CAR & GENERAL

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

**30 September, 1999**

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2. Automobiles — Kenya — Periodicals

CAR & GENERAL

## DIRECTORS, OFFICIALS AND OTHER COMPANY INFORMATION

### BOARD OF DIRECTORS

P J S Hewett - Chairman
V V Gidoomal*
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
Lusaka Road
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

2007/0110

Giro Commercial Bank Limited
Banda Street
P O Box 40263
Nairobi

## DIRECTORS, OFFICIALS AND OTHER COMPANY INFORMATION (Contd)

| SUBSIDIARY COMPANIES | ACTIVITIES |
|---|---|
| Kamco Engineering Limited<br>P O Box 20001<br>Nairobi | Ceased operations from 8 March 1999. |
| Cargen Plastics Limited<br>(formerly Plastic Products (Kenya) Limited)<br>P O Box 20001<br>Nairobi | Ceased operations from 31 January 1997. |
| Car & General (Industries) Limited<br>P O Box 20001<br>Nairobi | Ceased operations from 31 January 1997. |
| Car & General (Trading) Limited - Kenya<br>P O Box 20001<br>Nairobi | Sales and service of power equipment, household goods, marine engines, motor cycles, commercial engines and general goods. |
| Car & General (Automotive) Limited<br>P O Box 20001<br>Nairobi | Manufacture and sale of brake linings and friction materials. |
| Car & General (Weldtec) Limited<br>P O Box 20001<br>Nairobi | Manufacture and sale of welding alloys and sale of welding equipment. |
| Car & General (Tanzania) Limited<br>P O Box 1552<br>Dar es Salaam | Sales and service of power equipment, motor cycles, commercial engines, welding alloys, welding equipment and brake linings. |
| Car & General (Trading) Limited - Tanzania<br>P O Box 1552<br>Dar es Salaam | Sales and service of power equipment, motor cycles, commercial engines, welding alloys, welding equipment and brake linings. |
| Car & General (Uganda) Limited<br>P O Box 207<br>Kampala | Sales and service of power equipment, household goods, marine engines, motor cycles, commercial engines and general goods. |
| Kibo Poultry Products Limited<br>P O Box 742<br>Moshi | Day old chick farming. |
| Cargen Insurance Agencies Limited<br>P O Box 20001<br>Nairobi | Provision of insurance agency and insurance brokerage services. |
| Sovereign Holdings International Limited<br>PO Box 3444<br>Road Town<br>Tortola<br>British Virgin Islands | Property holding company. |

CAR & GENERAL

## NOTICE OF MEETING

Notice is hereby given that the sixtieth Annual General Meeting of the shareholders will be held at the company's registered office, New Cargen House, Lusaka Road, Nairobi on Thursday, 23 March 2000 at 12 noon for the following purposes:-

### Agenda

### ORDINARY BUSINESS

1. To confirm the minutes of the fifty-ninth Annual General Meeting held on 12 August 1999.
2. To receive the financial statements for the year ended 30 September 1999 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 EM 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

GP SHAH (MRS)
Secretary

PO Box 20001
Nairobi, Kenya

10 February 2000

### 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 Wednesday 22 March 2000.
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

The audited accounts show a profit before exceptional items of Kshs 27 million for the year. After tax, exceptional items and minority interests, profitability reduces to Kshs 15 million.

This performance represents a significant improvement over the previous financial year. Our stated objectives of focussing operations on core lines and significantly reducing costs have largely been achieved, resulting in operational improvement. However, the deteriorating economic environment is significantly retarding progress. Performance in the fourth quarter was poor largely due to the currency devaluation and rising interest rates, which further constrained an already tight market money supply. Performance for the first quarter of 2000 has also been disappointing.

In the short term we do not foresee the economy improving. The secret to success lies in improving market share faster than the economy is declining. Whereas focus over the last three years has been internal, we are now better positioned to focus externally – on the market. Our internal restructuring is now almost at an end with only fine-tuning remaining. Our challenge over the coming months will be to achieve laid down strategies by becoming a more marketing and customer driven organization in order to meet our market share objectives. We have already launched our key account management program which now needs to be combined with improved levels of service and more innovative marketing techniques in order to differentiate ourselves further from our competition. Whereas we have the right people in place, more emphasis will be placed on sales and service training. We have also increased our advertising and public relations budgets.

In terms of our balance sheet, during the course of the 1999/2000 financial year, we will be addressing various components. Whereas debtors are largely under control, there is room for improvement in our stock management. With our new MIS reporting in place, we will see more optimum stock holdings this year. We also intend to reduce our borrowings which, though reducing, have remained high not least due to hefty restructuring costs and our recent investment in Auto Italia. Better working capital management and profitability will reduce borrowing levels. We also hope to dispose of further non-core assets, the predictability of which, in the current environment, is uncertain. In a nutshell, we seek to balance our balance sheet now that the profit and loss, to an extent, has been addressed through our extensive restructuring program.

We comment below more specifically:

**Car & General (Trading) Ltd.**

This operation was significantly restructured during the course of the financial year. Costs are now under control although there is scope for further reduction. Product lines have been significantly rationalized resulting in greater focus. The operations did not turn profitable in the fourth quarter due to the economic changes that took place. Head Office financed the losses incurred during the financial year.

Performance has improved during the first quarter of this financial year. However we expect greater strides forward from January when units and spares inventory will be optimized allowing the market drive to commence.

The operation is over borrowed to the tune of Kshs 20 million which we aim to reduce over the next two years.

## **CHAIRMAN'S REPORT** (Continued)

### Car & General (Automotive) Ltd.

Operations were running smoothly until the fourth quarter when the devaluation and the matatu strike affected performance. The market size shrank considerably. Recovery has commenced, albeit slowly, during the first quarter of this year. Our marketing drive has already started with the "Stop and Win with Ferodo" competition. Our initiatives to increase brake lining sales are now producing results. This is not translating into cashflow yet as brake lining sales are more credit based. We are obviously treading cautiously in this respect.

### Car & General (Weldtec) Ltd.

Costs are now very much under control. During the year we ceased manufacturing locally and now import finished product at the same price. This has improved the product in terms of quality and packaging and will allow us to manage inventory better.

Our key account management procedures are well under way. From January, our training programs commence as sales are technical.

### Auto Italia

Sales of Alfa Romeo motor vehicles in the first four months of operation are below budget. Whereas this is partially due to adverse current market conditions, relaunching the Alfa Romeo brand has faced greater obstacles than anticipated largely as a result of a five-year absence. Notwithstanding, our experience with the Alfa Romeo 156 model has demonstrated that it is an excellent product which, with patience and aggressive marketing, will penetrate the market. We will be embarking on a new advertising campaign which we expect will increase awareness and sales. The initial consignment of vehicles, which arrived at the end of the financial year, is included in bond stocks in the balance sheet.

We are satisfied that the operation has been established on correct fundamentals with the right people, product and service in place.

### Head Office

Costs have been trimmed although there is scope for further marginal reduction. Efficiencies and productivity are improving with more and more administration being centralized thereby allowing subsidiaries to focus more on sales and marketing.

### Car & General (Uganda) Ltd.

The fourth quarter was its most positive with costs now down to a minimum. We expect better performance this year although the start has been slow largely due to the depressed economy.

### Car & General (Tanzania) Ltd.

Currently performing satisfactorily. This coming year we launch Eutectic and Ingersoll Rand.

### Kibo Poultry Products

The operation had a difficult year. The fundamentals have now been addressed and the operation is profitable. We have renegotiated the lease with the Lessor such that the operation now becomes viable if properly managed.

CAR & GENERAL

## CHAIRMAN'S REPORT (Continued)

### The Future

The coming year will be extremely challenging. Whereas the radical restructuring is almost complete, the current environment does not encourage optimism. Our transformation into a marketing organization will be critical as will our overall reduction of borrowings. In spite of a slow start, we are cautiously optimistic that performance will improve this year assuming no major economic and political upheavals.

Assuming short-term goals are met, in the medium term we see the Group developing into an efficient trading and service organization dealing in branded, technical products leading the market through marketing and service innovation. The Group will only be able to achieve a satisfactory return on capital employed by selective and marginal expansion.

In view of our objective of reducing borrowings and consolidating our position generally, your company is not recommending the payment of 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 the group.

PJS HEWETT
Chairman

10 February 2000

## 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 1999.

### 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. The activities of the subsidiary companies are indicated on page 3.

| GROUP RESULTS | Sh ´000 |
|---|---|
| The financial statements show a Profit before exceptional items of | 27,179 |
| Exceptional items | (13,615) |
| Taxation | (463) |
| Minority interest | 1,603 |
| Profit after taxation and minority interest | 14,704 |
| Less: proposed dividend | - |
| Profit for the year | 14,704 |

### DIVIDEND

The directors do not propose a dividend.

### 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 P SHAH (MRS)
SECRETARY

Nairobi

10 February 2000

CAR & GENERAL

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

We have audited the financial statements on pages 10 to 25 and have obtained all the information and explanations considered necessary for our audit.

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

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.

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 1999 and of the profit and cash flows of the group for the year ended on that date.

GILL & JOHNSON
Certified Public Accountants (Kenya)

Nairobi

10 February 2000

CAR & GENERAL

## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1999

| | Note | 1999<br>Sh '000 | 1998<br>Sh '000 |
|---|---|---|---|
| TURNOVER | | 420,973 | 550,751 |
| OPERATING PROFIT | 2 | 67,780 | 70,714 |
| INTEREST PAYABLE | 3 | (40,608) | (56,298) |
| INTEREST RECEIVABLE | 3 | 7 | 856 |
| PROFIT BEFORE EXCEPTIONAL ITEMS | | 27,179 | 15,272 |
| EXCEPTIONAL ITEMS | 4 | (13,615) | (48,969) |
| PROFIT/(LOSS) BEFORE TAXATION | | 13,564 | (33,697) |
| TAXATION | 5 | (463) | (142) |
| PROFIT/(LOSS) AFTER TAXATION | 6 | 13,101 | (33,839) |
| MINORITY INTEREST | | 1,603 | - |
| PROFIT/(LOSS) AFTER TAXATION AND MINORITY INTEREST | | 14,704 | (33,839) |
| DIVIDEND | | - | - |
| PROFIT/(LOSS) FOR THE YEAR | 17 | 14,704 | (33,839) |
| | | Sh | Sh |
| EARNINGS/(DEFICIT) PER SHARE | 7 | 0.66 | (1.52) |

## CONSOLIDATED BALANCE SHEET
## 30 SEPTEMBER 1999

| | Note | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|---|
| FIXED ASSETS | 8 | 397,969 | 410,708 |
| PRELIMINARY EXPENSES | | - | 119 |
| CURRENT ASSETS | | | |
| Stocks | 12 | 138,935 | 120,389 |
| Debtors | 13 | 99,489 | 97,643 |
| Taxation | | 1,494 | - |
| Cash and bank balances | | 6,173 | 17,831 |
| | | 246,091 | 235,863 |
| CURRENT LIABILITIES | | | |
| Creditors | 14 | 141,714 | 168,710 |
| Loans repayable within 12 months | 15 | 17,394 | 10,417 |
| Bank overdrafts (secured) | | 119,120 | 121,950 |
| Taxation | | - | 458 |
| Dividends - payable | | 3,106 | 3,115 |
| | | 281,334 | 304,650 |
| NET CURRENT LIABILITIES | | (35,243) | (68,787) |
| | | 362,726 | 342,040 |
| Financed by: | | | |
| SHARE CAPITAL | 16 | 111,398 | 111,398 |
| RESERVES | 17 | 207,731 | 171,050 |
| SHAREHOLDERS' FUNDS | | 319,129 | 282,448 |
| MINORITY INTEREST | | (1026) | 577 |
| LOANS | 15 | 44,623 | 59,015 |
| | | 362,726 | 342,040 |

The financial statements on pages 10 to 25 were approved by the board of directors on 10 February 2000 and were signed on its behalf by:

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

## COMPANY BALANCE SHEET
## 30 SEPTEMBER 1999

| | Note | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|---|
| FIXED ASSETS | 9 | 249,395 | 267,551 |
| INVESTMENT IN SUBSIDIARIES | 10 | 12,550 | 12,550 |
| CURRENT ASSETS | | | |
| Due from group companies | 11 | 223,474 | 247,737 |
| Debtors | 13 | 14,523 | 6,694 |
| Cash and bank balances | | 1,321 | 5,100 |
| | | 239,318 | 259,531 |
| CURRENT LIABILITIES | | | |
| Creditors | 14 | 31,678 | 35,593 |
| Due to group companies | 11 | 117,461 | 123,854 |
| Loans repayable within 12 months | 15 | 14,280 | 6,917 |
| Taxation | | 1,310 | 1,335 |
| Dividends - payable | | 3,106 | 3,115 |
| Bank overdrafts (secured) | | 31,422 | 25,355 |
| | | 199,257 | 196,169 |
| NET CURRENT ASSETS | | 40,061 | 63,362 |
| | | 302,006 | 343,463 |
| Financed by: | | | |
| SHARE CAPITAL | 16 | 111,398 | 111,398 |
| RESERVES | 17 | 173,958 | 179,879 |
| LOANS | 15 | 16,650 | 52,186 |
| | | 302,006 | 343,463 |

The financial statements on pages 10 to 25 were approved by the board of directors on 10 February 2000 and were signed on its behalf by:

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

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 SEPTEMBER 1999

| | Note | 1999 Sh ´000 | 1998 Sh ´000 |
|---|---|---|---|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 18(a) | 1,949 | 87,670 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest paid | | (40,608) | (56,298) |
| Interest received | | 7 | 856 |
| Dividends paid | | (9) | (2) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (40,610) | (55,444) |
| TAXATION PAID | | (2,415) | (11,323) |
| INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | | (10,569) | (74,286) |
| Proceeds on disposal of fixed assets | | 50,113 | 5,222 |
| Preliminary Expenses | | 119 | (119) |
| NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | | 39,663 | (69,183) |
| NET CASH OUTFLOW BEFORE FINANCING | | (1,413) | (48,280) |
| FINANCING ACTIVITIES | | | |
| Loans received | | 19,949 | 57,168 |
| Loans paid | | (27,364) | (26,187) |
| NET CASH (OUTFLOW) /INFLOW FROM FINANCING ACTIVITIES | | (7,415) | 30,981 |
| DECREASE IN CASH AND CASH EQUIVALENTS | 18(b) | (8,828) | (17,299) |

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

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 and on 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% |
| Office equipment | 12.5% - 30% |
| 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. Livestocks are 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 financial year end. Exchange gains and losses are taken to the profit and loss account.

TAXATION

Current taxation is provided on the basis of the 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.

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| **2 OPERATING PROFIT** | | |
| The consolidated operating profit is arrived at after charging: | | |
| Directors' emoluments - fees | 220 | 255 |
| - other | 2,280 | 2,280 |
| Auditors' remuneration | 1,413 | 2,152 |
| Depreciation | 17,005 | 17,069 |
| Bad and doubtful debts | 5,580 | 1,213 |
| Foreign exchange losses | 17,344 | 3,339 |
| Loss on disposal of fixed assets | - | 3,544 |
| and after crediting: | | |
| Profit on disposal of fixed assets | 27,887 | - |
| Foreign exchange gains | 5,182 | 17,997 |
| **3 INTEREST** | | |
| Interest payable: | | |
| Bank overdraft | 26,018 | 33,608 |
| Mortgage | 2,884 | 944 |
| Loans | 11,706 | 21,746 |
| | 40,608 | 56,298 |
| Interest receivable: | 7 | 856 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 EXCEPTIONAL ITEMS

The following exceptional items arise as a result of group restructuring.
The costs incurred include winding down expenses, redundancies, provisions and write offs on subsidiaries and divisions which have ceased trading.

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| Retirement/redundancies | 9,810 | 15,427 |
| Cargen Plastics Limited costs written off | 1,473 | - |
| Kamco Engineering Limited winding down | 2,332 | - |
| Non-core stock provisions | - | 26,737 |
| Car Care Centre winding down | - | 2,051 |
| Head Office moving costs | - | 4,425 |
| Others | - | 329 |
| | 13,615 | 48,969 |

### 5 TAXATION

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| (a) Current taxation | | |
| Based on the chargeable profit for the year: | | |
| Income tax | 463 | 142 |

Tax charge relates to foreign subsidiaries

(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.

### 6 PROFIT AFTER TAXATION

A loss of Sh 5,921,000 (1998 - Profit Sh 49,636,000) has been dealt with in the financial statements of Car & General (Kenya) Limited.

### 7 EARNINGS PER SHARE

Earnings/(deficit) per share is calculated on the profit/(loss) after taxation and minority interest and on the number of shares in issue at the balance sheet date.

## 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 1998 | 388,044 | 113,028 | 501,072 |
| Exchange rate adjustments | 15,229 | 1,424 | 16,653 |
| Additions | 2,732 | 7,837 | 10,569 |
| Disposals | (21,418) | (16,162) | (37,580) |
| At 30 September 1999 | 384,587 | 106,127 | 490,714 |
| **COMPRISING:** | | | |
| At valuation 1998 | 3,873 | - | 3,873 |
| At valuation 1994 | 11,134 | - | 11,134 |
| At valuation 1992 | 35,601 | - | 35,601 |
| At valuation 1991 | 259,275 | - | 259,275 |
| At cost | 74,704 | 106,127 | 180,831 |
| | 384,587 | 106,127 | 490,714 |
| **DEPRECIATION** | | | |
| At 1 October 1998 | 32,177 | 58,187 | 90,364 |
| Exchange rate adjustments | 102 | 628 | 730 |
| Charge for the year | 6,051 | 10,954 | 17,005 |
| Eliminated on disposals | (3,283) | (12,071) | (15,354) |
| At 30 September 1999 | 35,047 | 57,698 | 92,745 |
| **NET BOOK VALUE** | | | |
| At 30 September 1999 | 349,540 | 48,429 | 397,969 |
| At 30 September 1998 | 355,867 | 54,841 | 410,708 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

**8 FIXED ASSETS-GROUP** (Continued)

**PROPERTIES AT COST OR VALUATION:**

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| Freehold | 11,932 | 11,630 |
| Leasehold over 50 years unexpired | 302,655 | 299,914 |
| Leasehold under 50 years unexpired | 70,000 | 76,500 |
| | 384,587 | 388,044 |

The exchange rate adjustments arise as a result of translation of Car & General (Uganda) Limited, Car & General (Tanzania) Limited, Car & General (Trading) Limited - Tanzania, Kibo Poultry Products Limited, and Sovereign Holdings International Limited fixed assets opening balances at the closing rates.

The rates of exchange applied were as follows:

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| 1 Tanzania shilling | 0.0989 | 0.0904 |
| 1 Uganda shilling | 0.0523 | 0.0464 |
| 1 US dollar | 78.7500 | 60.1700 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9 FIXED ASSETS - COMPANY



| | Properties Sh '000 | Other assets Sh '000 | Total Sh '000 |
|---|---|---|---|
| **COST OR VALUATION** | | | |
| At 1 October 1998 | 281,632 | 21,530 | 303,162 |
| Additions | 99 | 1,579 | 1,678 |
| Disposals | (13,200) | (531) | (13,731) |
| Transfer from subsidiary companies | - | 943 | 943 |
| At 30 September 1999 | 268,531 | 23,521 | 292,052 |
| **COMPRISING:** | | | |
| At valuation 1991 | 202,708 | - | 202,708 |
| At cost | 65,823 | 23,521 | 89,344 |
| | 268,531 | 23,521 | 292,052 |
| **DEPRECIATION** | | | |
| At 1 October 1998 | 31,085 | 4,526 | 35,611 |
| Charge for the year | 5,503 | 3,386 | 8,889 |
| Write back on disposal | (1,981) | (319) | (2,300) |
| Transfer from subsidiary companies | - | 457 | 457 |
| At 30 September 1999 | 34,607 | 8,050 | 42,657 |
| **NET BOOK VALUES** | | | |
| At 30 September 1999 | 233,924 | 15,471 | 249,395 |
| At 30 September 1998 | 250,547 | 17,004 | 267,551 |

**ANALYSIS OF PROPERTIES**

**AT COST OR VALUATION:**

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| Freehold | 8,000 | 8,130 |
| Leasehold over 50 years unexpired | 190,531 | 197,002 |
| Leasehold under 50 years unexpired | 70,000 | 76,500 |
| | 268,531 | 281,632 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | | Group 1999 Sh '000 | Group 1998 Sh '000 | Company 1999 Sh '000 | Company 1998 Sh '000 |
|---|---|---|---|---|---|
| 13 | **DEBTORS** | | | | |
| | Trade | 61,349 | 70,785 | 3,760 | 2,839 |
| | Other | 38,140 | 26,858 | 10,763 | 3,855 |
| | | 99,489 | 97,643 | 14,523 | 6,694 |
| 14 | **CREDITORS** | | | | |
| | Trade | 71,241 | 91,551 | 6,137 | 6,964 |
| | Other | 70,473 | 77,159 | 25,541 | 28,629 |
| | | 141,714 | 168,710 | 31,678 | 35,593 |

| | | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|---|
| 15 | **LOANS** | | |
| | **GROUP** | | |
| | Giro Commercial Bank Limited<br>Secured, interest at 24% p.a. | 13,201 | 34,456 |
| | Standard Chartered Bank Kenya Limited<br>Secured, interest at 25/26% p.a. | 18,019 | 28,147 |
| | Stanbic Bank Uganda Ltd<br>Secured, interest at 19% p.a. | 3,949 | - |
| | Stanbic Bank Kenya Ltd<br>Secured, interest at 23.75% p.a. | 16,000 | - |
| | Others - Unsecured | 10,848 | 6,829 |
| | | 62,017 | 69,432 |
| | Repayable within 12 months | 17,394 | 10,417 |
| | Long term loans | 44,623 | 59,015 |
| | **COMPANY** | | |
| | Giro Commercial Bank Limited<br>Secured, interest at 24% p.a. | 13,201 | 34,456 |
| | Standard Chartered Bank Kenya Limited<br>Secured, interest at 25/26% p.a. | 17,729 | 24,647 |
| | | 30,930 | 59,103 |
| | Repayable within 12 months | 14,280 | 6,917 |
| | Long term loans | 16,650 | 52,186 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| **16 SHARE CAPITAL** | | |
| Authorised<br>23,000,000<br>ordinary shares of Sh 5 each | 115,000 | 115,000 |
| Issued and fully paid<br>22,279,616<br>ordinary shares of Sh 5 each | 111,398 | 111,398 |

**17 RESERVES**

| | Capital Sh '000 | Revenue Sh '000 | Total Sh '000 |
|---|---|---|---|
| **GROUP** | | | |
| At 1 October 1998 | 285,052 | (114,002) | 171,050 |
| Exchange rate adjustments | | | |
| Capital | 15,923 | - | 15,923 |
| Revenue | - | 6,054 | 6,054 |
| Revaluation surplus realised on disposals | (18,506) | 18,506 | - |
| Profit for the year | - | 14,704 | 14,704 |
| At 30 September 1999 | 282,469 | (74,738) | 207,731 |
| **COMPANY** | | | |
| At 1 October 1998 | 199,845 | (19,966) | 179,879 |
| Revaluation surplus realised on disposals | (12,730) | 12,730 | - |
| Loss for the year | - | (5,921) | (5,921) |
| At 30 September 1999 | 187,115 | (13,157) | 173,958 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|

### 18 NOTES TO THE CASH FLOW STATEMENT

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

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| Operating profit | 67,780 | 70,714 |
| Exceptional items | (13,615) | (48,969) |
| Depreciation | 17,005 | 17,069 |
| (Profit)/loss on disposal of fixed assets | (27,887) | 3,544 |
| (Increase)/decrease in stocks | (18,546) | 72,017 |
| (Increase)/decrease in debtors | (1,846) | 3,161 |
| Decrease in creditors | (26,996) | (11,802) |
| Exchange rate adjustments | 6,054 | (18,064) |
| Net cash inflow from operating activities | 1,949 | 87,670 |

(b) Analysis of changes in cash and cash equivalents

| | 1999 Sh '000 | 1998 Sh '000 | Change in the year Sh '000 |
|---|---|---|---|
| Cash and bank balances | 6,173 | 17,831 | (11,658) |
| Bank overdrafts (secured) | (119,120) | (121,950) | 2,830 |
| Decrease in cash and cash equivalents | | | (8,828) |

CAR & GENERAL

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 1999 Sh '000 | 1998 Sh '000 |
|---|---|---|
| **19 CONTINGENT LIABILITIES** | | |
| GROUP | | |
| Guarantees in respect of bank facilities - subsidiaries/others | 84,500 | 84,720 |
| Sundry bank guarantees | 2,100 | 2,825 |
| Others | 3,042 | - |
| | 89,642 | 87,545 |
| COMPANY | | |
| Guarantees in respect of both facilities - subsidiaries/others | 76,000 | 84,720 |
| Sundry bank guarantees | 2,100 | 2,825 |
| | 78,100 | 87,545 |

CAR & GENERAL

## Proxy
## Annual General Meeting
## 23 March 2000

I/We

of

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

of

of 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 23rd day of March 2000 at 12 noon or at any adjournment thereof.

Dated this day of 2000

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 22 March 2000.

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.