

ANNUAL REPORT & FINANCIAL STATEMENTS 2007



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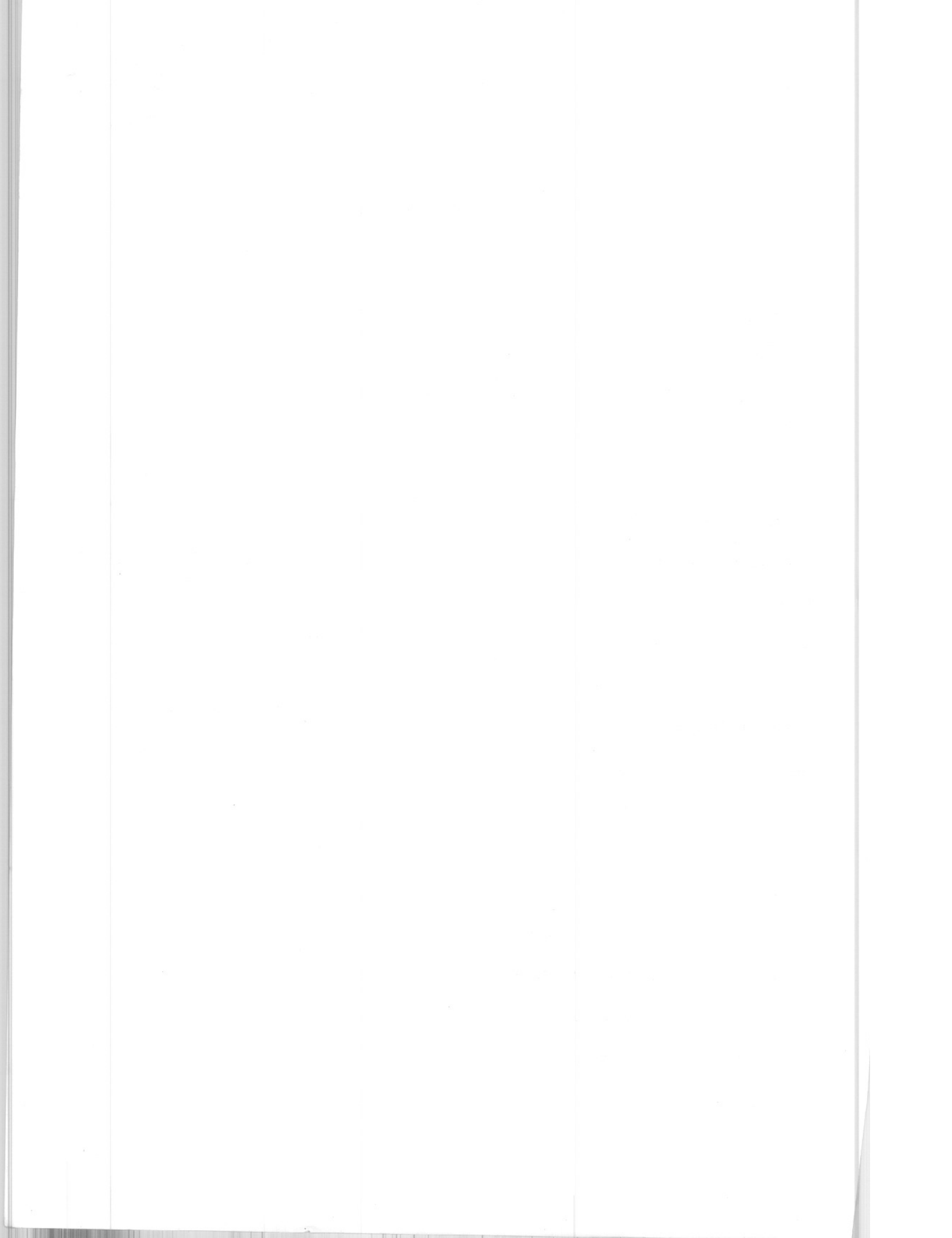
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**ANNUAL REPORT AND
FINANCIAL STATEMENTS 2007**

CONTENTS

PAGES

Contents	1
Notice to the Annual General Meeting 2007	2
Directors' Profiles	3
Chairman's Statement	4
Managing Director's Report	6
Five Year Financial Review	8
Directors and Professional Advisers	9
Report of the Directors	10
Corporate Governance	11
Statement of Directors' Responsibilities	13
Independent Auditors' Report	14
Consolidated Income Statement	15
Consolidated Balance Sheet	16
Company Balance Sheet	17
Consolidated Statement of Changes in Equity	
Company Statement of Changes in Equity	
Consolidated Cash Flow Statement	
Notes to the Financial Statements	21 - 43
Form of Proxy	44

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Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eightieth Annual General Meeting of the Company will be held at the Grand Regency Hotel, Loita Street, Nairobi on Friday, 30 November 2007 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 Ninth Annual General Meeting held on 23 November 2006.
3. To receive the Chairman's report.
4. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2007, 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 2007.
6. Election of Directors:-
 - i) Mr Alan McKittrick 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 Vitalis Ojode retires in accordance with Articles 88 and 89 of the Company's Articles of Association and, being eligible, offers himself for re-election.
 - iii) Mr Jinaro Kibet 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 as shown in the Financial Statements for the year ended 30 June 2007.
8. To re-appoint Messrs Deloitte & Touche in office as Auditors under Section 159(2) of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

J L G Maonga
Secretary

17 October 2007

2008/1603

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. To be valid, a form of proxy, which is provided with this report, must be duly completed by the member and must be lodged at the Company's Offices, Ngano House, Commercial Street, Industrial Area, P O Box 30096, 00100-Nairobi, or posted in time to be received not later than 24 hours before the time appointed for the meeting.

Directors' Profiles



Richard Kemoli, MBE- Chairman (72)

Appointed to the Board in January 1984. He holds a BSc (Econ) (London) from University of Makerere, Kampala. He had a successful 33-year career with Commonwealth Development Corporation and has held directorships in several private and public sector institutions. He is currently the Chairman of Lafarge Bamburi Cement Limited and is a director of East Africa Breweries Limited and CMC Holdings Limited.

Andrew S. Ndegwa - Non Exec (39)

Appointed to the Board in September 2001. He holds a MA (Hons) degree in Philosophy, Politics and Economics from Oxford University, UK. He worked in the banking industry for four years before moving to First Chartered Securities Limited where he is the Executive Director. He holds many directorships among which are East African Breweries Limited and NIC Bank Limited.

Alan McKittrick - Non Exec (52)

Appointed to the Board in September 1998. An engineer by profession and Group Managing Director of NAS Holdings Limited for the past 12 years, he has other directorships and considerable experience in Eastern and Southern Africa in the manufacturing and production sectors including the livestock industry. He was the Group's Managing Director between September 1998 and May 2003.

Jinaro K. Kibet- Non Exec (44)

Appointed to the Board in February 2005. He holds an LLB degree from University of Nairobi; is an Advocate of the High Court of Kenya and a partner in the Law firm of Ochieng, Onyango, Kibet and Ohaga- Advocates. He holds other directorships including Standard Assurance Company Limited and Mitchell Cotts Ventures Limited.

John L. G. Maonga - Company Secretary (46)

Appointed Company Secretary in 2002. He holds a BA degree from University of Nairobi and is a Certified Public Secretary. He is a member of ICPSK and has over 20 years experience in Company Secretarial and Registration Services.

Jeremiah G. Kiereini EGH, EBS, SS – Non Exec (78)

Appointed to the Board in January 1984. He worked in the Kenya Civil Service for 30 years where he held various senior positions culminating in his appointment as Chief Secretary, Head of Civil Service and Secretary to the Cabinet. He is the current Chairman of East African Breweries Limited and has directorships in many other companies including CMC Holdings Limited group of companies and CFC Bank Limited.

Nicholas C. Hutchinson - Exec (51)

Appointed to the Board in May 2003, having become the Group Managing Director of Unga Holdings Limited in September 2000. He holds a BSc (Hons) degree in Horticulture from the University of London and has many years of business management experience working for Monsanto Company in East Africa, Europe, North America and South Asia.

Vitalis O. Ojode-Non Exec (62)

Appointed to the Board in May 2003. He is a BCom (Hons) graduate from University of Nairobi; a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Public Accountant (CPA). He worked for UDV Kenya Limited for many years where he held several directorships in the group both in Kenya and Tanzania. He was the Group's Finance Director between November 2001 and May 2006.

Mrs Isabella Ochola-Wilson - Non Exec (58).

Appointed to the Board in June 2006. She has a BA degree in Business Administration from University of Dar-es-Salaam and an MBA (Marketing) from University of British Columbia, Canada. She has many years of management experience working for Johnson and Johnson (K) Limited. She has a directorship in NIC Bank Limited among others.

Unga Group recognises that "challenges" are an integral part of the competitive business environment, that every company will face them in one form or another every year; and that effort and imagination will be required – on a daily basis - to overcome them.

Unga Group should know. It has been in business for 99 years, and something new, or different, or unexpected, is always happening – in everything from the latest technology to supply positions, market trends, exchange rates, inflation indices, political dynamics, competitive margins and especially in the agri-business, even the prevailing weather.

In the modern era, these fluctuations are often fiercer and faster than ever before, and companies must find a formula that runs deeper and broader than the current situation – an inherent strength - that enables them to win in any circumstances.

As we prepare to celebrate our Centenary next year, the Unga Group board is looking ahead and building the long-term and core strengths that will give the Group the best basis for strong, sustained performance – no matter what happens.

This process had special focus in 2007. The Unga Group did well. The accounts and the Managing Director's report will tell you "how" the challenges were met. The board's job is to understand "why?" we were able to meet them, and to gear the company to face the future – the known and the unknown - with assured strength for the next 100 years.

To this end, the Unga Group has reviewed its vision, its mission, its core values and, guided by clear quality principles and performance methods, has started to make them part of our structure, our fabric, and our deeply rooted corporate culture.

Our vision is our objective – what we want to be:

a respected world class agri-business organisation, driven by passionate and committed teams who deliver satisfaction to our stakeholders every day.

Our mission is our strategy – what we will do to earn that status:

achieve and maintain market share leadership in the provision of superior human nutrition, animal nutrition and animal health products and services for the benefit of all stakeholders within East Africa.

Our core values are our method – the codes of conduct and discipline that will drive our performance to those heights:

we are an organisation that delivers on the expectations of our customers and other stakeholders by living these core values:

- **Self Responsibility**

Every one of us is a leader. We take pride, set the right example and hold ourselves accountable for achieving our individual and collective goals. We take responsibility for our own success and setbacks. We celebrate success and see setbacks as an opportunity for growth.

- **Trust**

We build trust by honouring our commitments to one another and by communicating actively and openly.

- **Respect**

We treat each other and every person with respect and value the diversity they bring to the company.

Chairman's Statement (continued)



- **Integrity**

We are fair and honest in all our interactions with one another; we earn our reputation by adhering to the highest moral and ethical standards.

- **Innovation**

We are a learning organisation, constantly looking for ways to improve. We embrace creativity, change and opportunity; deliver innovative solutions to the market place and will take informed, responsible risk

- **Teamwork**

Our success is dependent on the collective energy, expertise and intellect of our team members. We foster collaboration while maintaining individual accountability. We strive to create a work environment where motivated team members can flourish and succeed to their highest potential.

These are not slogans, they are real commitments. These are not just temporary devices to meet topical situations, they are universal and lasting qualities that equip us to meet any challenge.

The board has made this commitment, and it is our duty to guide and support management in the daunting but immensely rewarding task of delivering these values in the mind-set and action of every person in every department every day.

The "challenges" of the past year included severe wheat supply shortages and margin consequences, new competition in the maize milling sector, and inflation at more than 10% impacting costs and suppressing consumer demand.

We did well to emerge with a 5% increase in turnover to Kshs 7.7 billion; a pre-tax profit that more than doubled to Kshs 135 million, and a 42% increase in net current assets.

Yes, these results depended on decisive and effective response to the problems of the day. But that response, in turn, depended on having our vision, mission and core values clear, with the determination to live by them – in the past year, and into the future.

It is my privilege to commend all the people of Unga Group for their courage and commitment in embracing the toughest challenge of all: the challenge we have set ourselves of further consolidating our existing core businesses while we realise opportunities for future growth.

R Kemoli
Chairman

The Unga Group achieved satisfactory performance in all areas and positive overall results.

To our advantage, the local economy remained buoyant for the fourth successive year, demand for poultry feeds recovered, and a relatively strong Kenya shilling enabled unrealised foreign exchange gains.

Offsetting these factors, wheat prices rose in response to a worldwide shortage, there were many new and unregulated entrants in the milling sector, and inflation was high, standing at 10.4% at the close of the financial year.

These circumstances were managed to enable a 5% increase in turnover from Kshs 7.3 billion to 7.7 billion; to contain operating and administrative cost increases below inflation levels to a 7% increase from Kshs 636 million to Kshs 681 million; to increase pre-tax profits by 107% from Kshs 65 million to Kshs 134 million and to improve net current assets by 42%.

Unga Group is also taking the opportunity of the breathing space offered by a stronger economic period (GDP grew from 5.7% to 6.1%) and good trading results to review and upgrade its performance capacity and long-term potential.

New Vision, Mission and Core Values statements were rolled out during the year, backed by three major support actions:

- company wide training for all employees on attitude change and customer service.
- the introduction of the Kaizen LEAN manufacturing system at two production sites as a workplace quality strategy to eliminate waste and reduce costs in plant maintenance, inventory management and other areas.
- the launch of an employee recognition scheme known as STRIIT (self responsibility, trust, respect, integrity, innovation and team work) to gain adoption of our Core Values.

Our Health and Safety standards were also upgraded and we are in the process of rolling out a site Environmental, Occupational Health and Safety (EOHS) ranking and award scheme to better manage risks in areas such as regulatory compliance and product quality.

Further, Unga Limited was awarded Hazard Analysis and Critical Control Points (HACCP) certification by Bureau Veritas International. This is a world class certification for effective food safety management. Efforts to achieve a similar certification in the animal health and nutrition division are in progress.

The Group's commitment to community partnerships remains active. Staff at all sites visited homes catering for people with HIV/AIDS, and initiated income-generating projects for some of them.

HIGHLIGHTS FROM SUBSIDIARY COMPANIES

Unga Limited

- Volumes remained flat; growth in wheat products was offset by a decline in maize products.
- Margins were significantly reduced by higher wheat prices that could not be fully passed on to the consumer, and by both price and supply competition from other millers.

Managing Director's Report (continued)



Unga Farm Care (EA) Limited

- Modest volume growth over the prior year was driven by good performance in all the divisions, particularly in poultry feeds.
- Animal health business remained flat.

Unga Millers (U) Limited

- The Uganda wheat market was less well able to absorb higher prices, so even with reduced margins sales volumes were down. Maize volumes were impacted by fewer milling opportunities from the World Food Programme.

Bullpak Limited

- A drop in volumes was offset by savings in raw material costs arising from the strong Kenya shilling relative to the US dollar.

FUTURE OUTLOOK

World wheat prices are expected to remain volatile, and there are indications that untimely rains in Kenya's own wheat and maize areas will also cause supply shortages and price increases.

Even greater competition from existing and new entrants will be a significant factor, especially where they are able to operate outside business and standards norms. This will impact both the human foods and the animal health and nutrition sectors.

The measures we have taken this year to upgrade the in-built strength of our people and our systems will be well tested.

Harnessing our growing performance capacity, we will roll out the Kaizen LEAN system to all our manufacturing sites, evaluate opportunities to increase production capability in the animal nutrition sector, and improve the structure and management of our route-to-market.

Through the general performance upgrades we have achieved in the past year, and especially the STRIIT concept, we can drive these strategies with considerable confidence, fully involving all staff in every initiative and assured of their commitment to core values that work, and win.

100 YEARS CELEBRATION

Unga Limited will be celebrating its Centenary in 2008. This milestone will be marked with due prominence.

N Hutchinson

Group Managing Director

Five Year Financial Review



	2003 Shs'000	2004 Shs'000	2005 Shs'000	2006 Shs'000	2007 Shs'000
Consolidated Income Statement					
Turnover	5,702,613	6,305,387	7,558,509	7,305,958	7,675,347
(Loss)/profit before taxation	(16,448)	(95,505)	155,017	142,427	156,665
Taxation	(13,956)	(30,910)	(30,525)	(77,826)	(23,055)
(Loss)/profit for the year	(30,404)	(126,415)	124,492	64,601	133,610
(Loss)/earnings per share	Shs (0.43)	Shs (1.62)	Shs 1.15	Shs 0.58	Shs 1.31
Consolidated Balance Sheet					
ASSETS					
Non-current Assets					
Property, plant & equipment	1,928,970	1,783,420	1,631,709	1,489,051	1,367,942
Other	372,682	348,313	317,679	261,425	239,167
	<u>2,301,652</u>	<u>2,131,733</u>	<u>1,949,388</u>	<u>1,750,476</u>	<u>1,607,109</u>
Current Assets					
Inventories	661,386	1,266,679	1,141,516	834,754	982,522
Trade & other receivables	356,749	505,602	446,038	608,712	622,507
Other	98,005	119,253	121,259	49,297	49,401
Term deposits, cash & bank balances	197,247	230,401	214,518	346,930	455,830
	<u>1,313,387</u>	<u>2,121,935</u>	<u>1,923,331</u>	<u>1,839,693</u>	<u>2,110,260</u>
Total Assets	<u>3,615,039</u>	<u>4,253,668</u>	<u>3,872,719</u>	<u>3,590,169</u>	<u>3,717,369</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	315,454	315,454	315,454	315,454	315,454
Share premium	73,148	73,148	73,148	73,148	73,148
Reserves	1,047,151	944,212	1,018,799	1,059,596	1,141,147
Equity attributable to equity holders of the parent	1,435,753	1,332,814	1,407,401	1,448,198	1,529,749
Minority interest	690,900	665,901	718,952	748,412	789,240
Total Equity	<u>2,126,653</u>	<u>1,998,715</u>	<u>2,126,353</u>	<u>2,196,610</u>	<u>2,318,989</u>
Non current liabilities					
Borrowings	130,592	90,313	38,325	37,344	-
Other	61,416	47,608	53,662	51,754	50,571
	<u>192,008</u>	<u>137,921</u>	<u>91,987</u>	<u>89,098</u>	<u>50,571</u>
Current liabilities					
Trade and other payables	602,815	654,058	564,816	509,713	419,532
Borrowings	443,745	541,623	493,966	327,549	333,452
Other	249,818	921,351	595,597	467,199	594,825
	<u>1,296,378</u>	<u>2,117,032</u>	<u>1,654,379</u>	<u>1,304,461</u>	<u>1,347,809</u>
Total equity and liabilities	<u>3,615,039</u>	<u>4,253,668</u>	<u>3,872,719</u>	<u>3,590,169</u>	<u>3,717,369</u>

Directors and Professional Advisers



Directors

R Kemoli - Chairman
N Hutchinson* - Group Managing Director
A McKittrick
J G Kiereini
A S M Ndegwa - (Alternate – J P M Ndegwa)
V O Ojode
J Kibet
I Ochola-Wilson (Mrs.)

*British

Secretary

J L G Maonga
Certified Public Secretary (Kenya)
P O Box 30029, 00100
Nairobi

Registered Office

Ngano House
Commercial Street
Industrial Area
P O Box 30096, 00100
Nairobi

Auditors

Deloitte & Touche
Certified Public Accountants (Kenya)
"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

Report of Directors



The directors present their report together with the audited financial statements of the group for the year ended 30 June 2007.

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 crop protection products.

	2007 Shs'000	2006 Shs'000
Group Results		
Profit before taxation	156,665	142,427
Taxation charge	(23,055)	(77,826)
Profit for the year	133,610	64,601
	=====	=====
Attributable to:		
Equity holders of the parent	82,481	36,839
Minority interest	51,129	27,762
	133,610	64,601
	=====	=====

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 9.

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
27 September 2007

Corporate Governance

The Unga Group complies fully and strictly with all requirements of a publicly listed company, including clarity of financial reporting and accountability to shareholders, and aims to set best practice standards in product and service quality and fair conduct towards its staff, suppliers and customers.

The Group recognises its responsibilities of good citizenship in the national and international communities, especially with regard to social welfare, environmental care, economic value and principles of integrity.

Role of the Board

The Board holds the Group's long-term vision, sets broad goals, plans and organisational policies to uphold it, and it offers guidance on strategic decisions and actions of management.

Composition of the Board

The Board has one executive and seven non-executive Directors, three of whom retire by rotation each year but are eligible for re-election. The Managing Director is Mr N Hutchinson.

Other Board Information

The roles of the Chairman and Chief Executive are clearly separated, to ensure true accountability of management to shareholders through the Board, in parallel with equally sure autonomy and authority of management in the day-to-day operation of the Group. Directors are kept fully informed of all company activities through both regular and special event reports.

Board Meetings

The Board has four scheduled meetings per year and stands ready for additional meetings on any specific or urgent matters. In the period under review, the Board met four times.

Board Committees

Under its mandate to establish appropriate committees for technical or other specialised issues, the Board currently operates an Audit Committee of Mr J Kiereini (Chairman), Mr J Kibet and Mr A Ndegwa, which met four times in the year under review, and a Nominating and Remuneration Committee of Mr J Kibet (Chairman), Mr R Kemoli, Mr J Kiereini and Mr A Ndegwa, which did not meet during the year.

Communication

The Board receives management reports in advance of all scheduled meetings and as necessary at other times. The Board issues an Annual Report and Financial Statements to all shareholders and other interested parties, and keeps the public advised through half-yearly and annual press notices of results and any significant developments. Shareholders have direct access to the company in line with conventional business practices.

Corporate Governance (continued)



Directors benefits and loans

In the year under review, Directors have received no benefits other than fees and no loans have been advanced to them.

Directors Interest

The interest of the Directors in the shares of the company as at 30 June 2007, were as follows:

Name	No. of shares
Alan McKittrick	11,227

Distribution of shareholders:

(a) By number of shares range

Shareholding (No. of shares)	No. of shareholders
Less than 1,000	4,812
1,001 – 5,000	2,124
5,001 – 10,000	519
10,001 – 100,000	384
100,001 – 1,000,000	33
1,000,001 and above	2
Total	7,874

(b) By category of shareholders

Category	No. of shareholders	No of shares	% shareholding
Local individuals	7,040	24,602,821	39.00
Local institutions	463	36,808,925	58.34
East African individuals	76	100,811	0.16
East African institutions	21	64,023	0.10
Foreign investors	274	1,514,148	2.40
Total	7,874	63,090,728	100.00

Major Shareholders

The top 10 shareholders as at 30 June 2007 were as follows:

Name	No. of shares	% shareholding
1. Victus Limited	32,130,992	50.93
2. Moses Thara	3,173,431	5.03
3. Mr Alimohamed Adam	872,785	1.38
4. Kingsway Nominees Limited	869,379	1.38
5. Savitaben Velji Raichand Shah	621,398	0.98
6. Mr Lawrence Gatitu Mbugua	441,796	0.70
7. DSL Nominees Ltd A/C 2210	400,000	0.63
8. Stanbic Nominees Kenya Limited A/C R48701	271,420	0.43
9. Awnali Rajabali Datoo	261,158	0.41
10. Goodwill (Nairobi) Limited A/C M01102	202,800	0.32

R Kemoli

Director

27 September 2007.

N Hutchinson

Director

27 September 2007.

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 and of the company 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 that the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 the company and of the group's 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 company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

R Kemoli
Director

N Hutchinson
Director

27th September 2007

Independent Auditors' Report to the Members of Unga Group Limited

We have audited the financial statements of Unga Group Limited set out on pages 15 to 43 which comprise the consolidated and company balance sheets as at 30 June 2007, the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, 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

The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment and include an assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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 of the group at 30 June 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Deloitte & Touche

3rd October 2007

Audit • Tax • Consulting • Financial Advisory •

Partners: D. M. Ndonye F. O. Aloo H. Gadhoke* D. C. Hodges* J. M. Kiarie M. M. Kisuu
J. Nyang'aya S. O. Onyango J. W. Wangai * British

A member firm of
Deloitte & Touche Tohmatsu

Celebrating 100 years in East Africa

Consolidated Income Statement For the Year ended 30 June 2007



	Notes	2007 Shs'000	2006 Shs'000
Turnover		7,675,347	7,305,958
Cost of sales		(6,903,246)	(6,515,949)
Gross profit		772,101	790,009
Other operating income		51,365	74,594
Distribution costs		(325,849)	(309,101)
Administrative expenses		(333,167)	(300,101)
Other operating expenses		(22,235)	(26,609)
Finance income/(cost) - net	5	14,450	(86,365)
Profit before taxation	6	156,665	142,427
Taxation charge	8	(23,055)	(77,826)
Profit for the year	9	133,610	64,601
Attributable to:			
Equity holders of the parent		82,481	36,839
Minority interest	23	51,129	27,762
		133,610	64,601
Earnings per share – basic/diluted	10	Sh 1.31	Sh 0.58

Consolidated Balance Sheet 30 June 2007



	Notes	2007 Shs'000	2006 Shs'000
ASSETS			
Non current assets			
Property, plant and equipment	11	1,367,942	1,489,051
Prepaid operating lease rentals	12	48,358	49,745
Intangible assets	13	59	1,224
Retirement benefits asset	15	123,584	132,738
Deferred taxation asset	16	67,166	77,718
		<u>1,607,109</u>	<u>1,750,476</u>
Current assets			
Properties held for sale	17	21,524	21,524
Inventories	18	982,522	834,754
Trade and other receivables	19	622,507	608,712
Taxation recoverable	8(c)	27,877	27,773
Term deposits	21	151,984	143,586
Cash and bank balances		303,846	203,344
		<u>2,110,260</u>	<u>1,839,693</u>
Total assets		<u>3,717,369</u>	<u>3,590,169</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	315,454	315,454
Share premium		73,148	73,148
Revaluation surplus		505,962	528,570
Revenue reserve		635,185	531,026
Equity attributable to equity holders of the parent		<u>1,529,749</u>	<u>1,448,198</u>
Minority interests	23	<u>789,240</u>	<u>748,412</u>
Total equity		<u>2,318,989</u>	<u>2,196,610</u>
Non current liabilities			
Borrowings	24	-	37,344
Service gratuity	25	50,519	51,696
Shareholders' loans	26	52	58
		<u>50,571</u>	<u>89,098</u>
Current liabilities			
Trade and other payables	27	419,532	509,713
Unclaimed dividends		21,482	21,482
Due to related companies	28	567,648	438,574
Borrowings	24	333,452	327,549
Taxation payable	8(c)	5,695	7,143
		<u>1,347,809</u>	<u>1,304,461</u>
Total equity and liabilities		<u>3,717,369</u>	<u>3,590,169</u>

The financial statements on pages 15 to 43 were approved by the board of directors on 27th September 2007 and were signed on its behalf by:

R Kemoli Director
N Hutchinson Director

Company Balance Sheet 30 June 2007



	Notes	2007 Shs'000	2006 Shs'000
ASSETS			
Non current assets			
Investment in subsidiary companies	14	1,297,335	1,297,335
Current assets			
Other receivables	19	184	376
Due from subsidiary companies	20	114,287	110,654
Taxation recoverable		2,308	2,308
Term deposits	21	30,888	29,303
		147,667	142,641
Total assets		1,445,002	1,439,976
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	315,454	315,454
Share premium		73,148	73,148
Revenue reserve		1,050,288	1,044,715
		1,438,890	1,433,317
Current liabilities			
Other payables	27	6,112	6,659
Total equity and liabilities		1,445,002	1,439,976

The financial statements on pages 15 to 43 were approved by the board of directors on 27th September 2007 and were signed on its behalf by:

R Kemoli Director
N Hutchinson Director

Consolidated Statement of Changes In Equity For The Year Ended 30 June 2007



	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Revenue reserve Shs'000	Equity attributable to equity holders Shs'000	Minority interests Shs '000	Total Shs'000
At 1 July 2005	315,454	73,148	552,829	465,970	1,407,401	718,952	2,126,353
Transfer of excess depreciation	-	-	(19,904)	19,904	-	-	-
Deferred taxation on excess depreciation	-	-	5,971	(5,971)	-	-	-
Revaluation surplus realised on disposal of property, plant and equipment	-	-	(14,751)	14,751	-	-	-
Deferred tax on realised revaluation surplus attributable to disposal of property	-	-	4,425	(4,425)	-	-	-
Exchange adjustment	-	-	-	3,958	3,958	1,698	5,656
Profit for the year	-	-	-	36,839	36,839	27,762	64,601
At 30 June 2006	315,454	73,148	528,570	531,026	1,448,198	748,412	2,196,610
At 1 July 2006	315,454	73,148	528,570	531,026	1,448,198	748,412	2,196,610
Transfer of excess depreciation	-	-	(32,297)	32,297	-	-	-
Deferred taxation on excess depreciation	-	-	9,689	(9,689)	-	-	-
Dividend paid to minority	-	-	-	-	-	(9,800)	(9,800)
Exchange adjustment	-	-	-	(930)	(930)	(501)	(1,431)
Profit for the year	-	-	-	82,481	82,481	51,129	133,610
At 30 June 2007	315,454	73,148	505,962	635,185	1,529,749	789,240	2,318,989

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.

The revenue reserve represents profit from the normal operations of the group.

The exchange adjustment arises on translation of the foreign operations.

**Company Statement of Changes in Equity
For the Year ended 30 June 2007**



	Share capital Shs'000	Share premium Shs'000	Revenue reserve Shs'000	Total Shs'000
At 1 July 2005	315,454	73,148	1,036,906	1,425,508
Profit for the year	-	-	7,809	7,809
At 30 June 2006	315,454	73,148	1,044,715	1,433,317
	=====	=====	=====	=====
At 1 July 2006	315,454	73,148	1,044,715	1,433,317
Profit for the year	-	-	5,573	5,573
At 30 June 2007	315,454	73,148	1,050,288	1,438,890
	=====	=====	=====	=====

Consolidated Cash Flow Statement For the Year Ended 30 June 2007



	Notes	2007 Shs'000	2006 Shs'000
Operating Activities			
Cash generated from operations	29(a)	185,701	251,672
Taxation paid	8(c)	(14,038)	(23,870)
Net cash generated from operating activities		171,663	227,802
Investing Activities			
Purchase of property, plant and equipment		(34,342)	(36,614)
Proceeds of disposal of property, plant and equipment		4,434	6,671
Proceeds of disposal of properties held for sale		-	98,445
Net cash (used in)/generated from investing activities		(29,908)	68,502
Financing Activities			
Loans received	29(d)	150,000	100,000
Loans repaid	29(d)	(172,473)	(64,656)
Dividends paid to minority	23	(9,800)	-
Dividends paid to equity holders		-	(25)
Net cash (used in)/generated from financing activities		(32,273)	35,319
Increase in cash and cash equivalents		109,482	331,623
Cash and cash equivalents at beginning of the year		177,138	(156,206)
Exchange adjustment		(12)	1,721
Cash and cash equivalents at end of the year	29(b)	286,608	177,138

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 have been prepared on the historical cost basis of accounting, as modified to include the revaluation of certain assets.

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 Amendment, Capital Disclosures – The amendment introduces disclosures about the level of an entity's capital and how it manages capital.
- IFRS 7 - Financial Instruments Disclosures
- IFRS 8 - Operating Segments
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - IAS 18 Revenue: Customer Loyalty Programs
- IFRIC 14 – IAS 19 Employee Benefits: Effect of Minimum Funding Requirements on Asset Ceiling.

The adoption of these Standards, when effective, will have no material impact on the financial statements of the group.

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.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment where applicable.

Revenue recognition

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

1 Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or as professionally revalued less accumulated depreciation and any impairment losses.

Professional valuations are carried out in accordance with the group policy of revaluing items of property, plant and equipment that are carried at valuation every five years.

The basis of valuation is as follows:

- (a) Land and buildings – open market value;
- (b) Other assets – depreciated replacement cost.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the income statement.

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 used are:

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

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

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 three years.

Leases

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

All other leases are classified as operating leases.

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

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 amount 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.

Non-current assets held for sale

The group classifies a non-current asset as held for sale if, and only if, its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets held for sale are measured at the lower of their carrying amounts and fair values less estimated selling costs at the balance sheet date.

Impairment loss arising from any subsequent write-down of the carrying amount of an asset identified for sale to fair value less costs to make the sale is charged to the income statement in the year in which the loss is identified.

Financial instruments

Financial assets and liabilities are recognised in 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 a 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 the accruals 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.

Term deposits

Term deposits, which are held to maturity, are stated at amortised cost.

1 Accounting Policies (Continued)

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.

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.

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 contributions 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. The scheme is valued once every three years; the last valuation was as at 31 December 2005.

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

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 Shs 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.

1 Accounting Policies (Continued)

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).

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the group's accounting policies are dealt with below:

Impairment losses

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 amount 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.

Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3 GOING CONCERN

As at 30 June 2007, a subsidiary group, Unga Holdings Limited, had a consolidated revenue deficit of Kshs 260,533,000 which was primarily attributable to trading losses in its subsidiaries in prior years. The directors have been working to turn the company round and these efforts have borne fruit with every subsidiary recording improved performance over prior years. Continued focus on raw material cost management, realisation of further production efficiency gains and improved distribution management are expected to yield further positive results.

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)



4 SEGMENTAL REPORTING

Year Ended 30 June 2007

(a) Primary reporting format – Business segments

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
Revenue					
External sales	5,517,927	2,120,187	37,233	-	7,675,347
Inter-segment sales	159,182	30,904	193,400	(383,486)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	5,677,109	2,151,091	230,633	(383,486)	7,675,347
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Results					
Profit before taxation	74,385	49,244	33,036	-	156,665
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Inter-segment sales are charged at market prices.

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Consolidated Shs'000
Other Information				
Capital additions				
- property, plant and equipment	22,780	11,458	104	34,342
Depreciation	111,040	35,211	9,607	155,858
Amortisation - Intangible assets	673	492	-	1,165
- Operating lease rentals	1,557	38	-	1,595
Segment assets	2,534,932	963,868	218,569	3,717,369
Segment liabilities	1,094,582	258,155	45,643	1,398,380
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

(b) Secondary reporting format – Geographical segments

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

Notes to the Financial Statements (continued)



4 Segmental Reporting (Continued)

Year Ended 30 June 2006

(a) Primary reporting format – Business segments

	Consumer Shs'000	Animal health and nutrition Shs'000	Others Shs'000	Eliminations Shs'000	Consolidated Shs'000
Revenue					
External sales	5,278,056	1,982,876	45,026	-	7,305,958
Inter-segment sales	185,165	33,003	205,351	(423,519)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	5,463,221	2,015,879	250,377	(423,519)	7,305,958
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Results					
Profit before taxation	186,149	(74,876)	31,154	-	142,427
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Inter-segment sales are charged at market prices.

	Consumer Shs'000	Animal Health And Nutrition Shs'000	Others Shs'000	Consolidated Shs'000
Other Information				
Capital additions				
- property, plant and equipment	13,723	22,069	822	36,614
Depreciation	113,358	37,549	13,999	164,906
Amortisation - Intangible assets	245	860	-	1,105
- Operating lease rentals	1,522	38	-	1,560
Segment assets	2,516,363	983,837	89,969	3,590,169
Segment liabilities	1,050,041	320,513	23,005	1,393,559
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Secondary reporting format – Geographical segments

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

Notes to the Financial Statements (continued)



	2007 Shs'000	2006 Shs'000
5 FINANCE (INCOME)/COST - NET		
Interest receivable:		
Deposits and bank balances	(9,471)	(2,226)
Net foreign exchange (gains)/losses	(73,969)	5,779
Interest payable:		
Bank overdraft facilities	16,132	26,389
Bank loans	27,696	26,984
Other	25,162	29,439
	68,990	82,812
	(14,450)	86,365
	=====	=====
6 PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging:		
Staff costs (note 7)	334,535	290,693
Depreciation (note 11)	155,858	164,906
Amortisation of prepaid operating lease rentals (note 12)	1,595	1,560
Amortisation of intangible assets (note 13)	1,165	1,105
Directors' emoluments - fees	2,445	1,860
- other	6,325	3,702
Auditors' remuneration	6,579	6,179
and after crediting:		
Profit on disposal of properties held for sale	-	(25,860)
Profit on disposal of property, plant and equipment	(3,311)	(3,837)
Actuarial surplus on retirement benefit asset	-	(15,807)
	=====	=====
7 STAFF COSTS		
Salaries and wages	320,459	280,044
Pension costs – amortisation of defined benefit scheme asset	9,154	4,578
Pension costs – contributions to the defined benefit scheme	353	241
Service gratuity	3,570	4,908
Social security costs (NSSF)	999	922
	334,535	290,693
	=====	=====

Notes to the Financial Statements (continued)



8 TAXATION

(a) Taxation charge

Current taxation based on the chargeable
profit for the year at 30%
Prior year under provision

2007
Shs'000

2006
Shs'000

11,308
1,178

14,155
574

12,486

14,729

Deferred taxation charge (note 16)

Current year
Prior year over provision

17,839
(7,270)

63,717
(620)

10,569

63,097

23,055

77,826

(b) Reconciliation of taxation charge to the expected tax based on accounting profit

Accounting profit before taxation

156,665

142,427

Tax charge at the applicable rate of 30%

47,000

42,728

Tax effect of expenses not allowable for tax

15,170

17,333

Tax effect of income not subject to tax

(1,253)

(2,476)

Prior year current tax under provisions

1,178

574

Prior year deferred tax over provision

(7,270)

(620)

Deferred taxation credit not recognised

(3,450)

35,563

Previously unrecognised deferred tax now recognised

(28,320)

(15,276)

Taxation charge

23,055

77,826

Notes to the Financial Statements (continued)



8 Taxation (continued)

(c) Taxation payable/recoverable

At beginning of the year:

Payable

Recoverable

2007
Shs'000

2006
Shs'000

7,143
(27,773)

15,649
(27,138)

(20,630)

(11,489)

Charge for the year

Payments during the year

12,486
(14,038)

14,729
(23,870)

(22,182)

(20,630)

Comprising:

Payable

Recoverable

5,695
(27,877)

7,143
(27,773)

(22,182)

(20,630)

9 PROFIT FOR THE YEAR

A profit of Shs 5,573,000 (2006 – Shs 7,809,000) has been dealt with in the books of the company, Unga Group Limited.

10 EARNINGS PER SHARE

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

Net profit for the year attributable to shareholders (Shs '000)

Weighted average number of ordinary shares

Basic earnings per share

2007

2006

82,481
63,090,728
Shs 1.31

36,839
63,090,728
Shs 0.58

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

Notes to the Financial Statements (continued)



11 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold 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 2005	535,612	1,936,316	-	2,471,928
Exchange adjustments	(1,612)	(13,047)	-	(14,659)
Additions	-	36,614	-	36,614
Disposals	(1,000)	(20,479)	-	(21,479)
At 30 June 2006	533,000	1,939,404	-	2,472,404
Comprising:				
Valuation in 2003	517,345	1,201,713	-	1,719,058
Cost	15,655	737,691	-	753,346
	533,000	1,939,404	-	2,472,404
As 1 July 2006	533,000	1,939,404	-	2,472,404
Exchange adjustments	213	1,744	-	1,957
Additions	1,166	32,860	316	34,342
Disposals	-	(13,359)	-	(13,359)
At 30 June 2007	534,379	1,960,649	316	2,495,344
Comprising:				
Valuation in 2003	517,345	1,201,329	-	1,718,674
Cost	17,034	759,320	316	776,670
	534,379	1,960,649	316	2,495,344
Depreciation				
At 1 July 2005	37,316	802,903	-	840,219
Exchange adjustments	(230)	(2,897)	-	(3,127)
Charge for the year	16,450	148,456	-	164,906
Eliminated on disposals	(10)	(18,635)	-	(18,645)
At 30 June 2006	53,526	929,827	-	983,353
At 1 July 2006	53,526	929,827	-	983,353
Exchange adjustments	40	387	-	427
Charge for the year	16,510	139,348	-	155,858
Eliminated on disposals	-	(12,236)	-	(12,236)
At 30 June 2007	70,076	1,057,326	-	1,127,402

Notes to the Financial Statements (continued)



11 Property, Plant And Equipment (Continued)

Group

	Leasehold buildings Shs'000	Plant, machinery, motor vehicles and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Net Book Value				
At 30 June 2007	464,303 =====	903,323 =====	316 =====	1,367,942 =====
At 30 June 2006	479,474 =====	1,009,577 =====	- =====	1,489,051 =====
Net Book Value (Cost Basis)				
At 30 June 2007	180,633 =====	663,881 =====	316 =====	844,830 =====
At 30 June 2006	184,045 =====	724,102 =====	- =====	908,147 =====

The capital work in progress relates to consultancy costs incurred in the development of a new system software.

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 Shs 455,203,000 (2006 - Shs 508,758,000) to secure borrowings granted to it. (See note 24).

Notes to the Financial Statements (continued)



	2007 Shs'000	2006 Shs'000
12 PREPAID OPERATING LEASE RENTALS		
Group		
Cost		
At 1 July	57,317	58,928
Exchange adjustment	213	(1,611)
At 30 June	57,530	57,317
Amortisation		
At 1 July	7,572	6,032
Exchange adjustment	5	(20)
Amortisation for the year	1,595	1,560
At 30 June	9,172	7,572
Net Book Value		
At 30 June	48,358	49,745

The group has pledged leasehold land with a net book value of sh 19,224,000 (2006 - sh 20,081,000) to secure borrowings granted to it.

	2007 Shs'000	2006 Shs'000
13 INTANGIBLE ASSETS – COMPUTER SOFTWARE		
Group		
Cost		
At 1 July and at 30 June	38,498	38,498
Amortisation		
At 1 July	37,274	36,169
Amortisation for the year	1,165	1,105
At 30 June	38,439	37,274
Net Book Value		
At 30 June	59	1,224

14 INVESTMENT IN SUBSIDIARY COMPANIES

Unquoted investment at cost in wholly owned subsidiary:

Unga Investments Limited

2007
Shs'000

2006
Shs'000

1,297,335
=====

1,297,335
=====

Details of the company's subsidiaries are as follows:

Name	Share capital Shs '000	Country of incorporation	Principal activity	Percentage holding
Unga Investments Limited	22,200	Kenya	Operates as a holding and an investment company.	100%

Unga Investments Limited has a 65% holding in its subsidiary, Unga Holdings Limited, which has the following subsidiaries:

Company	Share capital Sh '000	Country of Incorporation	Principal activity	Percentage holding
Unga Limited	220,000	Kenya	Milling and sale of wheat and maize.	100%
Unga Farm Care (East Africa) Limited	22,520	Kenya	Manufacture and distribution of animal health and crop protection products, animal feeds and mineral supplements.	100%
Unga Feeds Limited	42,300	Kenya	Dormant company.	100%
Unga Foods Limited	15,400	Kenya	Dormant company.	100%
Ungax Limited	16,000	Kenya	Dormant company.	100%
Unga Maize Millers Limited	48,000	Kenya	Dormant company.	100%
Bullpak Limited	4,760	Kenya	Manufacture, distribution and sale of packaging material for wheat and maize flour products.	51%
Unga Millers (U) Limited	Ush 231,881	Uganda	Milling and sale of wheat and maize, and distribution of animal nutrition products.	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. Both of these subsidiaries are dormant.

The agreement providing Seaboard Corporation with an option to subscribe additional shares in Unga Holdings Limited has been extended to 31 October 2008. If exercised in full, this would increase Seaboard's total share holding in Unga Holdings Limited to 50%.

Notes to the financial statements (continued)



15 RETIREMENT BENEFITS ASSET

	2007 Shs'000	2006 Shs'000
Group		
At 1 July	132,738	121,509
Surplus arising from actuarial valuation during the year	-	15,807
	132,738	137,316
Amortisation for the year	(9,154)	(4,578)
At 30 June	123,584	132,738
	=====	=====

The retirement benefits scheme asset represents a surplus of the fair value of scheme assets over the value of past service pension benefits based on an actuarial valuation carried out as at 31 December 2005. In accordance with a recommendation by the Actuaries, the group is taking a contribution holiday for 15 years with effect from 1 January 2006. The length of the contribution holiday is subject to review at every valuation date based on the advice of the Actuaries. The next actuarial valuation is due as at 31 December 2008.

The principal actuarial assumptions applied in the last 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%.

	2007 Shs'000	2006 Shs'000
Group		
The net deferred taxation asset is made up as follows:		
Deferred tax assets:		
Tax losses available for offset against future profits	334,418	388,009
General provisions	33,565	40,685
Provision for service gratuity	15,156	15,509
Provision for leave pay	2,246	3,135
Other timing differences	510	510
	385,895	447,848
Deferred tax liabilities:		
Revaluation surplus	(188,259)	(197,948)
Accelerated capital allowances	(107,740)	(122,414)
Unrealised exchange differences	(3,918)	(2,935)
	(299,917)	(323,297)
	85,978	124,551
Deferred taxation asset not recognised	(18,812)	(46,833)
	67,166	77,718
	=====	=====

Notes to the Financial Statements (continued)



	2007 Shs'000	2006 Shs'000
16 Deferred Taxation (Continued)		
Movement in the deferred taxation account is as follows:		
At 1 July	77,718	140,945
Exchange difference	17	(130)
Income statement charge (note 8 (a))	(10,569)	(63,097)
At 30 June	67,166	77,718
	=====	=====

Tax losses relate mainly to losses in three subsidiaries, Unga Limited, Unga Millers (U) Limited and Unga Farm Care (EA) Limited. Under Kenyan tax legislation, tax losses can be carried forward to perpetuity. The financial performance of Unga Farm Care (EA) Limited has improved and the deferred tax asset has been recognised in the current year. However, the directors consider it prudent not to recognise deferred tax asset of Shs 18,812,000 (2006: Shs 46,833,000) relating to tax losses in Unga Millers (U) Limited until the future performance of this subsidiary can be predicted with reasonable certainty.

	2007 Shs'000	2006 Shs'000
17 PROPERTIES HELD FOR SALE		
Group		
At 1 July	21,524	94,109
Disposals	-	(72,585)
At 30 June	21,524	21,524
	=====	=====
18 INVENTORIES		
Group		
Finished products	181,548	157,423
Raw materials	652,733	476,709
Production supplies	39,809	53,302
Engineering stores	47,179	53,220
Goods in transit	61,253	94,100
	982,522	834,754
	=====	=====
19 TRADE AND OTHER RECEIVABLES		
Group		
Trade Receivables	415,644	363,882
Other Receivables And Prepayments	206,863	244,830
	622,507	608,712
	=====	=====
Company		
Other Receivables	184	376
	=====	=====

Notes to the Financial Statements (continued)



	2007 Shs'000	2006 Shs'000
20 DUE FROM SUBSIDIARY COMPANIES		
Company		
Unga Limited	14,104	9,194
Unga Investments Limited	93,183	94,460
Unga Feeds Limited	7,000	7,000
	114,287	110,654
	=====	=====
21 TERM DEPOSITS		
Group		
Maturing within 180 days:		
Term deposits with banks	151,984	143,586
	=====	=====
Company		
Short term deposits with banks	30,888	29,303
	=====	=====

The effective interest rate on bank deposits as at 30 June 2007 was 6.25% (2006 – 1.77%).

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

	2007 Shs'000	2006 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)



		2007 Shs'000	2006 Shs'000
23 MINORITY INTEREST			
Group			
At 1 July		748,412	718,952
Dividend paid		(9,800)	-
Exchange adjustment		(501)	1,698
Share of profit for the year		51,129	27,762
At 30 June		789,240	748,412
The minority interest consists of:			
Unga Holdings Limited:			
Equity interest held by Seaboard Corporation	35%	744,494	705,068
Bullpak Limited:			
Equity interest held by Nampak Holdings Limited	49%	44,746	43,344
		789,240	748,412
24 BORROWINGS			
Group			
Bank loan (secured)		316,214	338,687
Bank overdraft facilities (secured)		17,238	26,206
		333,452	364,893
The borrowings are repayable as follows:			
On demand or within one year		333,452	327,549
In the second to fifth years		-	37,344
		333,452	364,893
		2007	2006
The average interest rates incurred on these borrowings during the year were as follows:			
Bank overdraft facilities		14.13%	14.13%
Bank loans		9.53%	7.65%

Interest on bank borrowings is 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, legal charges over certain properties owned by group companies, and a lien over term deposits of Shs 150 million.

The group has undrawn committed borrowing facilities amounting to Shs 122,762,000 (2006 – Shs 113,794,000). The borrowing facilities consist of loans and bank overdrafts.

Notes to the Financial Statements (continued)



	2007 Shs'000	2006 Shs'000
25 SERVICE GRATUITY		
Group		
At 1 July	51,696	53,601
Income statement charge	3,570	4,908
Paid during the year	(4,747)	(6,813)
At 30 June	50,519	51,696
	=====	=====

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

26 SHAREHOLDERS' LOAN

These are long term loans advanced by the minority shareholders to a subsidiary company. The loans are unsecured, interest free and are not repayable for the foreseeable future.

	2007 Shs'000	2006 Shs'000
27 TRADE AND OTHER PAYABLES		
Group		
Trade payables	303,662	376,833
Other payables and accruals	115,870	132,880
	419,532	509,713
	=====	=====
Company		
Other payables and accruals	6,112	6,659
	=====	=====

28 DUE TO RELATED COMPANIES

Group		
Seaboard Overseas Management Company Limited	532,827	418,503
Seaboard Corporation	-	9,883
Nampak Kenya Limited	4,718	496
Nampak International Limited	30,103	9,692
	567,648	438,574
	=====	=====

The amounts due to related companies are repayable on demand.

Notes to the Financial Statements (continued)



29 NOTES TO THE CASH FLOW STATEMENT

	2007 Shs'000	2006 Shs'000
(a) Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	156,665	142,427
Adjustments for:		
Depreciation	155,858	164,906
Amortisation of prepaid operating lease rentals	1,595	1,560
Amortisation of intangible assets	1,165	1,105
Profit on disposal of properties held for sale	-	(25,860)
Profit on disposal of property, plant and equipment	(3,311)	(3,837)
Amortization of retirement benefits asset	9,154	4,578
Actuarial surplus on retirement benefits asset	-	(15,807)
Operating profit before working capital changes	321,126	269,072
(Increase)/decrease in inventories	(149,585)	317,248
Increase in trade and other receivables	(14,299)	(158,281)
Increase in short term deposits	(8,398)	(1,809)
Decrease in trade and other payables	(91,040)	(52,774)
Movement in related company balance	129,074	(119,879)
Decrease in service gratuity	(1,177)	(1,905)
Cash generated from operations	<u>185,701</u>	<u>251,672</u>
(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet		
Cash and bank balances	303,846	203,344
Bank overdraft facilities (Note 24)	<u>(17,238)</u>	<u>(26,206)</u>
At 30 June	<u>286,608</u>	<u>177,138</u>
(c) Analysis of loan balances		
Bank loans	<u>316,214</u>	<u>338,687</u>

Notes to the Financial Statements (continued)



29 Notes to the Cash Flow Statement (Continued)

	2007 Shs'000	2006 Shs'000
(d) Movement in loan balances		
At 1 July	338,687	303,343
Loans received	150,000	100,000
Loans repaid	(172,473)	(64,656)
	<u>316,214</u>	<u>338,687</u>
	=====	=====
(e) Exchange adjustments on working capital		
Inventories	1,817	(10,486)
Trade and other receivables	504	(4,393)
Trade and other payables	859	(2,329)
	<u>3,180</u>	<u>(17,208)</u>
	=====	=====

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.

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 was for an initial term of five years and could be extended for a further five-year term at the option of the management company. This has been extended for a further five year term.

A basic profit-based management fee, without a maximum, is currently payable, subject to a minimum of Shs 12 million per year. Seaboard Overseas Management Company Ltd is a related party by virtue of common shareholding.

	2007 Shs'000	2006 Shs'000
Group		
During the year the following transactions were entered into with related parties		
Purchase of goods/services:		
Raw material purchases	1,293,696	929,908
Management fee	12,000	16,000
Other expenses	34,076	42,776
Interest charged	55,494	21,390
	<u>1,395,266</u>	<u>1,010,074</u>
	=====	=====
Company		
Management fee	12,000	12,000
	<u>12,000</u>	<u>12,000</u>
	=====	=====

Amounts not settled as at the balance sheet date are disclosed in Notes 20 and 28.

Notes to the Financial Statements (continued)



30 Related Party Transactions (Continued)

Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	2007 Shs'000	2006 Shs'000
Salaries and other short-term employment benefits	35,084	33,945
Post-employment benefits	438	932
	35,522	34,877
	=====	=====
Directors' remuneration		
Fees for services as a director	2,445	1,860
Other emoluments (included in key management compensation above)	6,325	3,702
	8,770	5,562
	=====	=====

31 Risk Management Policies

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 convertible 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 ongoing activities.

Credit risk

In the normal course of its business, the group is exposed to 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)



	2007 Shs'000	2006 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	65,759 =====	275,336 =====

33 CONTINGENT LIABILITIES

Company

The company has issued 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 2007, in respect of this guarantee, was Shs 239 million. The company has also guaranteed a loan to the subsidiary company of Shs 150 million from NIC Bank Limited.

The company has also issued a guarantee for Shs 344 million in favour of Standard Chartered Bank Kenya Limited to secure overdraft facilities granted to a subsidiary company, Unga Farm Care (EA) Limited. The amount of facilities outstanding as at 30 June 2007, in respect of this guarantee, was Shs 92 million.

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).

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Form of Proxy

I/We _____
 of _____ being a member/members
 of Unga Group Limited, hereby appoint _____
 and failing him/her _____
 whom failing the duly appointed chairman of the meeting as my/our proxy to vote for me/
 us and on my/our behalf at the Eightieth Annual General meeting of the company to be held on
 Friday 30th November 2007 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
2		
4		
5		
6 (i)		
6 (ii)		
6 (iii)		
7		
8		

As Witness my/our hand this _____ day of _____ 2007

Signed

Signed

Notes

1. If you are unable to attend this meeting personally, this form must be duly completed by the member and must be lodged at the Company's Offices, Ngano House, Commercial Street Industrial Area, P O Box 30096, 00100 Nairobi, or posted in time to be received not later than 10.00 am on 28 November 2007.
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 duly authorised in writing.

FOLD 2



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

FOLD 1

FOLD 3