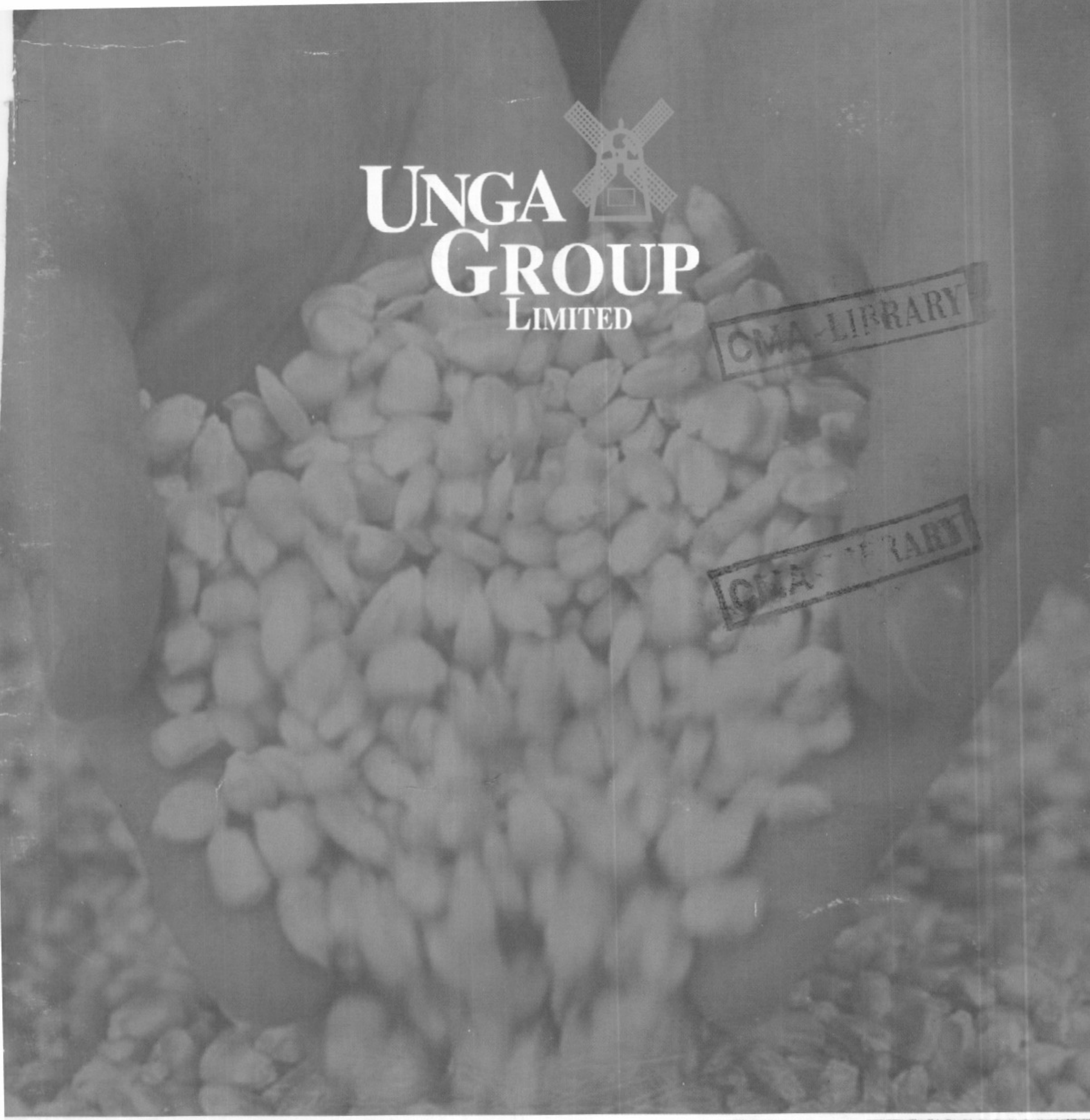

UNGA GROUP LIMITED

ANNUAL REPORT &
FINANCIAL STATEMENTS

2004

UNGA GROUP LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

CONTENTS

UNGA GROUP LIMITED

Directors and Professional Advisers

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 30029, 00100
Nairobi

Registered Office

Ngano House
Commercial Street
Industrial Area
P O Box 30096, 00200
Nairobi

Auditors

Deloitte & Touche
"Kirungii" Ring Road, Westlands
P O Box 40092, 00100
Nairobi

Bankers

Barclays Bank of Kenya Limited
Barclays Plaza Branch
P O Box 46661, 00200
Nairobi

Advocates

Kaplan & Stratton
Williamson House
4th Ngong Avenue
P O Box 40111, 00100
Nairobi

UNGA GROUP LIMITED

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventy Seventh Annual General Meeting of the Company will be held in the Chui Room, Panafric Hotel, Kenyatta Avenue, Nairobi on Tuesday, 23 November 2004 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 sixth Annual General Meeting held on 20 November 2003.

3. To receive the Chairman's report.

4. To receive and adopt the audited Financial Statements for the financial year ended 30 June 2004, 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 2004.

6. Election of Directors:-

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

7. To approve the Directors' remuneration.

8. 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.

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

BY ORDER OF THE BOARD

J L G Maonga
SECRETARY

21 October 2004

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 honoured once again to present to you our company's Annual Report and Accounts for the year ended 30 June 2004.

BUSINESS ENVIRONMENT

The industry was faced with severe maize supply limitations caused by poor harvests. This pushed maize prices to an all time high of Kshs.1, 700/- per 90kg bag. Wheat prices also increased substantially, fuelled by high international prices. These translated into higher consumer prices.

TRADING PERFORMANCE

Volume turnover in human foods declined as a result of consumer price sensitivity. Animal health and nutrition recorded positive growth due to a buoyant dairy sector and a favourable response to marketing programmes. The increase in revenue turnover was driven by higher consumer prices and new business in Uganda.

Margins were adversely affected by increased prices of raw materials, particularly maize where local supply limitations forced the importation of duty-paid maize at prices which could not be fully passed on to the consumer. These adverse trading conditions necessitated the issue of a profit warning in the middle of the financial year.

The group continues to make good progress in its efforts to realise the operational efficiency gains necessary to return it to profitability. Product re-launches and the consolidation of service functions are bearing fruit; the latter evidenced by the reduction in operating and administrative costs and the return to operating profit, albeit modest.

The group recorded a net loss of Kshs.102 million, staying close to the mid-year profit warning figure which had assumed a stable Kenya Shilling. This did not materialize as the currency depreciated significantly against the international currencies - the US Dollar in particular, towards the end of the financial year.

In view of the loss incurred, the board does not recommend the payment of a dividend.

HIGHLIGHTS FROM SUBSIDIARY COMPANIES:

Unga Farm Care (EA) Limited and Unga Feeds Limited

The consolidation of the operations of the two companies made it possible to realise the expected efficiency gains. Volume turnover increased by 7% due to a buoyant dairy sector and new product launches. Profit before tax registered an impressive growth despite raw material supply shortages.

Unga Limited

The maize sector was severely affected by local supply limitations which forced the importation of duty-paid maize at the beginning of the financial year at higher than anticipated prices. Wheat volumes suffered from price sensitivity caused by higher raw material costs. However the company was able to secure some excellent positions on imported wheat, resulting in improved margins during the year.

Exe® was successfully re-launched, reinforcing our premium brand positioning. This was followed by a successful "Eat your way to a Million Shillings" promotional campaign later in the year.

A new distribution programme was rolled out towards the end of the year, enabling the company to deal directly with a limited number of key wholesalers and retailers.

The Chairman's Statement (Continued)

Unga Millers (Uganda) Limited
Milling commenced at the beginning of the financial year and its revenue contribution is reflected in the group's increased turnover. However, intense competition and higher raw material prices made it difficult for the company to achieve the projected volumes and margins.

Bullpak Limited
The company's performance is mostly dependent on Unga Limited's volume turnover. It was however able to minimise the shortfall through increased non-group sales.

Enhanced production efficiencies, coupled with increased consumer prices, contributed significantly towards the achievement of good trading results.

PEOPLE INITIATIVES
I reported last year that a Job Evaluation and Grading Project had been initiated. I am happy to report that the results were rolled out during the year.

Management rolled out a bi-annual "Road Shows" project whose objective is to foster team spirit and individual ownership through improved communication and employees involvement at all levels, in the group's improvement activities.

COMMUNITY PARTNERSHIP
The company continues to assist the needy elderly and destitute children. It also continues to actively participate in HIV/AIDS awareness campaigns in partnership with its neighbours in Nairobi.

FUTURE OUTLOOK
The maize supply crisis is expected to continue into 2004-05 financial year. With regard to wheat, there are indications that international wheat harvests may be better than earlier anticipated.

Last year I reported on the re-launch of the Exe® brand. I am happy to report that our premium brand re-launches have made a positive contribution to the group's profitability. The group has also introduced several new products in the dairy and poultry sectors. Although the positive contributions of these initiatives have already been noted, the full benefits will only be realized in the coming years, particularly in an improved economy.

I also reported last year that service functions were being consolidated. Again, I am happy to report that this was successfully carried out and the efficiency gains are reflected in reduced operating and administrative costs. The new structure is better placed to deliver the expected profitability in the years to come.

DIRECTORS AND STAFF
During the year, your Board and members of staff put in a lot of time and energy into implementing plans and carrying out the necessary operations efficiently. I wish to thank them all for their devotion and hard work.

R. KEMOLI
Chairman — 22nd September, 2004

Report of the Directors

The directors present their report together with the audited financial statements of the group for the year ended 30 June 2004.

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.

	2004 Shs'000	2003 Shs'000
GROUP RESULTS		
Loss before taxation	(95,505)	(16,448)
Taxation charge	(30,910)	(13,956)
Loss before minority interests	(126,415)	(30,404)
Minority interests	24,466	3,358
Net loss for the year	(101,949)	(27,046)

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.

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

22 September 2004

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 operating results of the group for that year. It also requires the directors to ensure 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

22 September 2004

N. Hutchinson
Director

22 September 2004

Corporate Governance

The Company is committed to meeting the standards of Corporate Governance set out in the Capital Markets Authority Guidelines on Corporate Practices by Public Listed Companies. Some of these were already the Company's committed values.

The Role of the Board

The Board is responsible for the long-term growth and profitability of the 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 shareholder 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. Scheduled meetings include annual business plan and budget reviews, review of quarterly performance, approval of audited financial statements and monitoring of business and operational issues.

Composition of the Board

The Board continues to have a substantial majority of Independent Directors. There are currently six non-executive Directors and two executive Directors. Mr. Nicholas Hutchinson is the Managing Director of the Company. 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 committee is made up of Mr. J.G Kiereini (Chairman), Mr. A.S.M Ndegwa and Dr. K. Kiplagat. The committee met three times in the year, one of which was attended by the external auditors.

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.

Director's 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.

Corporate Governance (Continued)

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.

Directors' Interest

The interest of the Directors in the shares of the Company as at 30 June 2004, 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	3,372
1000-5,000	1,862
5,001-10,000	450
10,001-100,000	397
100,001-1,000,000	34
above 1,000,0000	3
Total	6,118

MAJOR SHAREHOLDERS

The top 10 shareholders as at 30 June 2004 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. Pradeep Patani	911,389	1.44
5. Alimohamed Adam	872,785	1.38
6. Stanbic Nominees Kenya Limited	671,036	1.06
7. Kingsway Nominees Limited	627,614	0.99
8. Savitaben Velji Shah	621,398	0.98
9. Gandhi Smarak Nidhi Fund	328,135	0.52
10. UAP Provincial Company Limited	271,420	0.43

R. Kemoli
Director

22 September 2004

N. Hutchinson
Director

22 September 2004

Deloitte

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF UNGA GROUP LIMITED

We have audited the financial statements on pages 11 to 36 for the year ended 30 June 2004 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 2004 and of the loss and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan 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
26 October 2004

UNGA GROUP LIMITED

Consolidated Income Statement
For The Year Ended 30 June 2004

	Notes	2004 Shs'000	2003 Shs'000
TURNOVER		6,305,387	5,702,613
COST OF SALES		(5,616,963)	(4,910,068)
GROSS PROFIT		688,424	792,545
OTHER OPERATING INCOME		37,243	39,058
DISTRIBUTION COSTS		(326,239)	(384,807)
ADMINISTRATIVE EXPENSES		(342,814)	(412,402)
OTHER OPERATING EXPENSES		(28,169)	(43,602)
OPERATING PROFIT/(LOSS)	4	28,445	(9,208)
FINANCE COSTS - NET	6	(88,763)	(70,125)
LOSS BEFORE EXCEPTIONAL ITEMS		(60,318)	(79,333)
EXCEPTIONAL ITEMS	7	(35,187)	62,885
LOSS BEFORE TAXATION		(95,505)	(16,448)
TAXATION CHARGE	8	(30,910)	(13,956)
LOSS BEFORE MINORITY INTERESTS		(126,415)	(30,404)
MINORITY INTERESTS	23	24,466	3,358
NET LOSS FOR THE YEAR	9	(101,949)	(27,046)
LOSS PER SHARE - BASIC/DILUTED	10	Shs (1.62)	Shs (0.43)

Consolidated Balance Sheet
30 June 2004

	Notes	2004 Shs'000	2003 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	11	1,783,420	1,928,970
Prepaid operating lease rentals	12	64,396	68,200
Intangible assets	13	2,983	2,604
Retirement benefits asset	15	131,181	140,233
Deferred taxation	16	149,753	161,645
		2,131,733	2,301,652
Current assets			
Properties held for sale	17	92,086	63,000
Inventories	18	1,266,679	661,386
Trade and other receivables	19	505,602	356,749
Due from a related company	20	-	100
Taxation recoverable		27,167	34,905
Short term deposits and treasury bills	21	146,415	95,474
Cash and bank balances		83,986	101,773
		2,121,935	1,313,387
Total assets		4,253,668	3,615,039
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	315,454	315,454
Share premium		73,148	73,148
Revaluation surplus		576,670	607,555
Revenue reserve		367,542	439,596
		1,332,814	1,435,753
Minority interests	23	665,901	690,900
Non current liabilities			
Borrowings	24	90,313	130,592
Service gratuity	25	47,543	61,351
Shareholders' loans	26	65	65
		137,921	192,008
Current liabilities			
Trade and other payables	27	654,058	602,815
Due to related companies	28	906,927	244,032
Borrowings	24	541,623	443,745
Taxation payable		14,424	5,786
		2,117,032	1,296,378
Total equity and liabilities		4,253,668	3,615,039

The financial statements on pages 11 to 36 were approved by the board of directors on 22 September 2004 and were signed on its behalf by:

R Kemoli *Director*
N Hutchinson *Director*

UNGA GROUP LIMITED

Company Balance Sheet
30 June 2004

	Notes	2004 Shs'000	2003 Shs'000
ASSETS			
Non current assets			
Investments in subsidiary companies	14	1,195,311	1,297,335
Current assets			
Other receivables	19	260	195
Due from subsidiary companies	20	106,754	115,765
Taxation recoverable		2,183	2,183
Short term deposits and treasury bills	21	28,306	20,271
Cash and bank balances		-	4
		137,503	138,418
Total assets		1,332,814	1,435,753
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	315,454	315,454
Share premium		73,148	73,148
Revaluation surplus		702,950	702,950
Revenue reserve		241,262	344,201
Total equity		1,332,814	1,435,753

The financial statements on pages 11 to 36 were approved by the board of directors on 22 September 2004 and were signed on its behalf by:

R Kemoli *Director*

N Hutchinson *Director*

1,998,715

UNGA GROUP LIMITED

Consolidated Statement of Changes in Equity
For The Year Ended 30 June 2004

	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve (deficit) Shs'000	Total Shs'000
At 1 July 2002	264,772	73,148	1,245,689	(459,238)	1,124,371
Issue of share capital	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	-	-	(106,070)	-	(106,070)
Minority share of revaluation surplus (net)	-	-	(86,624)	-	(86,624)
Revaluation surplus eliminated on impairment of plant and equipment	-	-	(8,582)	-	(8,582)
Minority share of impairment	-	-	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
At 1 July 2003	315,454	73,148	607,555	439,596	1,435,753
Transfer of excess depreciation	-	-	(44,121)	44,121	-
Deferred taxation on excess depreciation	-	-	13,236	(13,236)	-
Exchange adjustment	-	-	-	(990)	(990)
Net loss for the year	-	-	-	(101,949)	(101,949)
At 30 June 2004	315,454	73,148	576,670	367,542	1,332,814

UNGA GROUP LIMITED

Company Statement of Changes in Equity
For The Year Ended 30 June 2004

	Note	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve Shs'000	Total Shs'000
At 1 July 2002		264,772	73,148	1,305,835	(519,384)	1,124,371
Issue of share capital		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
At 1 July 2003		315,454	73,148	702,950	344,201	1,435,753
Exchange adjustment		-	-	-	(990)	(990)
Net loss for the year		-	-	-	(101,949)	(101,949)
At 30 June 2004		315,454	73,148	702,950	241,262	1,332,814

UNGA GROUP LIMITED

Consolidated Cash Flow Statement
For The Year Ended 30 June 2004

	Notes	2004 Shs'000	2003 Shs'000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	29(a)	(58,231)	410,958
Interest received		1,730	6,872
Interest paid		(87,330)	(74,674)
Taxation paid		(2,407)	(32,112)
Net cash (used in)/generated from operating activities		(146,238)	311,044
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(34,904)	(299,256)
Proceeds on disposal of property, plant and equipment		7,951	15,967
Acquisition of leasehold land		-	(14,889)
Purchase of intangible assets		(2,100)	(1,483)
Proceeds on disposal of investment property		-	18,100
Proceeds on disposal of properties held for sale		12,118	-
Net cash used in investing activities		(16,935)	(281,561)
FINANCING ACTIVITIES			
Loans received	29(d)	214,944	100,528
Loans repaid	29(d)	(122,009)	(162,500)
Net cash generated from/(used in) financing activities		92,935	(61,972)
DECREASE IN CASH AND CASH EQUIVALENTS		(70,238)	(32,489)
CASH AND CASH EQUIVALENTS AT 1 JULY		(91,624)	(58,605)
Exchange adjustment		(141)	(530)
CASH AND CASH EQUIVALENTS AT 30 JUNE	29(b)	(162,003)	(91,624)

Notes to the Financial Statements
For The Year Ended 30 June 2004

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 accounted for using the equity method.

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

Notes to the Financial Statements
Continued

1 Accounting Policies (Continued)

Depreciation (Continued)

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

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 treated as long term investments and carried at market value for existing use as determined regularly by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amounts are dealt with in the income statement.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to 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.

Notes to the Financial Statements
Continued

1 Accounting Policies (Continued)

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.

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

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

A subsidiary company operates a defined contribution staff retirement benefits scheme for its employees. The scheme is

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	1,691,244	97,115	-	5,702,613
Inter-segment sales	235,938	-	123,725	(359,663)	-
Total revenue	4,150,192	1,691,244	220,840	(359,663)	5,702,613
RESULT					
Operating loss	(24,317)	41,611	(26,502)	-	(9,208)

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				
- 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.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

1 Accounting Policies (Continued)

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.

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.

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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.

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

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

A subsidiary company operates a defined contribution staff retirement benefits scheme for its employees. The scheme is

Notes to the Financial Statements
Continued

1 Accounting Policies (Continued)
Employee benefits costs (Continued)

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.

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 2004, a subsidiary group, Unga Holdings Limited, had a consolidated revenue deficit of Kshs 625,758,000 attributable to trading losses in recent years of one of its subsidiaries, Unga Limited. The subsidiary group also incurred a net loss for the year of Kshs 88,424,000 and had an excess of current liabilities over current assets of Kshs 100,185,000 at 30 June 2004. Continued operations are dependent upon return to profitability. The directors have been working to turn the company round and this is a continuing process. The re-launch of key brands is beginning to bear fruit. This, coupled with increased distribution coverage and reduction in administrative costs through the realisation of synergies across the group, will 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.

Notes to the Financial Statements
Continued

3 SEGMENTAL REPORTING
Year Ended 30 June 2004

(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	4,469,037	1,804,616	31,734	-	6,305,387
Inter-segment sales	169,252	-	179,773	(349,025)	-
Total revenue	4,638,289	1,804,616	211,507	(349,025)	6,305,387
RESULTS					
Operating profit	(55,695)	74,425	9,715	-	28,445

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	21,573	9,623	3,708	34,904
- intangible assets	195	1,905	-	2,100
Depreciation	109,883	42,334	14,914	167,131
Amortisation	2,984	443	252	3,679
Segment assets	3,013,619	975,005	265,044	4,253,668
Segment liabilities	1,751,664	368,794	134,495	2,254,953

(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
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	1,691,244	97,115	-	5,702,613
Inter-segment sales	235,938	-	123,725	(359,663)	-
Total revenue	4,150,192	1,691,244	220,840	(359,663)	5,702,613
RESULT					
Operating loss	(24,317)	41,611	(26,502)	-	(9,208)

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				
- property, plant and equipment	171,289	22,672	105,295	299,256
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- 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

	2004 Shs'000	2003 Shs'000

4 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is arrived at after charging:

	2004 Shs'000	2003 Shs'000
Depreciation	167,131	201,865
Amortisation of prepaid operating lease rentals	1,958	1,954
Amortisation of intangible assets	1,721	6,929
Directors' emoluments - fees	2,250	2,250
- other	14,440	8,635
Auditors' remuneration	6,522	6,488
Staff costs (note 5)	336,084	360,383
Impairment loss on property and equipment	-	1,061
and after crediting:		
Profit on disposal of properties held for sale	(3,118)	-
Profit on sale of investment property	-	(600)
Profit on disposal of property, plant and equipment	(5,655)	(4,454)

5 STAFF COSTS

	2004 Shs'000	2003 Shs'000
Salaries and wages	311,134	324,960
Pension costs - defined benefit scheme	9,052	4,836
Pension costs - defined contribution scheme	269	172
Service gratuity	1,474	24,186
Social security costs (NSSF)	1,359	1,523
Restructuring costs	12,796	4,706
	336,084	360,383

The average number of employees during the period was

	No.	No.
Permanent	359	448
Temporary	244	258
	603	706

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
6	**FINANCE COSTS - NET**		
	Interest receivable:		
	Deposits and bank balances	(1,730)	(6,872)
	Net foreign exchange losses	2,616	2,205
	Interest payable:		
	Bank overdraft facilities	33,876	35,124
	Bank loans	24,211	32,391
	Other	29,790	7,277
		87,877	74,792
		88,763	70,125
7	**EXCEPTIONAL ITEMS**		
	Impairment loss	-	(8,841)
	Retirement benefit asset surplus (note 15)	-	71,726
	Indemnity		(35,187)
		(35,187)	62,885

Impairment loss
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.

Indemnity
The group entered into a strategic partnership with Seaboard Corporation in 2000 to form Unga Holdings Limited. The contributions to Unga Holdings Limited by both parties were agreed, based on the balance sheet at the transaction date. Seaboard were contributing new capital in the form of cash and Unga Group Limited were contributing assets with certain minimum values, with the agreement that Seaboard would be compensated if the net assets contributed by the group turned out to be of a lower value. The group undertook to compensate Seaboard provided that a claim was lodged to that effect. Seaboard has now lodged a claim and an amount of Sh 35,187,000 has been determined as the compensation due to them.

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
8	**TAXATION**		
(a)	Taxation charge		
	Current taxation based on the chargeable profit for the year at 30%	14,486	10,794
	Prior year under provision	4,297	152
		18,783	10,946
	Deferred taxation (note 16)		
	Charge for the year	11,743	3,010
	Prior year under provision	384	-
		12,127	3,010
		30,910	13,956
(b)	Reconciliation of taxation charge to the expected tax based on accounting loss		
	Accounting loss before taxation	(95,505)	(16,448)
	Tax at the applicable rate of 30%	(28,651)	(4,934)
	Tax effect of expenses not allowable for tax	21,538	11,424
	Tax effect of income not subject to tax	(3,878)	(23,973)
	Prior year under provisions	4,681	152
	Deferred taxation credit not recognised	37,220	31,287
	Taxation charge	30,910	13,956

9 LOSS FOR THE YEAR

A loss of Shs 101,949,000 (2003 - Shs 27,046,000) has been dealt with in the books of Unga Group Limited

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.

	2004	2003
Net loss for the year attributable to shareholders (Shs '000)	101,949	27,046
Weighted average number of ordinary shares	63,090,728	62,306,925
Basic loss per share	Shs (1.62)	Shs (0.43)

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

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				
As 1 July 2003	571,510	1,849,864	50,417	2,471,791
Exchange adjustments	2,925	17,319	3,598	23,842
Additions	-	25,592	9,312	34,904
Transfers of work in progress	-	62,938	(62,938)	-
Disposals	-	(21,280)	-	(21,280)
Transfers to properties held for sale	(34,000)	-	-	(34,000)
At 30 June 2004	540,435	1,934,433	389	2,475,257
Comprising:				
Valuation in 2003	522,795	1,154,974	-	1,677,769
Cost	17,640	779,459	389	797,488
	540,435	1,934,433	389	2,475,257
DEPRECIATION / IMPAIRMENT				
At 1 July 2003	4,152	538,669	-	542,821
Exchange adjustments	194	1,371	-	1,565
Charge for the year	17,203	149,928	-	167,131
Eliminated on disposals	-	(18,984)	-	(18,984)
Transfers to properties held for sale	(696)	-	-	(696)
At 30 June 2004	20,853	670,984	-	691,837
NET BOOK VALUE				
At 30 June 2004	519,582	1,263,449	389	1,783,420
At 30 June 2003	567,358	1,311,195	50,417	1,928,970
NET BOOK VALUE (Cost basis)				
At 30 June 2004	197,156	857,320	389	1,054,865
At 30 June 2003	246,253	870,573	50,417	1,167,243

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 1,309,649,000 to secure borrowings granted to it.

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:

	2004 Shs'000	2003 Shs'000
Carrying value before impairment	-	18,484
Carrying value after impairment	-	-
Impairment loss	-	18,484
The impairment loss has been dealt with as follows:		
Charged to the income statement		
- operating expenses	-	1,061
- exceptional item	-	8,841
Debited directly to equity	-	8,582
	-	18,484

12 PREPAID OPERATING LEASE RENTALS

	2004 Shs'000	2003 Shs'000
COST		
At 1 July	73,000	53,611
Exchange adjustment	2,984	-
Transfer from investment properties	-	4,500
Transfer to properties held for sale (note 17)	(5,578)	-
Additions	-	14,889
At 30 June	70,406	73,000
AMORTISATION		
At 1 July	4,800	2,861
Exchange adjustments	48	(15)
Amortisation for the year	1,958	1,954
Transfer to properties held for sale (note 17)	(796)	-
At 30 June	6,010	4,800
NET BOOK VALUE		
At 30 June	64,396	68,200

The group has pledged leasehold land with carrying amount of Sh 33,784,000 to secure borrowings granted to it.

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

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
13	**INTANGIBLE ASSETS**		
	COST		
	At 1 July	36,019	34,536
	Additions	2,100	1,483
	At 30 June	38,119	36,019
	AMORTISATION		
	At 1 July	33,415	26,486
	Amortisation for the year	1,721	6,929
	At 30 June	35,136	33,415
	NET BOOK VALUE		
	At 30 June	2,983	2,604
14	**INVESTMENT IN SUBSIDIARY COMPANIES**		
	Unga Investments Limited	1,195,311	1,297,335

Details of the company's subsidiaries are as follows:

Name	Country of incorporation	Percentage holding %
Unga Investments Limited	Kenya	100.00

Unga Group Limited 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.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
15	**RETIREMENT BENEFITS ASSET**		
	At 1 July	145,069	73,343
	Surplus arising from actuarial valuation during the year	-	71,726
	At 30 June	145,069	145,069
	AMORTISATION		
	At 1 July	4,836	-
	Charge to the income statement	9,052	4,836
	At 30 June	13,888	4,836
	BOOK VALUE At 30 June	131,181	140,233

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%

16 DEFERRED TAXATION

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

	2004 Shs'000	2003 Shs'000
The net deferred taxation asset is made up as follows:		
Deferred tax assets:		
Tax losses available for offset against future profits	510,591	566,885
General provisions	30,669	-
Provision for service gratuity	14,263	18,405
Provision for leave pay	2,156	2,673
Unrealised exchange losses	2,311	-
Other timing differences	737	1,005
	560,727	588,968
Deferred tax liabilities:		
Revaluation surplus	(218,568)	(231,798)
Accelerated capital allowances	(123,899)	(161,666)
Unrealised exchange differences	-	(2,572)
	(342,467)	(396,036)
	218,260	192,932
Deferred taxation asset not recognised	(68,507)	(31,287)
	149,753	161,645

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
16	**DEFERRED TAXATION (Continued)**		
	Movement in the deferred taxation account is as follows:		
	At 1 July	161,645	271,219
	Exchange difference	235	(494)
	Income statement charge	(12,127)	(3,010)
	Revaluation surplus debit	-	(106,070)
	At 30 June	149,753	161,645

Under the Kenya tax legislation, tax losses can be carried forward to perpetuity. However, the directors consider it prudent not to recognise any further deferred tax asset relating to tax losses until the future performance of the subsidiary can be predicted with reasonable certainty.

		2004 Shs'000	2003 Shs'000
17	**PROPERTIES HELD FOR SALE**		
	At 1 July	63,000	53,967
	Transfers from property, plant and equipment (note 11)	33,304	-
	Transfer from investment properties	-	9,000
	Transfer from prepaid operating lease rentals (note 12)	4,782	-
	Disposals	(9,000)	-
	Fair value gain	-	33
		92,086	63,000
18	**INVENTORIES**		
	Finished products	173,363	138,798
	Raw materials	896,687	368,995
	Production supplies	53,069	32,385
	Engineering stores	62,343	65,891
	Goods in transit	80,076	45,667
	Work in progress	1,141	9,650
		1,266,679	661,386
19	**TRADE AND OTHER RECEIVABLES**		
	GROUP		
	Trade receivables	394,578	266,384
	Other receivables and prepayments	111,024	90,365
		505,602	356,749
	COMPANY		
	Other receivables	260	195

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
20	**DUE FROM SUBSIDIARY COMPANIES**		
	Unga Limited	3,000	3,000
	Unga Investments Limited	96,754	105,765
	Unga Feeds Limited	7,000	7,000
		106,754	115,765
	DUE FROM A RELATED COMPANY		
	Nampak Holdings Limited	-	100
21	**SHORT TERM DEPOSITS AND TREASURY BILLS**		
	GROUP		
	Maturing within 90 days:		
	Redemption value of treasury bills	7,000	90,000
	Less: Unearned income	(1)	(550)
		6,999	89,450
	Maturing within 180 days:		
	Short term deposits with banks	139,416	6,024
		146,415	95,474
	COMPANY		
	Redemption value of treasury bills	-	20,000
	Less: Unearned income	-	(149)
		-	19,851
	Short term deposits with banks	28,306	420
		28,306	20,271

The effective interest rate on treasury bills as at 30 June 2004 was 1.7% (2003- 5.73%), while the average interest rate applicable on bank deposits during the year was 1.50% (2003 - 5.25%).

The short term deposits are held as security by NIC Bank Limited for a loan of Shs 150 million advanced to a subsidiary company, Unga Limited.

		2004 Shs'000	2003 Shs'000
22	**SHARE CAPITAL**		
	Authorised:		
	70,134,656 ordinary shares of Shs 5 each	350,673	350,673
	Issued and fully paid:		
	63,090,728 ordinary shares of Shs 5 each	315,454	315,454

Notes to the Financial Statements
Continued

		2004 Shs'000	2003 Shs'000
23	**MINORITY INTEREST**		
	At 1 July	690,900	793,929
	Write back on liquidation of subsidiaries	-	(183,765)
	Revaluation surplus (net)	-	86,624
	Revaluation surplus reversal on impairment of plant and equipment	-	(3,004)
	Exchange adjustment	(533)	474
	Share of loss for the year	(24,466)	(3,358)
	At 30 June	665,901	690,900
24	**BORROWINGS**		
	Bank loan (secured)	306,328	250,751
	Bank overdraft facilities (secured)	252,988	288,871
	Loan from related company	22,620	34,715
	Short term advance from a customer	50,000	-
		631,936	574,337
	The borrowings are repayable as follows:		
	On demand or within one year	541,623	443,745
	In the second to fifth years	90,313	130,592
		631,936	574,337

	2004	2003
The average interest rates paid were as follows:		
Bank overdraft facilities	12.84%	13.92%
Bank loans	7.04%	12.11%

Interests on bank borrowings are arranged at floating rates.

The bank loan and 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.

The loan from a related company is unsecured, interest free and has no fixed repayment terms.

The group has undrawn committed borrowing facilities amounting to Shs 270,105,000 (2003 - Shs 352,202,000). The borrowing facilities consist of loans and bank overdrafts.

		2004 Shs'000	2003 Shs'000
25	**SERVICE GRATUITY**		
	At 1 July	61,351	43,996
	Income statement charge	1,474	24,186
	Paid during the year	(15,282)	(6,831)
	At 30 June	47,543	61,351

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

Notes to the Financial Statements
Continued

26 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.

	2004 Shs'000	2003 Shs'000
27 TRADE AND OTHER PAYABLES		
Trade payables	476,693	397,955
Other payables and accruals	177,365	204,860
	654,058	602,815
28 DUE TO RELATED COMPANIES		
Seaboard Overseas Management Company Limited		
- trade payables	871,740	243,995
- indemnity	35,187	-
	906,927	243,995
Nampak Kenya Limited	-	37
	906,927	244,032

29 NOTES TO THE CASH FLOW STATEMENT

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

	2004 Shs'000	2003 Shs'000
Operating profit/(loss)	28,445	(9,208)
Adjustments for:		
Depreciation	167,131	201,865
Amortisation of prepaid operating lease rentals	1,958	1,954
Amortisation of intangible assets	1,721	6,929
Profit on disposal of properties held for sale	(3,118)	-
Profit on disposal of property, plant and equipment	(5,655)	(4,454)
Profit on disposal of investment property	-	(600)
Net foreign exchange losses	(2,616)	(2,205)
Retirement benefits charge	9,052	4,836
Indemnity provision	(35,187)	-
Impairment of plant and equipment	-	1,061
Fair value gain on properties held for sale	-	(33)
Operating profit before working capital changes	161,731	200,145
Increase in inventories	(624,461)	(123,854)
(Increase)/decrease in trade and other receivables	(151,216)	13,203
Increase in short term deposits	(139,416)	-
Increase in trade and other payables	45,944	90,125
Movement in related company balance	662,995	213,984
(Decrease)/increase in service gratuity	(13,808)	17,355
Cash (used in)/generated from operations	(58,231)	410,958

Notes to the Financial Statements
Continued

29 NOTES TO THE CASH FLOW STATEMENT (Continued)

		2004 Shs'000	2003 Shs'000
(b)	Analysis of the balances of cash and cash equivalents as shown in the balance sheet		
	Treasury bills	6,999	89,450
	Short term deposits	-	6,024
	Cash and bank balances	83,986	101,773
	Bank overdraft facilities	(252,988)	(288,871)
	At 30 June	(162,003)	(91,624)
(c)	Analysis of loan balances		
	Bank loans	306,328	250,751
	Loan from related company	22,620	34,715
	Short term advance from a customer	50,000	-
		378,948	285,466
(d)	Movement in loan balances		
	At 1 July	285,348	347,320
	Loans received	214,944	100,528
	Loans repaid	(122,009)	(162,500)
		378,283	285,348
	Accrued interest	665	118
	At 30 June	378,948	285,466

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.

UNGA GROUP LIMITED

Notes to the Financial Statements
Continued

30 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 of up to US$ 450,000 was payable in the first three years . Thereafter, a profit-based fee, without a maximum, will apply subject to a minimum of Kshs 12 million per year.

	2004 Shs'000	2003 Shs'000
During the year the following transactions were entered into with related parties		
Purchase of goods/services:		
Raw material purchases	943,711	265,841
Management fee	12,000	42,857
Indemnity	35,187	-
	990,898	308,698

Amounts not settled as at the balance sheet date are disclosed in Notes 24 and 28. Details of the indemnity provision are included in note 7.

31 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.

Notes to the Financial Statements
Continued

	2004 Shs'000	2003 Shs'000
32 CAPITAL COMMITMENTS		
Commitments at the year end for which no provision has been made in these financial statements:		
GROUP		
Authorised but not contracted for	-	8,752

33 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, Unga Limited. The amount of facilities outstanding as at 30 June 2004, in respect of this guarantee, was Shs 238,727,000. The company has also guaranteed a loan to the subsidiary company of Sh 150 million from NIC Bank Limited.

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, Unga Feeds Limited. The amount of facilities outstanding as at 30 June 2004, in respect of this guarantee, was Shs 92,261,000.

34 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

35 CURRENCY

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

UNGA GROUP LIMITED

UNGA GROUP LIMITED

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 vote for me/ us and on my/our behalf at the seventy - seventh annual general meeting of the company to be held on Tuesday, 23 November 2004 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 No.	Yes	No
1		
2		
3		
4		
5		

As witness my/our hand this ______________ day of ______________2004

____
Signed

Notes

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

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

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

FOLD 2

STAMP

FOLD 1

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

FOLD 3