UNGA GROUP LIMITED

FINANCIAL STATEMENTS

30 JUNE 2002

UNGA GROUP LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

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UNGA GROUP LIMITED
DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS	R Kemoli	- Chairman
	A McKittrick	- Group Managing Director
	J G Kiereini	
	K Kiplagat	
	J J Mvoyi	
	A S M Ndegwa	
SECRETARY	A M Simwa P O Box 30092 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	
ADVOCATES	Kaplan & Stratton Advocates Queensway House Kaunda Street P O Box 40111 Nairobi	

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the group for the year ended 30 June 2002.

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 and the distribution of animal health and nutrition and crop protection products.

	2002 Shs'000	2001 Shs'000
GROUP RESULTS		
Loss before taxation	(135,858)	(292,157)
Taxation - credit	24,869	94,423
Loss before minority interests	(110,989)	(197,734)
Minority interests	54,176	81,166
Net loss for the year	(56,813)	(116,568)

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 Kemoli and J J Mvoyi 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 retires under the provisions of Section 186(2) of the Companies Act and, being eligible, offers himself for re-election.

SECRETARY

Mr A M Simwa was appointed company secretary on 1 November 2001 following the resignation of Mr J M Muia on 31 October 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

DIRECTOR

Nairobi

16 October 2002

UNGA GROUP LIMITED

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 to 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.

Director	Director
16 October 2002	16 October 2002

Certified Public Accountants (Kenya)
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P.O. Box 40092
Nairobi
Kenya

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Gill &
Johnson

REPORT OF THE AUDITORS
TO THE MEMBERS OF UNGA GROUP LIMITED

We have audited the financial statements on pages 6 to 33 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 4, 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;

(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2002 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.

16 October 2002

UNGA GROUP LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 Shs'000	2001 (Restated) Shs'000
TURNOVER		5,500,307	7,142,432
COST OF SALES		(4,746,989)	(6,541,618)
GROSS PROFIT		753,318	600,814
OTHER OPERATING INCOME		33,426	69,644
DISTRIBUTION COSTS		(228,273)	(228,877)
ADMINISTRATIVE EXPENSES		(451,064)	(493,471)
OTHER OPERATING EXPENSES		(89,281)	(107,571)
OPERATING PROFIT/(LOSS)	4	18,126	(159,461)
FINANCE COSTS - NET	6	(69,837)	(132,696)
LOSS BEFORE EXCEPTIONAL ITEMS		(51,711)	(292,157)
EXCEPTIONAL ITEMS	7	(84,147)	-
LOSS BEFORE TAXATION		(135,858)	(292,157)
TAXATION CREDIT	8	24,869	94,423
LOSS BEFORE MINORITY INTERESTS	9	(110,989)	(197,734)
MINORITY INTERESTS		54,176	81,166
NET LOSS FOR THE YEAR		(56,813)	(116,568)
LOSS PER SHARE	10	Shs (1.07)	Shs (2.22)

UNGA GROUP LIMITED

CONSOLIDATED BALANCE SHEET
30 JUNE 2002

	Notes	2002 Shs'000	2001 (Restated) Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	11	1,517,697	1,809,824
Prepaid operating lease rentals	12	50,750	127,197
Investment properties	13	31,000	31,929
Intangible assets	14	8,050	14,964
Retirement benefits asset	17	73,343	80,068
Deferred taxation	18	271,219	213,236
		1,952,059	2,277,218
Current assets			
Properties held for sale	19	53,967	19,929
Inventories	20	538,388	994,396
Trade and other receivables	22	365,310	277,395
Taxation recoverable		34,829	33,303
Short term deposits and treasury bills	23	83,980	159,609
Cash and bank balances		61,186	33,790
		1,137,660	1,518,422
Total assets		3,089,719	3,795,640
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	264,772	264,772
Share premium		73,148	73,148
Revaluation reserve		1,245,689	1,325,511
Revenue reserve (deficit)		(459,238)	(463,936)
		1,124,371	1,199,495
Minority interests		793,929	865,169
Non current liabilities			
Borrowings	25	32,320	37,120
Service gratuity	26	43,996	53,796
Shareholders' loans	27	76	1,944
		76,392	92,860
Current liabilities			
Trade and other payables	28	519,214	470,064
Due to related companies	29	29,948	317,117
Borrowings	25	518,771	830,393
Taxation payable		26,876	20,542
Dividends payable		218	-
		1,095,027	1,638,116
Total equity and liabilities		3,089,719	3,795,640

The financial statements on pages 6 to 33 were approved by the board of directors on 16 October 2002 and were signed on its behalf by:

) Directors
)

COMPANY BALANCE SHEET
30 JUNE 2002

	Notes	2002 Shs'000	2001 (Restated) Shs'000
ASSETS			
Non current assets			
Investments in subsidiary companies	15	911,036	974,227
Investment in associated company	16	157,212	169,183
		1,068,248	1,143,410
Current assets			
Trade and other receivables		20	1,131
Due from subsidiary companies	21	33,929	33,975
Taxation recoverable		1,976	1,758
Investment in treasury bills	23	20,138	19,510
Cash and bank balances		60	409
		56,123	56,783
Total assets		1,124,371	1,200,193
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	264,772	264,772
Share premium		73,148	73,148
Revenue reserve		786,451	861,575
		1,124,371	1,199,495
Current liabilities			
Trade and other payables		-	698
Total equity and liabilities		1,124,371	1,200,193

The financial statements on pages 6 to 33 were approved by the board of directors on 16 October 2002 and were signed on its behalf by:

) Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2002

	Share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Revenue reserve (deficit) Shs'000	Total Shs'000
At 30 June 2000 –as previously reported	234,294	-	1,463,462	(459,904)	1,237,852
Prior year adjustment	-	-	-	(450)	(450)
At 30 June 2000 – as restated	234,294	-	1,463,462	(460,354)	1,237,402
Issue of shares	30,478	73,148	-	-	103,626
Transfer of excess depreciation	-	-	(90,019)	90,019	-
Deferred taxation	-	-	14,848	(14,848)	-
Revaluation reserve realised on disposal of property, plant and equipment	-	-	(31,325)	31,325	-
Transfer of revaluation surplus on investment properties (IAS 40)	-	-	(6,140)	6,140	-
Reversal of revaluation surplus on leasehold land	-	-	(36,164)	-	(36,164)
Reversal of deferred taxation on revaluation surplus on leasehold land	-	-	10,849	-	10,849
Exchange adjustment	-	-	-	350	350
Net loss for the year	-	-	-	(116,568)	(116,568)
At 30 June 2001 – (restated)	264,772	73,148	1,325,511	(463,936)	1,199,495
Revaluation reserve eliminated on impairment of plant and equipment	-	-	(19,676)	-	(19,676)
Reversal of accumulated depreciation on investment property in accordance with IAS 40	-	-	-	904	904
Transfer of excess depreciation	-	-	(72,610)	72,610	-
Deferred taxation	-	-	21,783	(21,783)	-
Revaluation surplus realised on disposal of property, plant and equipment	-	-	(13,313)	13,313	-
Deferred taxation on revaluation surplus realised on disposal	-	-	3,994	(3,994)	-
Exchange adjustment	-	-	-	461	461
Net loss for the year	-	-	-	(56,813)	(56,813)
At 30 June 2002	264,772	73,148	1,245,689	(459,238)	1,124,371

The prior year adjustment relates to the group share of losses in subsidiary companies which previously were not fully consolidated.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2002

	Share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Revenue reserve (deficit) Shs'000	Total Shs'000
At 30 June 2000 – as previously reported	234,294	-	851,318	152,240	1,237,852
Prior year adjustment:					
Share of losses in subsidiaries	-	-	-	(450)	(450)
Transfer of gain on investment in subsidiary companies	-	(851,318)	851,318	-	
At 30 June 2000 – as restated	234,294	-	-	1,003,108	1,237,402
Issue of shares	30,478	73,148	-	-	103,626
Reversal of revaluation surplus on leasehold land in subsidiary companies	-	-	-	(36,164)	(36,164)
Reversal of deferred taxation on revaluation surplus on leasehold land	-	-	-	10,849	10,849
Net loss for the year	-	-	-	(116,218)	(116,218)
At 30 June 2001 – (restated)	264,772	73,148	-	861,575	1,199,495
Net loss for the year	-	-	-	(75,124)	(75,124)
At 30 June 2002	264,772	73,148	-	786,451	1,124,371

The prior year adjustment relates to the company's share of losses in subsidiary companies and transfer of surplus on revaluation of investments in subsidiary companies from revaluation reserve to revenue reserves.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 Shs'000	2001 (Restated) Shs'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	30(a)	390,179	(173,233)
Interest received		8,918	14,262
Interest paid		(85,503)	(166,778)
Taxation paid		(28,700)	(10,735)
Net cash generated from/(used in) operating activities		284,894	(336,484)
INVESTING ACTIVITIES			
Proceeds on disposal of investment property		-	245,000
Proceeds on disposal of property, plant and equipment		15,062	56,726
Acquisition of property, plant and equipment		(48,281)	(149,971)
Dividends paid to minority in a subsidiary company		(1,590)	(2,120)
Proceeds on disposal of properties held for sale		20,000	-
Net cash (used in)/from investing activities		(14,809)	149,635
FINANCING ACTIVITIES			
Issue of shares		-	23,626
Loan from minority shareholder repaid		(1,751)	-
Loans repaid	30(d)	(9,800)	(259,231)
Finance lease repayments		-	(2,411)
Loan received from minority shareholder		-	1,065
Net cash used in financing activities		(11,551)	(236,951)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR		258,534	(423,800)
CASH AND CASH EQUIVALENTS AT 1 JULY		(626,994)	(203,092)
Exchange adjustment		(145)	(102)
CASH AND CASH EQUIVALENTS AT 30 JUNE	30(b)	(368,605)	(626,994)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Accounting Standards. The principal accounting policies adopted are set out below.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, as 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.

Subsidiary undertaking being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are longer consolidated as from the date of disposal. All intercompany transactions balances and unrealised surpluses and deficits on transactions with the subsidiary companies have been eliminated.

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.

The group has fully consolidated its subsidiary companies in Uganda and Tanzania for the first time in the current year. Comparative amounts have been restated accordingly.

Revenue recognition

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

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.

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 and long leasehold buildings	2.5%
Short leasehold buildings	Over 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

1 ACCOUNTING POLICIES (Continued)

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 in the financial statements of subsidiary companies.

The cost of leasehold land has been reclassified to prepaid operating lease rentals and the related revaluation surplus reversed in accordance with International Accounting Standard No. 17 Leases.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lease.

All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Leasehold land

The group has implemented fully the requirements of IAS 17 on accounting for leases in the current year financial statements. Under this standard, cost of acquiring leasehold land are treated as operating lease prepayments and amortised over the lease period. This has resulted in the reclassification of leasehold land from property, plant and equipment to operating prepaid rentals within the balance sheet. This change in policy has not had a material effect on the results reported in 2002. The effect on the balance sheet has been a reduction in the revaluation reserve account and the carrying value of land within prepaid operating rentals by Sh 46,191,000 and Sh 65,986,000 respectively and increase in deferred taxation asset by Sh 19,795,000.

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.

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.

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)

Investments in associates

An associate in a company over which the group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

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.

Financial instruments

Financial assets and liabilities are recognised on the company's balance sheet when the company has become a party to the contractual provisions of the instrument.

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.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are stated at their nominal value.

Treasury bills

Treasury bills are stated at redemption value less unearned discount.

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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

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.

1 ACCOUNTING POLICIES (Continued)

Employee benefits costs

The group operates a defined benefit retirement scheme 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 company'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.

A subsidiary company operates a defined contribution staff retirement benefits scheme for its employees. The scheme is funded by contributions from both the employees and the company. The subsidiary's contributions in respect of retirement benefits are charged to the income statement in the year to which they relate.

The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The group's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 200 per month per employee with effect from December 2001 (the maximum was Sh 80 up to November 2001). The group's contributions are charged to the income statement in the year to which they relate.

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

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the reclassification of leasehold land from property, plant and equipment to prepaid operating rentals and consolidation of subsidiaries previously not consolidated.

2 GOING CONCERN

As at 30 June 2002, the group had revenue deficit of Shs 459,238,000 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 around and this is a continuing process. 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 2002

(a) Primary reporting format – Business segments

	Food for human consumption Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
REVENUE					
External sales	3,635,835	1,807,113	57,359	-	5,500,307
Inter-segment sales	199,951	16,380	91,530	(307,861)	-
Total revenue	3,835,786	1,823,493	148,889	(307,861)	5,500,307
RESULT					
Operating (loss)/profit	(27,531)	52,867	(7,210)	-	18,126
Finance costs					(69,837)
Exceptional items					(84,147)
Loss before taxation					(135,858)
Taxation credit					24,869
Loss before minority interest					(110,989)

Inter-segment sales are charged at market prices.

	Food for human consumption Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Consolidated Shs'000
OTHER INFORMATION				
Capital additions	38,598	9,403	280	48,281
Depreciation and amortisation	184,174	48,562	14,855	247,592
Segment assets	1,971,053	899,579	219,087	3,089,719
Segment liabilities	734,834	402,981	33,604	1,171,419

(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 2001

(a) Primary reporting format – Business segments

	Food for human consumption Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
REVENUE					
External sales	5,144,128	1,951,521	46,783	-	7,142,432
Inter-segment sales	375,415	-	158,999	(534,414)	-
Total revenue	5,519,543	1,951,521	205,782	(534,414)	7,142,432
RESULT					
Operating (loss)/profit	(158,786)	(10,211)	9,536	-	(159,461)
Finance costs					(132,696)
Exceptional items					-
Loss before taxation					(292,157)
Taxation credit					94,423
Loss before minority interest					(197,734)

Inter-segmental sales are charged at market prices.

OTHER INFORMATION	Food for human consumption Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Consolidated Shs'000
Capital additions	121,305	28,331	335	149,971
Depreciation and amortisation	201,405	50,621	15,520	267,546
Segment assets	2,575,836	1,005,260	214,544	3,795,640
Segment liabilities	1,332,205	365,718	33,053	1,730,976

(b) Secondary reporting format – Geographical segments

Over 90% of the group's consolidated income is derived in Kenya.

		2002 Shs'000	2001 Shs'000
4	OPERATING PROFIT/(LOSS)		
	The operating profit/(loss) is arrived at after charging:		
	Depreciation	238,170	260,632
	Amortisation of prepaid operating lease rentals	2,509	-
	Amortisation of intangible assets	6,913	6,914
	Equipment written off	-	5,822
	Directors' emoluments - fees	2,250	2,250
	- other	-	8,913
	Auditors' remuneration	5,177	5,255
	Staff costs (note 5)	359,478	425,051
	Impairment loss on investment property	2,000	-
	and after crediting:		
	Profit on disposal of properties held for sale	3,038	-
	Profit on disposal of property, plant and equipment	2,840	21,258

5	STAFF COSTS		
	Salaries and wages	332,482	377,096
	Pension costs – defined benefit scheme	6,725	7,961
	Pension costs – defined contribution scheme	140	116
	Termination benefits	4,597	13,259
	Service gratuity	8,687	13,885
	Social security costs (NSSF)	1,571	1,630
	Restructuring costs	3,389	8,085
	Other staff costs	1,888	3,019
		359,479	425,051

The average number of employees during the period was 498 (2001 – 619) permanent employees and 334 (2001 – 320) temporary employees.

		2002 Shs'000	2001 Shs'000
6	FINANCE COSTS - NET		
	Interest receivable:		
	Deposits and bank balances	(13,169)	(14,262)
	Reversal of interest on loan from related company	-	(8,127)
		(13,169)	(22,389)
	Net foreign exchange losses	4,673	2,631
	Interest payable:		
	Bank overdraft facilities	72,557	126,135
	Bank loans	5,776	26,271
	Loans		48
		78,333	152,454
		69,837	132,696
7	EXCEPTIONAL ITEMS		
	Impairment loss	76,921	-
	Group restructuring costs	7,226	-
		84,147	-

The impairment loss relates to the diminution in value of certain of the group's fixed assets following the decision to close some mills and operate others at substantially reduced levels. The impairment loss also includes the writing down to net realisable value of certain of the group's properties held for sale.

Group restructuring costs relate to provisions for professional services fees following the decision to wind up voluntarily some subsidiary companeis.

		2002 Shs'000	2001 Shs'000
8	TAXATION		
(a)	Taxation credit		
	Current taxation based on the chargeable profit for the year at 30%	33,445	15,047
	Adjustment for previous years	63	-
		33,508	15,047
	Deferred taxation credit (note 18)	(58,377)	(109,470)
		(24,869)	(94,423)
(b)	Reconciliation of taxation credit to the expected tax based on accounting loss		
	Accounting loss before taxation	(135,858)	(292,157)
	Tax at the applicable rate of 30%	(40,757)	(87,647)
	Tax effect of expenses not allowable for tax	12,086	557
	Tax effect of income not subject to tax	(5,375)	(6,963)
	Deferred taxation credit/(charge) not taken up	9,177	(370)
	Taxation credit	(24,869)	(94,423)

9 LOSS BEFORE MINORITY INTERESTS

A loss of Shs 75,124,000 has been dealt with in the financial statements of Unga Group Limited (2001 – loss of Shs 116,218,000).

10 LOSS PER SHARE

Basic loss per share has been calculated based on the loss for the year of Shs 56,813,000 (2001 – Shs 116,568,000) divided by the weighted average number of ordinary shares in issue during the year of 52,954,468 (2001– 52,602,792).

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

11 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 2001 – as previously reported	948,235	2,082,283	-	3,030,518
Reclassified to leasehold land	(209,950)	-	-	(209,950)
Consolidation adjustment	-	4,413	-	4,413
As restated	738,285	2,086,696	-	2,824,981
Additions	-	41,362	6,919	48,281
Exchange differences	-	(183)	-	(183)
Disposals	-	(63,232)	-	(63,232)
At 30 June 2002	738,285	2,064,643	6,919	2,809,847
Comprising:				
Valuation in 1997	731,191	1,293,364	-	2,024,555
Cost	7,094	771,279	6,919	785,292
	738,285	2,064,643	6,919	2,809,847
DEPRECIATION				
At 1 July 2001	169,993	860,654	-	1,030,647
Prior year adjustments	-	1,277	-	1,277
Consolidated adjustment	(16,767)	-	-	(16,767)
As restated	153,226	861,931	-	1,015,157
Charge for the year	38,394	199,776	-	238,170
Exchange differences	-	(52)	-	(52)
Eliminated on disposals	-	(51,010)	-	(51,010)
Impairment loss	-	89,885	-	89,885
At 30 June 2002	191,620	1,100,530	-	1,292,150
NET BOOK VALUE				
At 30 June 2002	546,665	964,113	6,919	1,517,697
At 30 June 2001	585,059	1,224,765	-	1,809,824
NET BOOK VALUE (Cost basis)				
At 30 June 2002	249,726	802,130	6,919	1,058,775
At 30 June 2001	311,067	969,187	-	1,280,254

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain items of property, plant and equipment were last revalued as at 30 June 1997 by Lloyd Masika Registered Valuers and Estate Agents.

The consolidation adjustment refers to the resultant change due to consolidation of Unga Farm Care (East Africa) Limited and its subsidiaries..

Leasehold land has been reclassified to prepaid operating rentals in line with clarifications made on IAS 17 Accounting for Leases.

The group has pledged assets with net book value of Sh 1,292,899,000 to secured borrowings granted to it.

12 PREPAID OPERATING LEASE RENTALS

In accordance with guidance issued by Institute of Certified Public Accountants of Kenya (ICPAK), the company now classifies leases of land, which were previously classified as finance leases, as operating leases.

Revaluation surplus related to leasehold land has been reversed and the net carrying value of leasehold land has been reclassified from property, plant and equipment to prepaid operating lease rentals. The effect of these changes is as follows:

	Shs'000
Carrying amount of leasehold land at 30 June 2001	193,183
Reversal of revaluation surplus	(65,986)
Balance reclassified to prepaid operating lease rentals on 30 June 2001	127,197
Amortisation for the year	(2,509)
Reclassified to properties held for sale	(73,938)
At 30 June 2002	50,750

The group has pledged land with carrying amount of Sh 29,031,000 to secure borrowings granted to it.

13 INVESTMENT PROPERTIES

	2002 Shs'000	2001 Shs'000
GROUP		
At 1 July	31,929	245,000
Opening balance adjustment	1,071	17,500
Write down to realisable value	(2,000)	-
Disposals	-	(245,000)
Transfer from property, plant and equipment	-	14,429
At 30 June	31,000	31,929

In the directors opinion, the book value of the investment properties as at 30 June 2002 is not materially different from their fair values.

14 INTANGIBLE ASSETS

	Shs'000
COST	
At 30 June 2001 – as previously reported	34,487
Consolidation adjustment	52
At 30 June 2001 – as restated	34,539
Exchange adjustment	(3)
At 30 June 2002	34,536
AMORTISATION	
At 30 June 2001 – as previously reported	19,540
Consolidation adjustment	35
At 30 June 2001 – as restated	19,575
Exchange adjustment	(2)
Amortisation for the year	6,913
At 30 June 2002	26,486
NET BOOK VALUE	
At 30 June 2002	8,050
At 30 June 2001	14,964

The consolidation adjustment refers to the resultant change due to consolidation of Unga Farm Care (East Africa) Limited and its subsidiaries.

15 INVESTMENT IN SUBSIDIARY COMPANIES

	Shs'000
At 30 June 2001 – as previously reported	994,673
Reversal of revaluation reserve and deferred taxation thereon on reclassification of leasehold land	(20,446)
At 30 June 2001 – as restated	974,227
Diminution in value of investment in subsidiary companies	(63,191)
At 30 June 2002	911,036

15 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

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% (2001 - 60%) holding in Unga Farm Care (Tanzania) Limited, incorporated in Tanzania.

After year end, the following subsidiaries of the company are being wound up:

Kenya National Mills Limited
Chester House Limited
Sofar Investments Limited

The minority shareholders in Kenya National Mills Limited were issued with shares in Unga Group Limited.

16 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.

	2002 Shs'000	2001 Shs'000
17 RETIREMENT BENEFITS ASSET		
At 1 July	80,068	88,029
Charged to income statement	(6,725)	(7,961)
At 30 June	73,343	80,068

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%

18 DEFERRED TAXATION

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

	2002 Shs'000	2001 Shs'000
The net deferred taxation asset is made up as follows:		
Accelerated capital allowances	(155,306)	(201,499)
Unrealised exchange differences	1,463	968
Provision for service gratuity	13,199	16,139
Provision for leave pay	1,895	1,976
Revaluation surplus	(143,147)	(179,616)
Tax losses available for offset against future profits	560,478	574,988
Other timing differences	1,814	280
	280,396	213,236
Deferred taxation asset not recognised	(9,177)	-
	271,219	213,236

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 DEFERRED TAXATION (Continued)

	Shs'000
Movement in the deferred taxation account is as follows:	
At 30 June 2001 – as previously reported	185,084
Prior year adjustment	8,357
Reversal on reclassification of leasehold land	19,795
At 30 June 2001 – as restated	213,236
Exchange difference	(394)
Income statement credit	58,377
At 30 June 2002	271,219

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

Prior year adjustment arose as a result of incorporating deferred taxation in subsidiary companies previously not fully consolidated.

19 PROPERTIES HELD FOR SALE

	2002 Shs'000	2001 Shs'000
At 1 July	19,929	-
Transfer from property, plant and equipment	-	19,929
Transfer from prepaid operating lease rentals	73,938	-
Disposals	(16,962)	-
Impairment	(22,938)	-
	53,967	19,929

		2002 Shs'000	2001 Shs'000
20	INVENTORIES - GROUP		
	Finished products	150,315	268,924
	Raw materials	275,774	563,375
	Production supplies	28,698	44,268
	Engineering stores	61,248	77,578
	Goods in transit	22,353	40,251
		538,388	994,396
21	DUE FROM SUBSIDIARY COMPANIES - COMPANY		
	Unga Limited	3,000	3,000
	Unga Investments Limited	27,429	18,519
	Unga Feeds Limited	3,500	3,500
	Sofar Investments Limited	-	8,956
		33,929	33,975
22	TRADE AND OTHER RECEIVABLES		
	Trade receivables	241,681	173,439
	Other receivables and prepayments	123,629	103,956
		365,310	277,395

23 SHORT TERM DEPOSITS AND TREASURY BILLS

	2002 Shs'000	2001 Shs'000
GROUP		
Redemption value of treasury bills	70,000	109,500
Less unearned income	(929)	(948)
	69,071	108,552
Bank deposits with local banks	14,909	51,057
	83,980	159,609
COMPANY		
Redemption value of treasury bills	20,000	20,000
Less unearned income	(212)	(490)
	19,788	19,510
Banks deposits with local bank	350	19,510
	20,138	19,510

The effective interest rate on treasury bills as at 30 June 2002 was 11.27% (2001– 12.7%). While the average interest rate applicable on bank deposits during the year was 7.58% (2001 – 3.7 %).

24 SHARE CAPITAL

	2002 Shs'000	2001 Shs'000
Authorised:		
60,000,000 ordinary shares of Shs 5 each	300,000	300,000
Issued and fully paid:		
52,954,468 ordinary shares of Shs 5 each	264,772	264,772

	2002 Shs'000	2001 Shs'000
25 BORROWINGS		
Bank overdraft facilities	513,771	820,393
Loan from related company (unsecured)	37,320	47,120
	551,091	867,513
The borrowings are repayable as follows:		
On demand or within one year	518,771	830,393
In the second to fifth years	32,320	-
After five years	-	37,120
	551,091	867,513
Less: Amounts due for settlement within one year	(518,771)	(830,393)
Amounts due for settlement after one year	32,320	37,120

The average interest rates paid were as follows:	2002	2001
Bank overdraft facilities	13.14%	14.21%
Bank loans	14.50%	20.33%
Finance lease	-	15.36%

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

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

	2002 Shs'000	2001 Shs'000
26 SERVICE GRATUITY		
At 1 July	53,796	53,177
Income statement charge	8,687	13,885
Paid during the year	(18,487)	(13,266)
At 30 June	43,996	53,796

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

27 SHAREHOLDERS' LOAN

These are long term loans advanced by the minority shareholders to a subsidiary company. The loans are unsecured, interest free and have no fixed repayment terms.

	2002 Shs'000	2001 Shs'000
28 TRADE AND OTHER PAYABLES		
Trade payables	289,019	194,333
Other payables and accruals	230,195	275,731
	519,214	470,064
29 DUE TO RELATED COMPANIES		
Nampak Holdings Limited	652	-
Seaboard Overseas Management Company Limited	29,296	317,117
	29,948	317,117

30 NOTES TO THE CASH FLOW STATEMENT

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

	2002 Shs'000	2001 Shs'000
Operating profit/(loss)	18,126	(159,461)
Adjustments for:		
Depreciation	238,170	260,632
Amortisation of prepaid operating lease rentals	2,509	-
Amortisation of intangible assets	6,913	6,914
Equipment written off	-	5,822
Profit on disposal of properties held for sale	(3,038)	-
Profit on disposal of property, plant and equipment	(2,840)	(21,258)
Impairment loss on investment properties	2,000	-
Net foreign exchange (losses)/gains	(4,673)	(2,631)
Retirement benefits charge/(credit)	6,725	7,961
Service gratuity charge	8,687	13,885
Operating profit before working capital changes	272,579	111,864
Decrease in inventories	455,312	179,901
(Increase)/decrease in trade and other receivables	(82,717)	78,839
Increase/(decrease) in trade and other payables	50,261	(474,931)
Movement in related company balance	(287,169)	(55,640)
Gratuity paid	(18,487)	(13,266)
Cash generated from/(used in) operations	390,179	(173,233)

	2002 Shs'000	2001 Shs'000
30 NOTES TO THE CASH FLOW STATEMENT (Continued)		
(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet		
Short term deposits and treasury bills	83,980	159,609
Cash and bank balances	61,186	33,790
Bank overdraft facilities	(513,771)	(820,393)
At 30 June	(368,605)	(626,994)
(c) Analysis of loan balances		
Loan from related company	37,320	47,120
(d) Movement in loan balances		
At 1 July	47,120	386,351
Loans repaid	(9,800)	(259,231)
Loan converted to share capital	-	(80,000)
At 30 June	37,320	47,120

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.

31 RELATED PARTY TRANSACTIONS

By an agreement entered into on 17 March 2000 and later amended on 27 April 2001, the company is managed by Seaboard Overseas Management Company Ltd. Under this 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 the management company.

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$450,000 per annum. Thereafter, a profit-based fee, without a maximum, will apply. The management fee payable in respect of this agreement for the 12 month period to 30 June 2002 was US$ 450,000 and the balance outstanding as at 30 June 2002 is included in amounts due to related companies (note 29).

A subsidiary has a loan of Shs 37,320,000 (2001 – Sh 47,120,000) from a related party, which is also the minority shareholder in the subsidiary. Details of this loan are included in note 25.

32 FINANCIAL INSTRUMENTS

The nature of activities and policies with respect to financial instruments are:

Exchange risk

The group's operations are predominantly in Kenya, where the currency has been relatively stable against the major currencies.

A sizable portion of the group's purchases are denominated in foreign currencies, principally the US dollar. The group does not hedge its foreign currency risks.

Interest rate risk

The group has variable rate borrowings used to fund on going activities.

Credit risk

In the normal course of its business, the group incurs credit risk from customers. The credit risk is, however, managed through management's constant monitoring of the status of the credit worthiness of its customers. The group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Fair value

There is no material difference between the fair value and the carrying value of the group's financial assets and liabilities.

	2002 Shs'000	2001 Shs'000
33 CAPITAL COMMITMENTS		
Commitments at the year end for which no provision has been made in these financial statements:		
GROUP		
Contracted	79,655	17,000
Authorised but not contracted for	90,886	85,169

The group intends to finance these commitments mainly from internally generated funds.

34 CONTINGENT LIABILITIES

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 2002, in respect of this guarantee, was Shs 422,623,000.

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 2002, in respect of this guarantee, was Shs 91,148,000.

35 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

36 CURRENCY

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