ANNUAL REPORT & FINANCIAL STATEMENTS 2003

UNGA GROUP LIMITED

UNGA GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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1. Unga Group Limited -- periodicals
2. Corn Industry -- Kenya -- periodicals

UNGA GROUP LIMITED

Corporate Information

Directors
R Kemoli (Chairman)
N Hutchinson* (Group Managing Director)
A McKittrick
J G Kiereini
K Kiplagat
J J Mvoyi
A S M Ndegwa
V O Ojode

*British

Secretary
J L G Maonga
P O Box 30092
Nairobi

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

Auditors
Deloitte & Touche
"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

Financial Calendar
Year Ended 30 June 2003

Financial Results
Announced 25 September 2003

Financial Statements
Issued 24 October 2003

76th Annual General Meeting
to be held on 20 November 2003

Group Companies
Unga Investments
Unga Holdings Limited
- Unga Limited
- Unga Feeds Limited
- Unga Farm Care (East Africa) Limited
  - Unga Farm Care (Tanzania) Limited
  - Unga Uganda Limited
- Ungax Limited
- Unga Foods Limited
- Unga Maize Millers Limited
- Bullpak Limited
- Unga Millers (Uganda) Limited

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventy Sixth Annual General Meeting of the Company will be held at the Regency Centre, Grand Regency Hotel, Loita Street/Uhuru Highway, Nairobi on Thursday, 20 November 2003 at 10.00 a.m for the following purposes:-

AGENDA

1. To read the notice of the meeting.

2. To confirm the minutes of the seventy fifth Annual General Meeting held on 19 December 2002.

3. To receive the Chairman's report.

4. To receive and adopt the audited Financial Statements for the financial year ended 30 June 2003, together with the reports of the Directors and the Auditors.

5. To note that the directors do not recommend payment of a dividend for the financial year ended 30 June 2003.

6. Election of Directors:-

   (i) Mr A S M Ndegwa retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offers himself for re-election.

   (ii) Mr J G Kiereini retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being over the age of 70 years, a Special Notice is hereby given that a notice has been received in accordance with Section 186(5) of the Companies Act that it is intended to pass the following resolution at the 76th Annual General Meeting.

   "That Mr J G Kiereini who is over the age of 70 years, be and is hereby re-elected a director of the Company."

   (iii) Mr N Hutchinson, who was appointed during the year, retires in accordance with Article 93 of the Company's Articles of Association and, being eligible, offers himself for re-election.

   (iv) Mr V O Ojode, who was appointed during the year, retires in accordance with Article 93 of the Company's Articles of Association and, being eligible, offers himself for re-election.

7. To approve the Directors' remuneration.

3. To note that Deloitte & Touche continue in office as Auditors under section 159(2) of the Companies Act and to authorise the Directors to fix their remuneration.

. To transact any other business of the Company of which due notice has been received.

Y ORDER OF THE BOARD

J L G Maonga
SECRETARY

Date: 24 October 2003

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

The Chairman's Statement

I am pleased once again to present to you our Company's Annual Report and Accounts which relate to the year ended 30 June 2003.

ECONOMIC PERFORMANCE AND THE BUSINESS ENVIRONMENT

2003 witnessed yet another year of dismal economic performance, with GDP growth of only 1.4%. The expected resumption in donor funding and increased business confidence has not yet materialised. Inflation increased from 2.3% to 6.6%, driven by volatile commodity prices, especially crude oil, and the shortfall in the supply of basic food items. The Kenya shilling, which had been steadily depreciating against the major currencies, strengthened temporarily during the last quarter of the financial year. Interest rates tumbled dramatically as surplus liquidity continued to flood the financial market, with the 91 days Treasury Bill rate falling to 1.763% at the end of June.

Supplies of maize were tight and worsened towards the end of the financial year. This, coupled with the consequent price increases, adversely affected our milling operations and trading performance.

TRADING PERFORMANCE

The trading environment continued to be subdued during the period. Turnover increased by 5% over prior year due to a significant increase in maize volumes; wheat on the other hand suffered from a general decline in consumer demand, leading to stiff competition. The animal health and nutrition sector performed poorly during the year, partly due to the depressed economy and to the drop in demand for its products as a consequence of the downturn in tourism. The sector was also negatively impacted by high maize prices as we could not pass on higher production costs to the consumers who were facing reduced demand for their products.

The consolidation of Unga Limited's Nairobi milling operations at Commercial Street was completed during the year. The resulting plant upgrade and increase in milling capacity facilitated the successful re-launch of the key maize brands, Jogoo® and Hostess®.

The animal health and nutrition businesses were restructured during the year, with the consolidation of distribution, sales and marketing services under Unga Farm Care (EA). The successful re-launch of the acaricide, Almatix®, in small packs, and continued growth in Fast- Gro™ broiler feed were noteworthy.

In Uganda the company re-entered the market through the acquisition of majority shareholding in a local milling company. The **Kshs 30 million** of start-up costs incurred during the year, negatively impacted trading results. It is expected that revenues will be realized in the 2003-2004 financial year to offset the adverse costs.

We have significantly increased our new product development and marketing spend, with a view to maintaining market leadership. The move to white packaging will enhance product differentiation. The re-launch of products fortified with vitamins and minerals will address the micro nutrient deficiency which is prevalent in most communities.

The consolidation of milling operations at Commercial Street necessitated the movement of products from Eldoret to Nairobi during the transfer. In addition, products were moved from Nairobi to Eldoret due to the high demand for wheat products during the election period. These, coupled with distribution to distant outlets not previously reached, had a significant impact on distribution costs.

The loss before taxation at **Kshs 16 million** shows a considerable improvement over prior year which was **Kshs 136 million,** especially since it is after recognising the start up costs of the re- entry into the Ugandan market. However, in view of the loss incurred, the board does not recommend the payment of a dividend.

PEOPLE INITIATIVES

Your Board fully appreciates the crucial role being played by the management and staff. Significant resources are being channelled towards training and development of staff to equip them with the necessary skills and competencies. A Job Evaluation and Grading project was undertaken across the group with the results scheduled to be rolled-out early in the new financial year. This will ensure equity as we bring together the operating company support functions under a single central support office.

UNGA GROUP LIMITED

The Chairman's Statement (Continued)

COMMUNITY PARTNERSHIP

The company, being in the human nutrition sector, got involved in supporting both the needy elderly and destitute children through donations of our products to old people's and children's homes. We also participated in the Neighbours for HIV/AIDS awareness campaign. The company returned to sports sponsorship with involvement in Rugby's Jogoo Super Series.

FUTURE OUTLOOK

Re-launch of the Exe® brand, and the introduction of products to meet the needs of price-sensitive market segments, will be a priority during the coming year. The company has embarked on consolidation of service functions and this will be completed during the year. The upgrade of the Nairobi feeds mill to be undertaken in phases over the next few years, is also scheduled to commence during the year.

Last year I reported that the distribution network was being re-structured. The extension to the other units was put on hold to allow for an evaluation of the pilot project. The company decided instead to broaden and deepen the existing structure to ensure that our products are available at every retail outlet and stockist throughout the country.

The company is making good progress in its efforts to return to profitability. Improved efficiencies being realised from the modernised milling operations and consolidation of service functions, supported by increased marketing activities, will aid these efforts.

THE BOARD

In its endeavour to broaden the competencies available to the Board, two new directors were appointed on May 22, 2003. Mr.Nicholas Hutchinson was appointed the Group Managing Director, taking over from Mr. Alan McKittrick who however remains on the board due to his experience and deep knowledge of the operations of the Group. Mr. Hutchinson became the Group Managing Director of Unga Holdings Limited in September 2000. He brings to the Board many years experience gained working for Monsanto Company around the world, prior to joining Unga Holdings Limited. Mr. Vitalis Ojode was appointed the Group Finance Director. He joined Unga Holdings Limited in November 2001 as the Group Finance Director. Mr. Ojode previously worked for UDV Kenya Limited where he held several directorships in the group both in Kenya and Tanzania.

CONCLUSION

The improved performance reported this year would not have been possible without the unstinting support of the directors, management and all employees of the Group. I wish to thank them all for their devotion and hard work. I wish also to record our gratitude to the shareholders for their patience; and to our distributors, suppliers and customers for their continued loyalty and support.

: KEMOLI
hairman 24 September 2003

UNGA GROUP LIMITED

Report of the Directors

The directors present their report together with the audited financial statements of the group for the year ended 30 June 2003.

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.

	2003 Shs'000	2002 Shs'000
GROUP RESULTS		
Loss before taxation	(16,448)	(135,858)
Taxation - (charge)/credit	(13,956)	24,869
Loss before minority interests	(30,404)	(110,989)
Minority interests	3,358	54,176
Net loss for the year	(27,046)	(56,813)

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 J G Kiereini and A S M Ndegwa retire by rotation in accordance with Article 88 of the Articles of Association and, being eligible, offer themselves for re-election.

In accordance with Article 93 of the Articles of Association, N Hutchinson and V O Ojode, who were appointed directors on 22 May 2003, retire from office and, being eligible, offer themselves for re-election.

SECRETARY

On 11 November 2002, Mr J L G Maonga was appointed as company secretary in place of Mr A M Simwa who resigned on 18 October 2002.

AUDITORS

Deloitte & Touche, having confirmed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

J L G Maonga
SECRETARY

NAIROBI
24 September 2003

UNGA GROUP LIMITED

Statement of Directors' Responsibilities

The Companies Act 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 group as at the end of the financial year and of the profit or loss of the group for that period. It also requires the directors to ensure that the group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the group. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for at least the next twelve months from the date of this statement.

R Kemoli
Director

24 September 2003

N. Hutchinson
Director

24 September 2003

Corporate Governance

The Company is committed to the standards of Corporate Governance which are already part of the Company's committed values.

The Role of the Board

The Board is responsible for the long-term growth and profitability of the Unga Group. The Board charts the direction of the group and monitors management's performance on behalf of the shareholders. A critical role of the Board is to ensure that the group is pursuing a strategy that increases profitability and shareholders' value.

Board Meetings

The Board normally meets three times a year for scheduled meetings and on other occasions to deal with any specific matters that require attention between scheduled meetings. Scheduled meetings include annual strategic reviews, review of quarterly performance and monitoring of business and operational issues.

Composition of the Board

The Board will continue to have substantial majority of Independent Directors. There are currently six non-executive Directors. Mr. Nicholas Hutchinson is the Managing Director of the Company while Mr. Vitalis Ojode is the Group Finance Director. All non-executive Directors are considered by the Board to be independent of management and free from any business, interest or any other relationship which could materially interfere with the exercise of their independent judgement.

One third of the members of the Board retire by rotation each year and may offer themselves for re-election if eligible in accordance with the Company's Articles of Association. Any Director appointed by the Board will be subject to election by shareholders at the first opportunity after his or her appointment and will not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Board Committees

Audit Committee - The Committee assists the company's Board to discharge its corporate governance responsibilities, including the group's relationship with, and the independence of, the external auditors; the reliability and appropriateness of the disclosure of the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliances and internal controls.

The board appoints other committees as and when necessary.

Communications with Shareholders

The Company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about its performance and
- Complying with continuous obligations contained in applicable Listing Rules and the Capital Markets Authority Act applicable in Kenya.

Information is communicated to the shareholders through the distribution of the annual report and press notices following release of the half-yearly and yearly results and whenever there are other significant developments to report on.

Directors' Benefits and Loans

Since the last Annual General Meeting of the Company to the date of this report, no director has received or become entitled to receive any benefit other than Directors' fees.

The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed on page 23.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the group is a party whereby Directors might acquire benefits by means of the acquisition of shares in the group. There were no Directors' loans at any time during the year.

UNGA GROUP LIMITED

Corporate Governance (Continued)

Directors' Interest

The interest of the Directors in the shares of the Company as at 30 June 2003, were as follows:

Name	No of Shares
1. A McKittrick	11,227
2 J J Mvoyi	6,382

Distribution of Shareholders

Shareholding (No. of Shares)	No. of shareholders
Less than 1,000	3,163
1000-5,000	1,682
5,001-10,000	405
10,001-100,000	381
100,001-1,000,000	38
above 1,000,0000	3
Total	5,672

Major Shareholders

The top 10 major shareholders as at 30 June 2003, were as follows:

Name	No. of Shares	% Shareholding
1. Victus Limited	32,130,992	50.93
2. Moses Thara	1,597,421	2.53
3. Nomura Nominees Ltd	1,576,010	2.50
4. Baloobhai Chhotabai Patel	803,730	1.27
5. Rajesh Dharamshi Shah	710,500	1.13
6. Stanbic Nominees Kenya Limited	671,036	1.06
7. Kingsway Nominees Limited	627,614	0.99
8. Velji Ralchand Shah	619,898	0.98
9. Alimohamed Adam	502,938	0.80
10. Gandhi Smarak Nidhi Fund	378,206	0.60

t Kemoli
)irector

4 September 2003

N Hutchinson
Director

24 September 2003

Certified Public Accountants (Kenya)
"Kirungii"
Ring Road, Westlands
P.O. Box 40092
Nairobi - 00100 GPO
Kenya

Telephone: + (254-20) 444 1344/05-12
Facsimile: + (254-20) 444 8966
Dropping Zone No. 92
E-mail: admin@deloitte.co.ke

Deloitte & Touche

REPORT OF THE AUDITORS TO THE MEMBERS OF UNGA GROUP LIMITED

We have audited the financial statements on pages 11 to 38 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;

(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2003 and of the loss and cash flows of the group for the year then ended in accordance with International Financial Reporting 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.

Deloitte & Touche
24 September 2003

Deloitte Touche Tohmatsu

Partners:
D.M. Ndonye H. Gadhoke* D. C. Hodges* J. M. Kiarie S.O. Onyango J.W. Wangai
British*

UNGA GROUP LIMITED

Consolidated Income Statement
For The Year Ended 30 June 2003

	Notes	2003 Shs'000	2002 Shs'000
TURNOVER		5,702,613	5,442,922
COST OF SALES		(4,910,068)	(4,664,523)
GROSS PROFIT		792,545	778,399
OTHER OPERATING INCOME		39,058	33,426
DISTRIBUTION COSTS		(384,807)	(325,482)
ADMINISTRATIVE EXPENSES		(412,402)	(383,874)
OTHER OPERATING EXPENSES		(43,602)	(84,343)
OPERATING (LOSS)/PROFIT	4	(9,208)	18,126
FINANCE COSTS - NET	6	(70,125)	(69,837)
LOSS BEFORE EXCEPTIONAL ITEMS		(79,333)	(51,711)
EXCEPTIONAL ITEMS	7	62,885	(84,147)
LOSS BEFORE TAXATION		(16,448)	(135,858)
TAXATION (CHARGE)/CREDIT	8	(13,956)	24,869
LOSS BEFORE MINORITY INTERESTS	9	(30,404)	(110,989)
MINORITY INTERESTS	25	3,358	54,176
NET LOSS FOR THE YEAR		(27,046)	(56,813)
LOSS PER SHARE - BASIC/DILUTED	10	Shs (0.43)	Shs (1.07)

UNGA GROUP LIMITED

Consolidated Balance Sheet
30 June 2003

	Notes	2003 Shs'000	2002 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	11	1,928,970	1,517,697
Prepaid operating lease rentals	12	68,200	50,750
Investment properties	13	-	31,000
Intangible assets	14	2,604	8,050
Retirement benefits asset	17	140,233	73,343
Deferred taxation	18	161,645	271,219
		2,301,652	1,952,059
Current assets			
Properties held for sale	19	63,000	53,967
Inventories	20	661,386	538,388
Trade and other receivables	21	356,749	365,310
Due from a related company	22	100	-
Taxation recoverable		34,905	34,829
Short term deposits and treasury bills	23	95,474	83,980
Cash and bank balances		101,773	61,186
		1,313,387	1,137,660
Total assets		3,615,039	3,089,719
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	315,454	264,772
Share premium		73,148	73,148
Revaluation surplus		607,555	1,245,689
Revenue reserve/(deficit)		439,596	(459,238)
		1,435,753	1,124,371
Minority interests	25	690,900	793,929
Non current liabilities			
Borrowings	26	130,592	32,320
Service gratuity	27	61,351	43,996
Shareholders' loans	28	65	76
		192,008	76,392
Current liabilities			
Trade and other payables	29	602,815	519,432
Due to related companies	30	244,032	29,948
Borrowings	26	443,745	518,771
Taxation payable		5,786	26,876
		1,296,378	1,095,027
Total equity and liabilities		3,615,039	3,089,719

The financial statements on pages 11 to 38 were approved by the board of directors on 24 September 2003 and were signed on its behalf by:

R Kemoli — Director

N Hutchinson — Director

UNGA GROUP LIMITED

Company Balance Sheet
30 June 2003

	Notes	2003 Shs'000	2002 Shs'000
ASSETS			
Non current assets			
Investment in subsidiary companies	15	1,297,335	911,036
Investment in associated company	16	-	157,212
		1,297,335	1,068,248
Current assets			
Trade and other receivables	21	195	20
Due from subsidiary companies	22	115,765	33,929
Taxation recoverable		2,183	1,976
Short term deposits and treasury bills	23	20,271	20,138
Cash and bank balances		4	60
		138,418	56,123
Total assets		1,435,753	1,124,371
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	315,454	264,772
Share premium		73,148	73,148
Revaluation surplus		702,950	1,305,835
Revenue reserve/(deficit)		344,201	(519,384)
Total equity		1,435,753	1,124,371

The financial statements on pages 11 to 38 were approved by the board of directors on 24 September 2003 and were signed on its behalf by:

R Kemoli *Director*

N Hutchinson *Director*

UNGA GROUP LIMITED

Consolidated Statement of Changes in Equity
For The Year Ended 30 June 2003

	Note	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve/ (deficit) Shs'000	Total Shs'000
At 1 July 2001		264,772	73,148	1,325,511	(463,936)	1,199,495
Revaluation surplus eliminated on impairment of plant and equipment	11	-	-	(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 on excess depreciation		-	-	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
At 1 July 2002		264,772	73,148	1,245,689	(459,238)	1,124,371
Issue of share capital	24	50,682	-	-	-	50,682
Surplus arising from changes in shareholding in subsidiary		-	-	-	131,568	131,568
Transfer of revaluation surplus		-	-	(758,181)	758,181	-
Revaluation surplus		-	-	353,568	-	353,568
Deferred taxation on revaluation surplus	18	-	-	(106,070)	-	(106,070)
Minority share of revaluation surplus (net)	25	-	-	(86,624)	-	(86,624)
Revaluation surplus eliminated on impairment of plant and equipment	11	-	-	(8,582)	-	(8,582)
Minority share of impairment	25	-	-	3,004	-	3,004
Transfer of excess depreciation		-	-	(49,962)	49,962	-
Deferred taxation on excess depreciation		-	-	14,850	(14,850)	-
Revaluation surplus realised on disposal of plant and equipment		-	-	(196)	196	-
Deferred taxation on revaluation surplus realised on disposal		-	-	59	(59)	-
Exchange adjustment		-	-	-	882	882
Net loss for the year		-	-	-	(27,046)	(27,046)
At 30 June 2003		315,454	73,148	607,555	439,596	1,435,753

The transfer of revaluation surplus relates to accumulated excess depreciation not previously transferred from the revaluation surplus to the revenue reserve.

Company Statement of Changes in Equity
For The Year Ended 30 June 2003

	Note	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve/ (deficit) Shs'000	Total Shs'000
At 1 July 2001		264,772	73,148	1,325,511	(463,936)	1,199,495
Share of movement in net assets of subsidiary companies		-	-	(19,676)	904	(18,772)
Exchange adjustment		-	-	-	461	461
Net loss for the year		-	-	-	(56,813)	(56,813)
At 30 June 2002		264,772	73,148	1,305,835	(519,384)	1,124,371
At 1 July 2002		264,772	73,148	1,305,835	(519,384)	1,124,371
Issue of share capital	24	50,682	-	-	-	50,682
Surplus arising from changes in shareholding in subsidiary		-	-	-	131,568	131,568
Transfer of revaluation surplus		-	-	(758,181)	758,181	-
Share of movement in net assets of subsidiary companies		-	-	155,296	-	155,296
Exchange adjustment		-	-	-	882	882
Net loss for the year		-	-	-	(27,046)	(27,046)
At 30 June 2003		315,454	73,148	702,950	344,201	1,435,753

UNGA GROUP LIMITED

Consolidated Cash Flow Statement
For The Year Ended 30 June 2003

	Notes	2003 Shs'000	2002 Shs'000
OPERATING ACTIVITIES			
Cash generated from operations	31(a)	410,958	390,179
Interest received		6,872	8,918
Interest paid		(74,674)	(85,503)
Taxation paid		(32,112)	(28,700)
Net cash generated from operating activities		311,044	284,894
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(299,256)	(48,281)
Proceeds on disposal of property, plant and equipment		15,967	15,062
Acquisition of leasehold land		(14,889)	-
Purchase of intangible assets		(1,483)	-
Dividends paid to minority in a subsidiary company		-	(1,590)
Proceeds on disposal of investment property		18,100	-
Proceeds on disposal of properties held for sale		-	20,000
Net cash used in investing activities		(281,561)	(14,809)
FINANCING ACTIVITIES			
Loan from minority shareholder repaid		-	(1,751)
Loans repaid	31(d)	(162,500)	(319,800)
Loans received	31(d)	100,528	-
Net cash used in financing activities		(61,972)	(321,551)
DECREASE IN CASH AND CASH EQUIVALENTS		(32,489)	(51,466)
CASH AND CASH EQUIVALENTS AT 1 JULY		(58,605)	(6,994)
Exchange adjustment		(530)	(145)
CASH AND CASH EQUIVALENTS AT 30 JUNE	31(b)	(91,624)	(58,605)

Notes to the Financial Statements
For The Year Ended 30 June 2003

1 Accounting Policies

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the prior year and 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 not 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 share of the fair values of the relevant assets and liabilities.

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.

Investments in associates
An associate is 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.

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	33.3%
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 in respect of the land on which they are built

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

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.

Leasehold land
Payments to acquire interests in leasehold land are treated as prepaid operating lease rentals and amortised over the term of the related lease.

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.

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.

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. Cost is calculated using the weighted average method. 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 group's balance sheet when the group 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.

Notes to the Financial Statements
Continued

1 Accounting Policies (Continued)

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.

Any impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

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.

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 2002. 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. The group's contributions are charged to the income statement in the year to which they relate.

Employee entitlements
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.

Notes to the Financial Statements
Continued

1 Accounting Policies (Continued)

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 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.

Segmental reporting
Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

2 GOING CONCERN

As at 30 June 2003, a subsidiary group Unga Holdings Limited had a revenue deficit of Kshs 566,696,000 attributable to trading losses in recent years. Continued operations are dependent upon return to profitability. The directors have been working to turn the company and its subsidiaries round and this is a continuing process. Attention continues to be focussed on the management of working capital as evidenced by the reduction in short term borrowings. The re-launch of key brands, coupled with increased marketing activities, increased distribution coverage and reduction in administrative costs through the realisation of synergies across the group, 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.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

3 SEGMENTAL REPORTING
Year Ended 30 June 2003

(a) Primary reporting format - Business segments

	Consumer products Shs'000	Animal Health and Nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
REVENUE					
External sales	3,914,254	1,677,489	110,870	-	5,702,613
Inter-segment sales	235,938	-	123,725	(359,663)	-
Total revenue	4,150,192	1,677,489	234,595	(359,663)	5,702,613
RESULTS					
Operating (loss)/profit	(24,317)	41,611	(26,502)	-	(9,208)

Inter-segment sales are charged at market prices.

	Consumer products Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Consolidated Shs'000
OTHER INFORMATION				
Capital additions				
- property, plant and equipment	171,289	22,672	105,295	299,256
- prepaid operating lease rentals	14,889	-	-	14,889
- intangible assets	742	741	-	1,483
Depreciation and amortisation	151,914	41,681	17,153	210,748
Impairment loss				
- charged to income statement	8,841	1,061	-	9,902
- debited directly to equity	8,582	-	-	8,582
Segment assets	2,259,021	999,738	356,280	3,615,039
Segment liabilities	890,657	415,075	182,654	1,488,386

(b) Secondary reporting format - Geographical segments

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

Notes to the Financial Statements
Continued

3 SEGMENTAL REPORTING (Continued)
Year Ended 30 June 2002

(a) Primary reporting format - Business segments

	Consumer products Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
REVENUE					
External sales	3,635,835	1,749,728	57,359	-	5,442,922
Inter-segment sales	199,951	16,380	91,530	(307,861)	-
Total revenue	3,835,786	1,766,108	148,889	(307,861)	5,442,922
RESULT					
Operating (loss)/profit	(27,531)	52,867	(7,210)	-	18,126

Inter-segmental sales are charged at market prices.

	Consumer products 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	48,563	14,855	247,592
Impairment loss				
- charged to income statement				
exceptional item	53,983	22,938	-	76,921
operating expenses	-	16,226	-	16,226
- debited directly to equity	19,676	-	-	19,676
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.

Notes to the Financial Statements
Continued

	2003 Shs'000	2002 Shs'000
4 OPERATING (LOSS)/PROFIT		
The operating (loss)/profit is arrived at after charging:		
Depreciation	201,865	238,170
Amortisation of prepaid operating lease rentals	1,954	2,509
Amortisation of intangible assets	6,929	6,913
Directors' emoluments - fees	2,250	2,250
Auditors' remuneration	6,488	6,476
Staff costs (note 5)	360,383	357,591
Impairment loss on investment property	-	2,000
Impairment loss on property and equipment	1,061	-
and after crediting:		
Profit on disposal of properties held for sale	-	3,038
Profit on sale of investment property	600	-
Profit on disposal of property, plant and equipment	4,454	2,840

5 STAFF COSTS

	2003 Shs'000	2002 Shs'000
Salaries and wages	325,594	332,482
Pension costs - defined benefit scheme	4,836	6,725
Pension costs - defined contribution scheme	172	140
Termination benefits	1,359	4,597
Service gratuity	24,186	8,687
Social security costs (NSSF)	1,523	1,571
Restructuring costs	2,713	3,389
	360,383	357,591

The average number of employees during the period was

	No.	No.
Permanent	448	498
Temporary	258	334
	706	832

Unga Group Limited

Notes to the Financial Statements
Continued

		2003 Shs'000	2002 Shs'000
6	**FINANCE COSTS - NET**		
	Interest receivable:		
	Deposits and bank balances	(6,872)	(13,169)
	Net foreign exchange losses	2,205	4,673
	Interest payable:		
	Bank overdraft facilities	35,124	72,557
	Bank loans	32,391	5,776
	Other	7,277	-
		74,792	78,333
		70,125	69,837
7	**EXCEPTIONAL ITEMS**		
	Impairment loss	8,841	76,921
	Group restructuring costs	-	7,226
		8,841	84,147
	Retirement benefit asset surplus (note 17)	(71,726)	-
		(62,885)	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.

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

UNGA GROUP LIMITED

Notes to the Financial Statements

Continued

8 TAXATION

	2003 Shs'000	2002 Shs'000
(a) Taxation charge/(credit)		
Current taxation based on the chargeable profit for the year at 30%	10,794	33,445
Adjustment for previous years	152	63
	10,946	33,508
Deferred taxation charge/(credit) (note 18)	3,010	(58,377)
	13,956	(24,869)
(b) Reconciliation of taxation charge/(credit) to the expected tax based on accounting loss		
Accounting loss before taxation	(16,448)	(135,858)
Tax at the applicable rate of 30%	(4,934)	(40,757)
Tax effect of expenses not allowable for tax	11,424	12,023
Tax effect of income not subject to tax	(23,973)	(5,375)
Deferred taxation credit not taken up	31,287	9,177
Prior year under provision	152	63
Taxation charge/(credit)	13,956	(24,869)

9 LOSS FOR THE YEAR

A loss of Shs 27,046,000 has been dealt with in the financial statements of Unga Group Limited (2002 - Shs 56,813,000).

10 LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2003	2002
Net loss for the year attributable to shareholders (Shs '000)	27,046	56,813
Weighted average number of ordinary shares	62,306,925	52,954,468
Basic loss per share	Sh (0.43)	Sh (1.07)
Diluted loss per share is the same as basic loss per share.		

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

11 PROPERTY, PLANT AND EQUIPMENT

	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 2002	738,285	2,064,643	6,919	2,809,847
Exchange adjustments	(1,462)	(4,326)	(4,233)	(10,021)
Additions	16,057	86,509	196,690	299,256
Transfers of work in progress	-	148,959	(148,959)	-
Disposals	-	(54,892)	-	(54,892)
Revaluation deficit	(181,370)	(391,029)	-	(572,399)
At 30 June 2003	571,510	1,849,864	50,417	2,471,791
Comprising:				
Valuation in 2003	556,795	1,424,560	-	1,981,355
Cost	14,715	425,304	50,417	490,436
	571,510	1,849,864	50,417	2,471,791
DEPRECIATION / IMPAIRMENT				
At 1 July 2002	191,620	1,100,530	-	1,292,150
Exchange adjustments	(55)	(277)	-	(332)
Charge for the year	32,072	169,793	-	201,865
Impairment loss	-	18,484	-	18,484
Eliminated on disposals	-	(43,379)	-	(43,379)
Written back on revaluation	(219,485)	(706,482)	-	(925,967)
At 30 June 2003	4,152	538,669	-	542,821
NET BOOK VALUE				
At 30 June 2003	567,358	1,311,195	50,417	1,928,970
At 30 June 2002	546,665	964,113	6,919	1,517,697
NET BOOK VALUE (Cost basis)				
At 30 June 2003	246,253	870,573	50,417	1,167,243
At 30 June 2002	249,726	802,130	6,919	1,058,775

Certain items of property, plant and equipment were revalued as at 30 June 2003 by Tysons Limited, registered valuers and estate agents. Buildings were revalued as at 30 June 2003 by Lloyd Masika Limited, registered valuers and estate agents.

The group has pledged assets with net book value of Sh 1,421,038,000 to secure borrowings granted to it.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Following the decision to close some mills and operate others at substantially reduced levels, an impairment loss was recognised in respect of plant and machinery as follows:

	2003 Shs'000	2002 Shs'000
Carrying value before impairment	18,484	112,823
Carrying value after impairment	-	-
Impairment loss	18,484	112,823
The impairment loss has been dealt with as follows:		
Charged to the income statement		
- operating expenses	1,061	16,226
- exceptional item	8,841	76,921
Debited directly to equity	8,582	19,676
	18,484	112,823

12 PREPAID OPERATING LEASE RENTALS

	2003 Shs'000	2002 Shs'000
COST		
At 1 July	53,611	127,549
Transfer from investment properties (note 13)	4,500	-
Transfer to properties held for sale (note 19)	-	(73,938)
Additions	14,889	-
At 30 June	73,000	53,611
AMORTISATION		
At 1 July	2,861	352
Amortisation for the year	1,954	2,509
Exchange adjustments	(15)	-
At 30 June	4,800	2,861
NET BOOK VALUE		
At 30 June	68,200	50,750

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

The market value of leasehold land was Shs 149,150,000. The leasehold land was valued at 30 June 2003 by Lloyd Masika Limited and Tysons Limited, registered valuers and estate agents on an open market basis.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

		2003 Shs'000	2002 Shs'000
13	**INVESTMENT PROPERTIES**		
	At 1 July	31,000	31,929
	Opening balance adjustment	-	1,071
	Write down to realisable value	-	(2,000)
	Disposals	(17,500)	-
	Transfer to property held for sale (note 19)	(9,000)	-
	Transfer to prepaid operating leases (note 12)	(4,500)	-
	At 30 June	-	31,000
14	**INTANGIBLE ASSETS**		
	COST		
	At 1 July	34,536	34,536
	Additions	1,483	-
	At 30 June	36,019	34,536
	AMORTISATION		
	At 1 July	26,486	19,573
	Amortisation for the year	6,929	6,913
	At 30 June	33,415	26,486
	NET BOOK VALUE		
	At 30 June	2,604	8,050
15	**INVESTMENT IN SUBSIDIARY COMPANIES**		
	Unga Investments Limited	1,297,335	-
	Kenya National Mills Limited	-	623,809
	Chester House limited	-	278,697
	Sofar Investments Limited	-	8,530
		1,297,335	911,036

Notes to the Financial Statements
Continued

15 INVESTMENT IN SUBSIDIARY COMPANIES (Continued)

Details of the company's subsidiaries are as follows:

Name	Country of incorporation	Percentage holding %
2003		
Unga Investments Limited	Kenya	100.00
2002		
Kenya National Mills Limited (Quoted)	Kenya	77.39
Sofar Investments Limited (Unquoted)	Kenya	84.92
Chester House Limited (Unquoted)	Kenya	100.00

In 2002, Kenya National Mills Limited and Chester House Limited held 69.37% and 17.12% of the issued share capital of Unga Investments Limited respectively. Unga Group Limited now owns 100% shareholding in Unga Investments Limited. 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 Millers (Uganda) Limited	Uganda	80

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

The following subsidiaries of the company were 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, while the holding of Kenya National Mills Limited and Chester House Limited in Unga Investments Limited was transferred to Unga Group Limited.

16 INVESTMENT IN ASSOCIATED COMPANY (UNQUOTED) - COMPANY

	2003 Shs'000	2002 Shs'000
Unga Investments Limited	-	157,212

In 2002, the company held 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 was stated at directors' valuation based on the company's share of net assets at the balance sheet date. This company is now a wholly owned subsidiary of Unga Group Limited.

Notes to the Financial Statements
Continued

17 RETIREMENT BENEFITS ASSET

	2003 Shs'000	2002 Shs'000
At 1 July	73,343	80,068
Surplus arising from actuarial valuation during the year	71,726	-
	145,069	80,068
Charge to the income statement	(4,836)	(6,725)
At 30 June	140,233	73,343

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 2002. In accordance with a recommendation by the actuaries, the group is taking a contribution holiday for 15 years with effect from 1 January 2003.

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%.

	2003 Shs'000	2002 Shs'000
The net deferred taxation asset is made up as follows:		
Accelerated capital allowances	(161,666)	(155,306)
Unrealised exchange differences	(2,572)	1,463
Provision for service gratuity	18,405	13,199
Provision for leave pay	2,673	1,895
Revaluation surplus	(231,798)	(143,147)
Tax losses available for offset against future profits	566,885	560,478
Other timing differences	1,005	1,814
	192,932	280,396
Deferred taxation asset not recognised	(31,287)	(9,177)
	161,645	271,219

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

18 DEFERRED TAXATION (Continued)

	2003 Shs'000	2002 Shs'000
Movement in the deferred taxation account is as follows:		
At 1 July	271,219	213,236
Exchange difference	(494)	(394)
Income statement (charge) credit	(3,010)	58,377
Revaluation surplus debit	(106,070)	-
At 30 June	161,645	271,219

Tax losses relate mainly to losses in one subsidiary, Unga Limited. Future profit forecasts indicate that the company will start making profits from the year ending 30 June 2005. Under the Kenya tax legislation, tax losses can be carried forward to perpetuity. However, the directors consider it prudent not to recognize any further deferred asset relating to tax losses until the future performance of the subsidiary can be predicted with reasonable certainty.

	2003 Shs'000	2002 Shs'000
19 PROPERTIES HELD FOR SALE		
At 1 July	53,967	19,929
Transfer from investment properties (note 13)	9,000	-
Transfer from prepaid operating lease rentals (note 12)	-	73,938
Disposals	-	(16,962)
Impairment loss	-	(22,938)
Fair value gain	33	-
At 30 June	63,000	53,967

Notes to the Financial Statements
Continued

		2003 Shs'000	2002 Shs'000
20	**INVENTORIES**		
	Finished products	138,798	150,315
	Raw materials	368,995	275,774
	Production supplies	32,385	28,698
	Engineering stores	65,891	61,248
	Goods in transit	45,667	22,353
	Work in progress	9,650	-
		661,386	538,388
21	**TRADE AND OTHER RECEIVABLES**		
	GROUP		
	Trade receivables	266,384	241,681
	Other receivables and prepayments	90,365	123,629
		356,749	365,310
	COMPANY		
	Other receivables	195	20
22	**DUE FROM SUBSIDIARY COMPANIES**		
	Unga Limited	3,000	3,000
	Unga Investments Limited	105,765	27,429
	Unga Feeds Limited	7,000	3,500
		115,765	33,929
	DUE FROM A RELATED COMPANY		
	Nampak Holdings Limited	100	-

Notes to the Financial Statements
Continued

13 SHORT TERM DEPOSITS AND TREASURY BILLS

	2003 Shs'000	2002 Shs'000
GROUP		
Redemption value of treasury bills	90,000	70,000
Less: Unearned income	(550)	(929)
	89,450	69,071
Deposits with banks	6,024	14,909
	95,474	83,980
COMPANY		
Redemption value of treasury bills	20,000	20,000
Less: Unearned income	(149)	(212)
	19,851	19,788
Deposits with banks	420	350
	20,271	20,138

The effective interest rate on treasury bills as at 30 June 2003 was 5.73% (2002- 11.27%). While the average interest rate applicable on bank deposits during the year was 5.25% (2002 - 7.58%).

14 SHARE CAPITAL

	2003 Shs'000	2002 Shs'000
Authorised:		
70,134,656 (2002 - 60,000,000) ordinary shares of Shs 5 each	350,673	300,000
Issued and fully paid:		
63,090,728 (2002 - 52,954,468) ordinary shares of Shs 5 each	315,454	264,772

The movement in share capital is as follows:

	No.	Shs '000
At 1 July 2002	52,954,468	264,772
Issue of share capital	10,136,260	50,682
At 30 June 2003	63,090,728	315,454

At an Extra-ordinary general meeting held on 22 July 2002, it was resolved that the authorised share capital be increased by 10,134,656 shares. Following this resolution, 10,136,260 shares were created, issued and allotted to the minority shareholders of Kenya National Mills Limited. These shares were issued shares at par.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

		2003 Shs'000	2002 Shs'000
25	**MINORITY INTEREST**		
	At 1 July	793,929	865,169
	Dividends paid	-	(1,590)
	Write back on liquidation of subsidiaries	(183,765)	-
	Revaluation surplus (net)	86,624	(15,642)
	Revaluation surplus reversal on impairment of plant and equipment	(3,004)	-
	Exchange adjustment	474	168
	Share of loss for the year	(3,358)	(54,176)
	At 30 June	690,900	793,929
26	**BORROWINGS**		
	Short term loan	250,751	310,000
	Bank overdraft facilities	288,871	203,771
	Loan from related company (unsecured)	34,715	37,320
		574,337	551,091
	The borrowings are repayable as follows:		
	On demand or within one year	443,745	518,771
	In the second to fifth years	130,592	32,320
		574,337	551,091

	2003	2002
The average interest rates paid were as follows:		
Bank overdraft facilities	13.92%	13.14%
Bank loans	12.11%	14.50%

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.

		2003 Shs'000	2002 Shs'000
27	**SERVICE GRATUITY**		
	At 1 July	43,996	53,796
	Income statement charge	24,186	8,687
	Paid during the year	(6,831)	(18,487)
	At 30 June	61,351	43,996

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

otes to the Financial Statements
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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.

	2003 Shs'000	2002 Shs'000
TRADE AND OTHER PAYABLES		
Trade payables	397,955	289,019
Other payables and accruals	204,860	230,413
	602,815	519,432
DUE TO RELATED COMPANIES		
Nampak Holdings Limited	-	652
Seaboard Overseas Management Company Limited	243,995	29,296
CarnaudMetal Box (K) Limited	37	-
	244,032	29,948
NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of operating (loss)/profit to cash generated from operations		
Operating (loss)/profit	(9,208)	18,126
Adjustments for:		
Depreciation	201,865	238,170
Amortisation of prepaid operating lease rentals	1,954	2,509
Amortisation of intangible assets	6,929	6,913
Profit on disposal of properties held for sale	-	(3,038)
Profit on disposal of property, plant and equipment	(4,454)	(2,840)
Profit on disposal of investment property	(600)	-
Impairment loss on investment properties	-	2,000
Net foreign exchange losses	(2,205)	(4,673)
Retirement benefits charge	4,836	6,725
Impairment of plant and equipment	1,061	-
Fair value gain on properties held for sale	(33)	-
Operating profit before working capital changes	200,145	263,892
(Increase)/decrease in inventories	(123,854)	455,712
Decrease/(increase) in trade and other receivables	13,203	(82,717)
Increase in trade and other payables	90,125	50,261
Movement in related company balance	213,984	(287,169)
Increase/(decrease) in service gratuity	17,355	(9,800)
Cash generated from operations	410,958	390,179

Notes to the Financial Statements
Continued

		2003 Shs'000	2002 Shs'000
31	**NOTES TO THE CASH FLOW STATEMENT (Continued)**		
(b)	Analysis of the balances of cash and cash equivalents as shown in the balance sheet		
	Treasury bills	89,450	69,071
	Short term deposits and treasury bills	6,024	14,909
	Cash and bank balances	101,773	61,186
	Bank overdraft facilities	(288,871)	(203,771)
	At 30 June	(91,624)	(58,605)
(c)	Analysis of loan balances		
	Bank loans	250,751	310,000
	Loan from related company	34,715	37,320
		285,466	347,320
(d)	Movement in loan balances		
	At 1 July	347,320	667,120
	Loans received	100,528	-
	Loans repaid	(162,500)	(319,800)
	Accrued interest	118	-
	At 30 June	285,466	347,320

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.

(e) Non-cash transactions

Kenya National Mills Limited, which was a subsidiary of Unga Group Limited, was wound up. The minority shareholders i Kenya National Mills Limited were issued with shares in Unga Group Limited, and there was therefore no cash received for the share capital that was issued.

Unga Group Limited

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RELATED PARTY TRANSACTIONS

By an agreement entered into on 17 March 2000 and later amended on 27 April 2002, 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 2003 was US$ 450,000 and the balance outstanding as at 30 June 2003 is included in amounts due to related companies (note 30).

A subsidiary has a loan of Shs 34,715,000 (2002 - Sh 37,320,000) from a related party, which is also the minority shareholder in the subsidiary. Details of this loan are included in note 26.

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 sizeable 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.

UNGA GROU[P] LIMITED

Notes to the Financial Statements
Continued

		2003 Shs'000	2002 Shs'000
34	**CAPITAL COMMITMENTS**		
	Commitments at the year end for which no provision has been made in these financial statements:		
	GROUP		
	Contracted	-	79,655
	Authorised but not contracted for	8,752	31,520

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

35 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 facilit to a subsidiary company. The amount of facilities outstanding as at 30 June 2003, in respect of this guarantee, was Shs 357,086,000.

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 2003, in respect of this guarantee, was Shs 91,960,000.

36 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

37 CURRENCY

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

UNGA GROUP LIMITED

FORM OF PROXY

I/We ____

of ____ being a member/members

of Unga Group Limited, hereby appoint ____

and failing him/her ____

and failing him/her the duly appointed chairman of the meeting as my/our proxy to to vote for me/us and on my/our behalf at the seventy-sixth annual general meeting of the company to be held on Thursday 20 November 2003 at 10.00 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 ______________________ 2003

____
Signed

Notes

1 If you are unable to attend this meeting personally, this form of proxy should be completed and returned to the Secretary, Unga Group Limited, P O Box 30096 Nairobi, to reach him not later than 24 hours before the time appointed for the meeting.

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

3 If the appointer 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

The Secretary
UNGA GROUP LIMITED
P.O. Box 30096
00100 GPO
NAIROBI

FOLD 1

FOLD 3