LIMITED,
P.O. Box 30096
NAIROBI

FOLD 3