CAR & GENERAL

REPORT AND FINANCIAL STATEMENTS OF CAR & GENERAL (KENYA) LIMITED AND SUBSIDIARIES

30 SEPTEMBER, 1996

CAR&GENERAL

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Report and Financial Statements of Car & General (Kenya) Limited and subsidiaries

30 September, 1996

DIRECTORS, OFFICIALS AND OTHER COMPANY INFORMATION

BOARD OF DIRECTORS

P.J.S. Hewett	-	Chairman
V.V. Gidoomal*	-	Managing
N. Ng'ang'a, EBS		
Harbans Singh, EBS		
C.J. Gidoomal		
E.M. Grayson*		
B. Kiplagat		

* British

SECRETARY

G. P. Shah, ACIS, CPS(K)

REGISTERED OFFICE

New Cargen House
Uhuru Highway
P.O. Box 20001
Nairobi

AUDITORS

Gill & Johnson
Ring Road, Westlands
P.O. Box 40092
Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Moi Avenue Branch
P.O. Box 72585
Nairobi

Standard Chartered Bank Kenya Limited
Harambee Avenue Branch
P.O. Box 20063
Nairobi

Stanbic Bank Kenya Limited
Kenyatta Avenue
P.O. Box 30550
Nairobi

DIRECTORS, OFFICIALS AND OTHER COMPANY INFORMATION (Continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Kamco Engineering Limited P.O. Box 20001 Nairobi	Stainless steel fabrication and manufacture of commercial and domestic kitchen equipment.
Plastic Products Kenya Limited P.O. Box 78039 Nairobi	Manufacture of plastic containers and other allied products.
Car & General (Industries) Limited P.O. Box 20001 Nairobi	Manufacture and sale of retread tyres, gumboots, rubber soles, automotive and other rubber products.
Car & General (Trading) Limited P.O. Box 20001 Nairobi	Sales and service of power equipment, household goods, marine engines, motor cycles, commercial engines and general goods.
Car & General (Automotive) Limited P.O. Box 20001 Nairobi	Manufacture and sale of brake linings, friction materials, gaskets, oil seals, spark plugs and sale of tyres. Automotive service by way of a car care centre.
Car & General (Weldtec) Limited P.O. Box 20001 Nairobi	Manufacture and sale of welding alloys and sale of welding equipment.
Car & General (Tanzania) Limited P.O. Box 1552 Dar es Salaam	Activities of the subsidiaries mentioned above.
Car & General (Uganda) Limited P.O. Box 207 Kampala	Activities of the subsidiaries mentioned above.
Kibo Poultry Products Limited Moshi	Day old chick farming
Car & General (Services) Limited P.O. Box 20001 Nairobi	Provision of insurance agency and insurance brokerage services.

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NOTICE OF MEETING

Notice is hereby given that the fifty-seventh Annual General Meeting of the shareholders will be held at the company's registered office, New Cargen House, Uhuru Highway, Nairobi on Friday 20 June 1997 at 12 noon for the following purposes:-

Agenda

ORDINARY BUSINESS

1 To confirm the minutes of the fifty-sixth Annual General Meeting held on Monday 12 August 1996.

2 To receive the financial statements for the year ended 30th September 1996 and the reports of the Directors and Auditors thereon.

3 (a) To re-elect Mr. B. Kiplagat, who, being eligible, offers himself for re-election in accordance with the company's articles of association.

(b) To re-elect Mr. E.M. Grayson who, being eligible, offers himself for re-election in accordance with the company's articles of association.

4 To determine the Directors' remuneration.

5 To authorise the Directors to agree the Auditors' remuneration.

6 To note that the Auditors, Gill & Johnson, continue in office under the provisions of Section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

G SHAH (MRS)
Secretary

P O Box 20001
NAIROBI, Kenya

18 April 1997

NOTES:

1 A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and vote instead of him or her at such meeting and such proxy need not also be a member of the Company.

2 A form of proxy is enclosed which please complete and return to the registered office of the company so as to arrive not later than 12 noon on Thursday 19 June 1997.

3 In the case of a corporation, the proxy must be under its common seal or under the hand of an officer or duly authorised attorney of such corporation.

CHAIRMAN'S REPORT

At the last annual general meeting in August last, I warned that the results for the financial year 95/96 would be extremely poor. In my report, I set out the strategies your company was pursuing in order to rectify the situation. In this report I concentrate on the extent to which these strategies have been implemented and whether or not they have been successful.

Your company has been through a very radical restructuring in order to regain profitability. In particular, the following action has been taken:

1. Your company has been significantly downsized. We have sold various operations after having restructured them. These include Car & General (Industries), Plastic Products Ltd and the gasket division of Car & General (Automotive). These operations were sold as going concerns. In addition, we have closed our milling division and our retread operations in Uganda and Tanzania. These operations were hived off for the following reasons;

   a) They were continuous loss makers. In particular, Car & General (Industries) was the main reason for your company's massive loss at the end of the 1996 financial year.

   b) Regaining profitability at these operations would have been difficult either due to a large capital expenditure requirement or harsh market conditions.

   c) In the event that the operations did become profitable, the profits would have been insufficient to justify the resources applied to achieve them.

   d) Our strategy is to concentrate on products which have a competitive edge vis a vis competition. This allows us to command a higher margin and dictate credit periods. In times of high interest, it is important to be able to control credit.

2) Your company has reduced borrowing considerably as is evident from the interim financial statement. This has been achieved through the disposal of loss making operations and a property asset in Uganda. This was a non-performing asset in terms of return on investment, bearing in mind the current high interest rates. Furthermore, we did not foresee significant capital growth or development potential.

The restructuring of operations was completed at the end of February 1997, six months after the last annual general meeting. It has allowed us to focus our resources far more on existing operations where we see reasonable profit potential. I cover the various subsidiaries individually highlighting the various changes and strategy, taking into consideration an increasingly depressed economic climate.

1. **Car & General (Trading) Limited-** This sector continues to perform satisfactorily. However, with the money supply growing increasingly tight, thereby depressing business levels, we are adopting a strategy of increasing market share in order to maintain and increase volume. We intend to increase our competitive edge in the following manner:

   a) We are renovating all our showrooms. We are also establishing a small showroom in Kisumu in order to increase market coverage and give better support to our dealers.

   b) We are placing a major emphasis on service where we see greater growth opportunities. It is our objective to create the best service organization for our product range.

   c) We intend to concentrate on a more specialized, service oriented product range.

CHAIRMAN'S REPORT (Continued)

2. **Car & General (Industries) Limited** - This operation was restructured into a saleable business. We closed the milling and moulded products division and sold the machinery. As far as retread was concerned, we established Leader Tread as an acceptable product. We also downsized Mombasa and Kisumu into profitable operations. We subsequently sold the operation as at 31 January 1997.

3. **Car & General (Automotive) Limited** - This operation continues to lose money. As at 31 January 1997, we sold the gasket manufacturing division after a restructuring that established our own brand, Toyoshi, into the market.

   As far as Ferodo is concerned our major constraint is capacity which we are intending to increase over the next three months. Thereafter the operation should become profitable.

   Champion will not be a moneyspinner. However, the operation will be retained as a contributor to gross profits.

4. **Car & General (Weldtec) Limited** - This operation has improved considerably in performance and offers good growth potential. We will be improving regional coverage over the coming months. We will also be investing in a new terolab facility in the next six months. This will considerably add to profits.

5. **Plastic Products Kenya Limited** - Due to outdated machinery, the operation was sold as at 31 January 1997. Our only option would have been to install a new plant. This was financially not viable in view of the capital expenditure required.

6. **Kamco Engineering Limited** - This operation is small but profitable. We are planning to increase profitability by introducing a new product range and by importing finished product to complement our manufactured items.

7. **Car & General (Uganda) Limited** - Trading conditions in Uganda are difficult. Our operation is currently struggling. We have responded by strengthening management. In the next three months we will also upgrade our showrooms and rationalise our product range. We anticipate much improved performance in the second half of the 97 financial year.

8. **Car & General (Tanzania) Limited** - Operations have considerably improved. This operation should perform well during this financial year, during which we will introduce all our core products into the Tanzanian market.

9. **Kibo Poultry Products Limited** - The operation is progressing slowly and should continue to do so barring the onset of disease. We are exploring options to reduce our exposure in this operation.

In my last report I also mentioned that we ought to make better use of our real estate. We will be moving out of the Uhuru Highway premises towards the end of this year. We are in the process of developing one of our Lusaka Road premises into a state-of-the-art showroom, workshop and car care centre. This should uplift our image and reflect in a higher bottom line. We have rented the entire Uhuru Highway premises from the date we vacate. This will significantly add to our revenues from the next financial year onwards. In addition, there will be a significant increase in our asset base which will reflect in the balance sheet on revaluation. In terms of our other properties, we will be developing them further over the next three to five years with a view to optimizing returns.

CHAIRMAN'S REPORT (Continued)

To summarise, we have implemented much of the strategy set out in my last report, perhaps more radically than anticipated. Our performance has improved as a result. Over the next six months we will consolidate our position to optimise performance from existing subsidiaries for which I have laid down the strategy.

In view of the performance in the 95/96 financial year and the need to invest in your company, your board is not recommending the payment of a dividend.

In conclusion, I must express my gratitude to my co-directors and all members of staff of the company for their dedication and support. I look forward to their continued support and further progress of group.

P J S HEWETT
Chairman

Nairobi

18 April 1997

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited group financial statements for the year ended 30 September 1996.

DIRECTORS

The present directors are shown on page 2.

ACTIVITIES

The company acts as a holding company and derives its revenue from interest, management fees and the rents charged to its subsidiaries.

GROUP RESULTS

	KSh'000
The financial statements show a loss after taxation and minority interest of	(106, 542)
Less proposed dividend	—
Loss for the year	(106,542)

DIVIDEND

The Directors do not propose the payment of a dividend in respect of the financial year ended 30 September 1996.

AUDITORS

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

BY ORDER OF THE BOARD

G SHAH (MRS)
SECRETARY

Nairobi

18 April 1997

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REPORT OF THE AUDITORS TO THE MEMBERS OF CAR & GENERAL (KENYA) LIMITED

1 We have audited the financial statements on pages 10 to 24 and have obtained all the information and explanations considered necessary for our audit.

2 The financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

3 We conducted our audit in accordance with generally accepted auditing standards. These 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.

4 In our opinion:

(i) Proper books of account have been kept by the company and the company's balance sheet is in agreement therewith.

(ii) The financial statements, which comply with the Companies Act, give a true and fair view of the state of affairs of the company and the group at 30 September 1996 and of the loss and cash flows of the group for the year ended on that date.

GILL & JOHNSON
Certified Public Accountants (Kenya)

Nairobi

18 April 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1996

	Notes	1996 Sh'000	1995 Sh'000
TURNOVER		756,376	825,389
OPERATING (LOSS)/PROFIT	2	(49,631)	45,414
INTEREST PAYABLE	3	(54,385)	(33,455)
INTEREST RECEIVABLE	3	1,149	1,408
(LOSS)/PROFIT BEFORE TAXATION		(102,867)	13,367
TAXATION	4	(3,653)	(12,447)
(LOSS)/PROFIT AFTER TAXATION	5	(106,520)	920
MINORITY INTEREST		(22)	43
(LOSS)/PROFIT AFTER TAXATION AND MINORITY INTEREST		(106,542)	963
DIVIDEND	6	—	2,025
LOSS FOR THE YEAR	16	(106,542)	(1,062)
		Sh	Sh
EARNINGS PER SHARE	7	(4.78)	0.04

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CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 1996

	Note	1996 Sh'000	1995 Sh'000
FIXED ASSETS	8	463,876	521,884
CURRENT ASSETS			
Stocks	12	212,292	259,379
Debtors	13	169,071	165,373
Cash and bank balances		12,253	11,536
		393,616	436,288
CURRENT LIABILITIES			
Creditors	14	156,381	156,910
Bank advances (secured)		207,633	138,114
Taxation		21,653	32,694
Dividends - proposed		—	2,025
- payable		3,079	15,047
Loans	17	—	19,000
		388,746	363,790
NET CURRENT ASSETS		4,870	72,498
		468,746	594,382
Financed by:			
SHARE CAPITAL	15	111,398	101,271
RESERVES	16	336,660	492,445
SHAREHOLDERS' FUNDS		448,058	593,716
MINORITY INTEREST		688	666
LOANS	17	20,000	—
		468,746	594,382

The financial statements on pages 10 to 24 were approved by the board of directors on 18 April 1997 and were signed on its behalf by:

V.V. Gidoomal)
) Directors
E.M. Grayson)

COMPANY BALANCE SHEET
30 SEPTEMBER 1996

	Note	1996 Sh'000	1995 Sh'000
FIXED ASSETS	9	207,451	208,129
INVESTMENTS IN SUBSIDIARIES	10	12,315	12,225
CURRENT ASSETS			
Subsidiary companies/current accounts	11	253,767	225,098
Debtors	13	8,447	7,492
Cash and bank balances		7,495	3,706
		269,709	236,296
CURRENT LIABILITIES			
Creditors	14	34,373	22,951
Bank advances (secured)		137,075	79,951
Taxation		14,731	19,432
Dividends - proposed		—	2,025
- payable			
Loans		3,079	15,047
	17	—	6,000
		189,258	145,406
NET CURRENT ASSETS		80,451	90,890
		300,217	311,244
Financed by:			
SHARE CAPITAL	15	111,398	101,271
RESERVES	16	181,819	209,973
LOANS	17	7,000	—
		300,217	311,244

The financial statements on pages 10 to 24 were approved by the board of directors on 18 April 1997 and were signed on its behalf by:

V.V. Gidoomal)
) Directors
E.M. Grayson)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 1996

	Note	1996 Sh'000	1995 Sh'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(a)	18,866	3,201
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(54,385)	(33,455)
Interest received		1,149	1,408
Dividends paid		(13,993)	(10,271)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(67,229)	(42,318)
TAXATION PAID		(14,694)	(8,759)
INVESTING ACTIVITIES			
Purchase of fixed assets		(14,772)	(16,482)
Proceeds on disposal of fixed assets		8,027	2,379
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(6,745)	(14,103)
NET CASH OUTFLOW BEFORE FINANCING		(69,802)	(61,979)
FINANCING ACTIVITIES			
Loan received		1,000	9,000
NET CASH INFLOW FROM FINANCING		1,000	9,000
DECREASE IN CASH AND CASH EQUIVALENTS	18(b)	(68,802)	(52,979)

CAR & GENERAL (KENYA) LIMITED
AND SUBSIDIARIES

CAR & GENERAL (KENYA) LIMITED
AND SUBSIDIARIES

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 INVESTMENTS IN SUBSIDIARIES

	Holding	1996 KSh'000	1995 KSh'000
Car & General (Tanzania) Limited 520,000 shares of TSh 5 each at cost	100%	2,600	2,600
Car & General (Uganda) Limited 450,000 shares of USh 5 each at cost	100%	2,250	2,250
Kamco Engineering Limited 130,000 shares of KSh 20 each at cost	100%	2,600	2,600
Plastic Products (Kenya) Limited 157, 757 shares of KSh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 997 shares of KSh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of KSh 20 each at cost	100%	1,098	1,098
Car & General (Trading) Limited 2 shares of KSh 20 each at cost	100%	—	—
Car & General (Weldtec) Limited 25,000 shares of KSh 20 each at cost	100%	500	500
Car & General (Services) Limited 100 shares of KSh 20 each at cost	100%	2	2
Kibo Poultry Products Limited * 998 shares of TSh 5,000 each at cost	100%	90	—
		12,315	12,225

Car & General (Services) Limited was incorporated on 28 September 1995. On 3rd July 1996 the company changed its name to Cargen Insurances Agencies Limited.The company had not commenced business as at 30 September 1996.

* Kibo Poultry Products Limited was wholly owned by Car & General (Tanzania) Limited but, during the year, the shares were acquired by Car & General (Kenya) Limited at a cost of Sh. 90,000.

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1996

	Note	1996 Sh'000	1995 Sh'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(a)	18,866	3,201
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(54,385)	(33,455)
Interest received		1,149	1,408
Dividends paid		(13,993)	(10,271)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(67,229)	(42,318)
TAXATION PAID		(14,694)	(8,759)
INVESTING ACTIVITIES			
Purchase of fixed assets		(14,772)	(16,482)
Proceeds on disposal of fixed assets		8,027	2,379
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(6,745)	(14,103)
NET CASH OUTFLOW BEFORE FINANCING		(69,802)	(61,979)
FINANCING ACTIVITIES			
Loan received		1,000	9,000
NET CASH INFLOW FROM FINANCING		1,000	9,000
DECREASE IN CASH AND CASH EQUIVALENTS	18(b)	(68,802)	(52,979)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1996

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The group prepares its financial statements on the historical cost basis of accounting modified to include the revaluation of certain assets.

TURNOVER

Turnover represents sales to third parties less returns and excludes Value Added Tax and branch transfers.

DEPRECIATION

Freehold land is not depreciated.

Leasehold properties with less than 50 years of the lease outstanding and leasehold land are depreciated on a straight line basis over the remaining period of the lease. Buildings on long leasehold land and freehold land are depreciated on a straight line basis over 50 years.

Depreciation on other fixed assets is provided using the reducing balance method at the following annual rates.

Plant and machinery	12.5% - 20%
Moulds	33.3%
Office equipment	12.5% - 20%
Motor vehicles	25%

STOCKS

Raw materials, imported finished products and spare parts are stated at cost including duty, freight and clearance charges, where appropriate. Manufactured finished products and work in progress are stated at raw material cost, plus labour and attributable manufacturing overheads. All stocks are stated at net realisable value if lower than cost. Livestock is valued at cost or revaluation.

FOREIGN CURRENCIES

Foreign currency transactions are recorded at exchange rates prevailing at the time of originating entries. Foreign currency balances are translated at rates ruling at the year end. Exchange gains and losses are taken to the profit and loss account.

TAXATION

Current taxation is provided on the basis of results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred taxation is accounted for, under the liability method, to the extent that it is probable that timing differences will reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

INVESTMENT IN SUBSIDIARIES
Investment in subsidiaries is stated at cost less amounts written off. The holding company accounts for dividends from subsidiary companies only when they are received.

CONSOLIDATION
The consolidated financial statements include the financial statements of Car & General (Kenya) Limited and its subsidiary companies, all made up to 30 September.

Foreign subsidiaries are consolidated using the closing rates of exchange.

Goodwill arising on acquisition of subsidiaries is written off to reserves.

	1996 Sh'000	1995 Sh'000
2 OPERATING (LOSS)/PROFIT		
The consolidated operating (loss)/profit is arrived at after charging:		
Directors' emoluments - fees	470	700
- other	2,933	2,851
Auditors' remuneration	3,259	3,381
Depreciation	20,780	21,328
Bad and doubtful debts	5,809	1,005
Foreign exchange losses	455	771
Loss on disposal of fixed assets	4,693	—
and after crediting:		
Profit on disposal of fixed assets	—	722
Foreign exchange gains	155	—

3 INTEREST

	1996 Sh'000	1995 Sh'000
Interest payable:		
Bank overdraft	49,027	27,818
Leasehire	—	1,355
Loans	5,358	4,282
	54,385	33,455
Interest receivable:	1,149	1,408

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

		1996 Sh'000	1995 Sh'000
4	**TAXATION**		
	(a) Current taxation		
	Based on the chargeable profit for the year		
	Income tax at 35%	3,653	12,447

Tax is payable on rental income in a foreign subsidiary.

(b) Deferred taxation

No deferred taxation has been provided for in the financial statements as no liability is anticipated to crystallise in the foreseeable future.

5 **(LOSS)/PROFIT AFTER TAXATION**

A loss of Sh 18,027,000 (1995 - profit Sh 7,906,000) has been dealt with in the financial statements of Car & General (Kenya) Limited.

		1996 Sh'000	1995 Sh'000
6	**DIVIDEND**		
	The dividend is shown gross and comprises:		
	Final proposed nil (1995 - 2%)	—	2,025

7 **EARNINGS PER SHARE**

Earnings per share is calculated on the (loss)/profit after taxation and minority interest and on the number of shares in issue at the balance sheet date. Due to the bonus issue during the year, the 1995 comparative figure has been amended in line with generally accepted accounting practice.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FIXED ASSETS - GROUP

	Properties Sh'000	Other assets Sh'000	Total Sh'000
COST OR VALUATION			
At 1 October 1995	463,766	200,028	663,794
Exchange rate adjustments	(37,873)	(2,271)	(40,144)
Additions	—	14,772	14,772
Disposals	—	(36,470)	(36,470)
At 30 September 1996	425,893	176,059	601,952
COMPRISING:			
At valuation 1994	15,137	—	15,137
At valuation 1992	32,680	—	32,680
At valuation 1991	371,650	—	371,650
At cost	6,426	176,059	182,485
	425,893	176,059	601,952
DEPRECIATION			
At 1 October 1995	19,197	122,713	141,910
Exchange rate adjustments	—	(864)	(864)
Charge for the year	4,957	15,823	20,780
Eliminated on disposals	—	(23,750)	(23,750)
At 30 September 1996	24,154	113,922	138,076
NET BOOK VALUE			
At 30 September 1996	401,739	62,137	463,876
At 30 September 1995	444,569	77,315	521,884

NOTES TO THE FINANCIAL STATEMENTS (Continued)

PROPERTIES AT COST OR VALUATION:

	1996 KSh'000	1995 KSh'000
Freehold	11,630	11,630
Leasehold over 50 years unexpired	337,763	375,636
Leasehold under 50 years unexpired	76,500	76,500
	425,893	463,766

The exchange rate adjustments arise as a result of translation of Car & General (Uganda) Limited and Car & General (Tanzania) Limited fixed assets opening balances at the closing rate. The rates of exchange applied were as follows:

		1996 KSh	1995 KSh
1 Tanzania shilling	=	0.0905	0.0902
1 Uganda shilling	=	0.0500	0.0558

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 FIXED ASSETS - COMPANY

	Properties KSh'000	Other assets KSh'000	Total KSh'000
COST OR VALUATION			
At 1 October 1995	215,908	19,771	235,679
Additions	—	5,219	5,219
Transfer to subsidiaries	—	(575)	(575)
At 30 September 1996	215,908	24,415	240,323
COMPRISING:			
At valuation 1991	215,908	—	215,908
At cost	—	24,415	24,415
	215,908	24,415	240,323
DEPRECIATION			
At 1 October 1995	17,272	10,278	27,550
Charge for the year	4,318	1,481	5,799
Transfer to subsidiaries	—	(477)	(477)
At 30 September 1996	21,590	11,282	32,872
NET BOOK VALUE			
At 30 September 1996	194,318	13,133	207,451
At 30 September 1995	198,636	9,493	208,129

PROPERTIES AT COST OR VALUATION:

	1996 KSh'000	1995 KSh'000
Freehold	8,130	8,130
Leasehold over 50 years unexpired	131,278	131,278
Leasehold under 50 years unexpired	76,500	76,500
	215,908	215,908

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 INVESTMENTS IN SUBSIDIARIES

	Holding	1996 KSh'000	1995 KSh'000
Car & General (Tanzania) Limited 520,000 shares of TSh 5 each at cost	100%	2,600	2,600
Car & General (Uganda) Limited 450,000 shares of USh 5 each at cost	100%	2,250	2,250
Kamco Engineering Limited 130,000 shares of KSh 20 each at cost	100%	2,600	2,600
Plastic Products (Kenya) Limited 157, 757 shares of KSh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 997 shares of KSh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of KSh 20 each at cost	100%	1,098	1,098
Car & General (Trading) Limited 2 shares of KSh 20 each at cost	100%	—	—
Car & General (Weldtec) Limited 25,000 shares of KSh 20 each at cost	100%	500	500
Car & General (Services) Limited 100 shares of KSh 20 each at cost	100%	2	2
Kibo Poultry Products Limited * 998 shares of TSh 5,000 each at cost	100%	90	—
		12,315	12,225

Car & General (Services) Limited was incorporated on 28 September 1995. On 3rd July 1996 the company changed its name to Cargen Insurances Agencies Limited.The company had not commenced business as at 30 September 1996.

* Kibo Poultry Products Limited was wholly owned by Car & General (Tanzania) Limited but, during the year, the shares were acquired by Car & General (Kenya) Limited at a cost of Sh. 90,000.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 SUBSIDIARY COMPANIES - CURRENT ACCOUNTS

	1996 KSh'000	1995 KSh'000
Car & General (Tanzania) Limited	7,984	566
Car & General (Uganda) Limited	2,099	20,902
Kamco Engineering Limited	9,319	2,035
Plastic Products (Kenya) Limited	9,437	7,541
Car & General (Industries) Limited	106,758	116,997
Car & General (Automotive) Limited	35,754	47,937
Car & General (Trading) Limited	64,029	17,919
Car & General (Weldtec) Limited	13,140	7,673
Kibo Poultry Products Ltd	5,247	3,528
	253,767	225,098

12 STOCKS

	1996 KSh'000	1995 KSh'000
Raw materials, spares and consumables	29,288	44,297
Work in progress	4,512	6,216
Finished products	113,192	126,079
Goods in transit and in bond	54,787	72,124
Livestock	10,513	10,663
	212,292	259,379

	1996 KSh'000	1995 KSh'000	1996 KSh'000	1995 KSh'000
13 DEBTORS				
Trade	117,515	128,051	2,699	4,082
Other	51,556	37,322	5,748	3,410
	169,071	165,373	8,447	7,492
14 CREDITORS				
Trade	84,171	107,639	4,219	5,456
Other	72,210	49,271	30,154	17,495
	156,381	156,910	34,373	22,951

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 SHARE CAPITAL

Authorised		
23,000,000 (1995 - 22,000,000) ordinary shares of Sh 5 each	115,000	110,000
Issued and fully paid		
22,279,616 (1995 - 20,254,196) ordinary shares of Sh 5 each	111,398	101,271

16 RESERVES

	Capital Sh'000	Revenue Sh'000	Total Sh'000
GROUP			
At 1 October 1995	439,797	52,648	492,445
Exchange rate adjustment			
Capital	(39,280)	—	(39,280)
Revenue	2,310	(2,146)	164
Capitalisation issue	(20)	(10,107)	(10,127)
Loss for the year	—	(106,542)	(106,542)
At 30 September 1996	402,807	(66,147)	336,660
COMPANY			
At 1 October 1995	199,865	10,108	209,973
Capitalisation issue	(20)	(10,107)	(10,127)
Loss for the year	—	(18,027)	(18,027)
At 30 September 1996	199,845	(18,026)	181,819

17 LOANS (SECURED)

	1996 KSh'000	1995 KSh'000
GROUP		
Credit and Commerce Finance Limited, secured, interest at 30% p.a.	13,000	13,000
Credit and Commerce Finance Limited, secured, interest at 30% p.a.	7,000	6,000
	20,000	19,000
Repayable within 12 Months	—	19,000
	20,000	—
COMPANY		
Credit and Commerce Finance Limited, secured, interest at 30% p.a.	7,000	6,000
Repayable within 12 months	—	6,000
	7,000	—

CAR&GENERAL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 NOTES TO THE CASHFLOW STATEMENT

(a) Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	1996 KSh'000	1995 KSh'000
Operating (Loss) / profit	(49,631)	45,414
Depreciation	20,780	21,328
Loss /(Profit) on disposal of fixed assets	4,693	(722)
Decrease / (Increase) in stocks	47,087	(30,428)
Increase in debtors	(3,698)	(22,629)
Decrease in creditors	(529)	(9,268)
Exchange rate adustment	164	(494)
Net cash inflow from operating activities	18,866	3,201

(b) Analysis of changes in cash and cash equivalents

	1996 KSh'000	1995 KSh'000	Change in the year KSh'000
Cash and bank balances	12,253	11,536	717
Bank advances	207,633	138,114	(69,519)
Decrease in cash and cash equivalents			(68,802)

19 CONTINGENT LIABILITIES

	1996 KSh'000	1995 KSh'000
GROUP		
Sundry bank guarantees	1,415	1,415
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	84,720	77,000
Sundry bank guarantees	1,415	1,415
	86,135	78,415

CAR&GENERAL

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 CAPITAL COMMITMENTS

GROUP		
Authorised and contracted for	—	2,045
Authorised but not contracted for	3,830	3,200
	3,830	5,245

21 POST BALANCE SHEET EVENTS

The Milling division of Car & General (Industries) Limited ceased operation on 1 October 1996, the plant and machinery having been sold on 30 September and included in these accounts.

Plastic Products Kenya Limited was sold as a going concern on 31 January 1997. The debtors and properties were retained.

The Retread division of Car & General (Industries) Limited was sold as a going concern on 31 January 1997. The debtors and a portion of stocks were retained.

The Payen division of Car & General (Automotive) Limited was sold as a going concern on 31 January 1997. The debtors were retained.

Proxy
Annual General Meeting
20 JUNE 1997

I/We

of

being a Member/Members of Car and General (Kenya) Limited hereby appoint

of

or failing him/her

of

or failing him/her the duly appointed Chairman of the meeting to be my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 20th day of June 1997 at 12 noon or at any adjournment thereof.

Dated this day of 1997

Signature

Notes:

1. This form of proxy should be completed, signed and returned so as to reach the Company's office by 12 noon on 19 June 1997.
2. In the case of a corporation, the proxy may be under its common seal or under the hand of an officer or duly authorised attorney of such corporation.