CAR & GENERAL (KENYA) LIMITED
GROUP

CAR & GENERAL

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

30 September, 2003

CAR & GENERAL

DIRECTORS, OFFICIALS AND OTHER CORPORATE INFORMATION

BOARD OF DIRECTORS

C J Gidoomal - Chairman
V V Gidoomal*
N Ng'ang'a, EBS
Harbans Singh, EBS
E M Grayson
B Kiplagat
P Shah
* British

SECRETARY

P S Bhatia
PO Box 20001
00200 - Nairobi
Kenya

REGISTERED OFFICE

New Cargen House
Lusaka Road
P O Box 20001
00200 - Nairobi

AUDITORS

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

BANKERS

Standard Chartered Bank Kenya Limited
Moi Avenue Branch
P O Box 72585
00200 - Nairobi

Stanbic Bank Kenya Limited
Kenyatta Avenue
P O Box 30550
00100 - Nairobi

Giro Commercial Bank Limited
Banda Street
P O Box 40263
00100 - Nairobi

ADVOCATES

Kabaka & Associates
P O Box 79713
00200 - Nairobi

Archer & Wilcock Advocates
P O Box 10201
00400 - Nairobi

DIRECTORS, OFFICIALS AND OTHER CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 00200 - 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 00200 - Nairobi	Manufacture and sale of brake linings and friction materials.
Car & General (Weldtec) Limited P O Box 20001 00200 - Nairobi	Sale of welding alloys and welding equipment.
Car & General (Tanzania) Limited P O Box 1552 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 P O Box 1552 Dar es Salaam	Sales and service of power equipment, motor cycles, commercial engines, welding alloys, welding equipment and brake linings.
Car & General (Uganda) Limited P O Box 207 Kampala	Sales and service of power equipment, household goods, marine engines, motor cycles, commercial engines and general goods.
Kibo Poultry Products Limited P O Box 742 Moshi	Day old chick farming.
Sovereign Holdings International Limited P O Box 3444 Road Town Tortola British Virgin Islands	Property holding company.
Kamco Engineering Limited P O Box 20001 00200 - Nairobi	Dormant - ceased operations from 8 March 1999.
Cargen Plastics Limited (formerly Plastic Products (Kenya) Limited) P O Box 20001 00200 - Nairobi	Dormant - ceased operations from 31 January 1997.
Car & General (Industries) Limited P O Box 20001 00200 - Nairobi	Dormant - ceased operations from 31 January 1997.
Cargen Insurance Agencies Limited P O Box 20001 00200 - Nairobi	Dormant since incorporation.

NOTICE OF MEETING

Notice is hereby given that the sixty-fourth Annual General Meeting of the shareholders will be held at the company's registered office, New Cargen House, Lusaka Road, Nairobi on Friday, 20 February 2004 at 12 noon for the following purposes:-

Agenda

ORDINARY BUSINESS

1 To confirm the minutes of the sixty-third Annual General Meeting held on 23 March 2003.

2 To receive the financial statements for the year ended 30 September 2003 and the reports of the Directors and Auditors thereon.

3 (a) To re-elect Mr C J. Gidoomal, who retires by rotation and being eligible, offers himself for re-election in accordance with the company's articles of association.

(b) To re-elect Mr Harbans Singh, who retires by rotation and 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, Deloitte & Touche, continue in office under the provisions of Section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

P S Bhatia
Secretary

PO Box 20001
00200 - Nairobi
Kenya

12 January 2004

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 attached which the member should complete and return to the registered office of the Company so as to arrive no later than 12 noon on Thursday 19 February 2004.

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.

CAR & GENERAL

CHAIRMAN'S REPORT

The year to September 2003 proved challenging, as anticipated. Notwithstanding, the Group made reasonable progress. Turnover, at KSh 490 million, grew 12.5% over 2002. The Group generated a profit of KSh 60m of which KSh 42m resulted from trading operations. This represents a significant improvement over the performance in 2002. We are now well positioned to maximise revenues from trading operations and provide the desired level of shareholder return.

During the financial year we made significant progress in terms of reducing our borrowings through non-core asset disposals and loan repayments through operating cash flow. Our total debt now stands below KSh 50m, which represents realistic working capital financing. We are in a better position to seize any growth opportunities as and when they arise.

In terms of increasing our product range, we have already launched several new product lines including Cummins diesel generators, Piaggio three wheelers, Fiat cars and a C&G financing scheme for our own products. We expect these to contribute to profitability during the current financial year. We have identified several additional product lines that we will be launching, on a marginal cost basis, in the next few months. This will increase output from existing operations and hopefully generate higher profitability.

The critical success factors for the current financial year are as follows:

- To grow market share in our existing core product lines such that we achieve market leadership (either No 1 or No 2). Whereas we have made progress in this area, there remains an opportunity for further growth.
- Maximising output from existing operations through marginal product additions and acquisitions. Our existing structure has surplus capacity, utilization of which will allow us to increase our contribution without significantly increasing our cost. This presents scope to increase profitability geometrically.
- Developing, retaining and promoting our brightest stars. We have launched a human resource development program, which has hitherto proved extremely successful in increasing productivity. We must develop this to full potential in order to effectively handle our growth initiatives.

We have already implemented initiatives relating to these critical success factors. We look forward to seeing the impact on profitability in the coming months. Once output from existing structures is maximised, we can then seek opportunities further afield.

I now comment more specifically on each subsidiary below:

Car & General (Trading) Ltd – Kenya

Our small engine business, in terms of power products, two-wheelers and three-wheelers, performed well. Our market share grew across all product lines such that turnover increased 15% over the previous year. There is scope for further growth and we look forward to another positive year.

During the year we launched Piaggio three-wheelers and a financing scheme for our small engine business. Initial market response has been positive and we view both these products as good growth opportunities.

Car & General (Automotive) Ltd

During the year, we ceased our manufacturing operations to coincide with the expiration of our licence from Ferodo to manufacture. This inevitably led to exceptional costs in terms of redundancy payments and stock write offs. Notwithstanding, operational performance was positive with the import substitutes growing significantly in terms of market share. We anticipate a more positive year. A major cause for concern is the continued strength of the Rand, which is creating upward pressure on pricing.

CHAIRMAN'S REPORT (continued)

AutoItalia

In July we launched Fiat to complement our Alfa Romeo product line. The response was positive although it will take time to re-establish confidence in the brand. Once again, our major concern is the strength of the Rand, which has driven pricing to uncompetitive levels. We are working closely with Fiat on this issue.

C&G Engineering

During the course of the year we launched the Cummins agency to complement our compressor and engineering products. This represents a significant growth opportunity in the coming year. We expect this division to return a satisfactory profit.

Head Office

The operation continues to earn rent and provide services to all divisions.

Car & General (Uganda) Ltd

The operation is performing satisfactorily and should generate a satisfactory return this year.

Car & General (Trading) Ltd - Tanzania

The operation is performing satisfactorily and should generate a satisfactory return this year.

Kibo

The operation is on track and will generate a satisfactory return this year. Our future in this business remains undecided.

The Future

Our consolidation has improved the Group's performance. We achieved our objective of generating a 15% return on shareholder funds. Our objective this year is to increase profitability on trading operations. We are on the right track and if we achieve our market share objectives we will achieve the desired result.

Your company is proposing a dividend of KSh 15m for the financial year to 30 September 2003. This represents KSh 0.67 per share.

Our PE ratio is under 4. We hope to generate growth on both these parameters in the coming years in order to deliver a satisfactory shareholder return.

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 to further progress of the Group.

CJ Gidoomal
CHAIRMAN

CORPORATE GOVERNANCE

The Company's Board of Directors is responsible for the governance of the company and is accountable to the shareholders for ensuring that the company complies with the law, the highest standards of corporate governance and business ethics. The directors attach great importance to the need to conduct the business and operations of the Company and the group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of directors

The full Board meets at least five times a year. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the Company's overall internal control of financial, operational and compliance issues.

Five out of the seven members of the Board are non-executive including the Chairman of the Board, and all other than the Group Managing Director are subject to periodic reappointment in accordance with the Company's Articles of Association.

Committees of the Board

The Company has two standing committees that meet regularly under the terms of reference set by the Board.

Audit Committee

The Board has constituted an audit committee that meets four times a year or as necessary. Its responsibilities include review of financial information, budgets, development plans, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and overseeing internal control systems. Two non-executive directors and the Group Finance Director attend all meetings of the committee. Internal and external auditors and other executives attend as required.

Recruitment and Remuneration Committee

The recruitment and remuneration committee meets twice a year or as required. The committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non-executive directors. The Chairman and the Group Managing Director attend all the meetings of the committee.

CORPORATE GOVERNANCE (continued)

Internal controls

The group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and reviews the activities of the group.

A comprehensive management accounting system is in place providing financial and operational performance indicators. Monthly management meetings are held by the executive management to monitor performance and to agree on measures for improvement.

Top ten shareholders

		2003 No of shares	2002 No of shares
1	Fincom Limited	7,240,789	7,063,887
2	Primaco Limited	4,247,586	4,247,586
3	Betrin Limited	3,834,122	3,834,122
4	Monyaka Investments Limited	2,787,285	2,787,285
5	Gambit Holdings Limited	722,510	722,510
6	Mr CJ Gidoomal	245,677	245,677
7	Mr WB Singh	175,998	175,998
8	Mr KD Kyuli	168,960	168,960
9	Lerematesho Limited	149,200	149,200
10	Mr DG Bellhouse	140,798	140,798

Directors' shareholdings

Mr CJ Gidoomal	245,677	245,677
Mr VV Gidoomal	880	880
Mr N Ng'ang'a	3,027	3,027
Mr EM Grayson	880	880
Mr B Kiplagat	880	880
Mr Harbans Singh	880	880
Mr P Shah	800	800

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited group financial statements for the year ended 30 September 2003.

ACTIVITIES

The company acts as a holding company and derives its revenue from interest, management fees and rental income. The activities of the subsidiary companies are detailed on page 3.

GROUP RESULTS

An analysis of the consolidated results for the year attributable to the shareholders of Car & General (Kenya) Limited are as follows:

		2003 Sh'000	2002 (restated) Sh'000
Kenya:	Parent company	12,825	26,735
	Manufacturing	37,297	1,450
	Trading	13,115	(498)
	Engineering	(8,955)	(5,580)
		54,282	22,107
Uganda:	Trading	(56)	1,634
Tanzania:	Trading	4,604	(8,433)
	Poultry	2,657	3,724
		7,261	(4,709)
Group profit before taxation		61,487	19,032
Taxation		(1,150)	(12,635)
Minority interest		342	12
Net profit for the year		60,679	6,409

DIVIDEND

The directors propose payment of a first and final dividend of KShs 15,000,000 in respect of the year.

DIRECTORS

The present board of directors is shown on page 2. Mr C J Gidoomal and Mr Harbans Singh retire by rotation in accordance with Articles of Association and, being eligible, offer themselves for re-election.

AUDITORS

Gill & Johnson and Deloitte & Touche are operating names of the same practice. At the request of the Auditors and the approval of the Directors, the audit report for the financial year ended 30 September 2003 has been signed using the name Deloitte & Touche. Deloitte & Touche, having expressed their willingness, continue in office in accordance with Section 159(2) of the Companies Act.

Secretary
12 January 2004

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 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 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 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 the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

V. V. Gidoomal
Director

E. M. Grayson
Director

12 January 2004

Certified Public Accountants (Kenya)
"Kirungii",
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P. O. Box 40092
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Kenya

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Deloitte & Touche

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

We have audited the financial statements on pages 12 to 38, for the year ended 30 September 2003 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 10, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;

(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2003 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 Kenya Companies Act.

12 January 2004

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Note	2003 Sh'000	2002 (restated) Sh'000
Turnover		489,308	436,741
Cost of sales		(307,925)	(270,227)
Gross profit		181,383	166,514
Other operating income	3	40,504	20,572
Selling and distribution costs		(58,752)	(62,471)
Administrative expenses		(77,299)	(68,778)
Exceptional items	4	(13,126)	(6,356)
Operating profit	5	72,710	49,481
Finance costs - net	7	(11,223)	(30,449)
Profit before taxation		61,487	19,032
Taxation charge	8	(1,150)	(12,635)
Profit before minority interest	9	60,337	6,397
Minority interest	10	342	12
Net profit for the year		60,679	6,409
		Sh	Sh
Earnings per share - Basic and diluted	11	2.72	0.29
Dividend per share	12	0.67	-

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2003

	Note	2003 Sh '000	2002 (Restated) Sh '000
ASSETS			
Non-current assets			
Property, plant and equipment	13	200,661	205,098
Operating lease prepayments	15	18,848	19,788
Intangible assets	17	580	775
Investment properties	18	84,767	113,235
		304,856	338,896
Current assets			
Inventories	21	145,110	117,991
Trade and other receivables	22	92,858	112,126
Taxation recoverable		4,105	2,964
Cash and bank balances		14,318	6,470
		256,391	239,551
Total assets		561,247	578,447
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	111,398	111,398
Revaluation reserve		97,605	105,481
Revenue Reserve		130,813	81,735
Proposed dividend		15,000	-
Shareholders' funds		354,816	298,614
Minority interest	10	(1,380)	(1,038)
Non-current liabilities			
Hire purchase obligations		-	44
Deferred taxation	25	9,833	6,083
Borrowings	26	14,141	23,198
		23,974	29,325
Current liabilities			
Borrowings	26	46,807	111,735
Trade and other payables	27	137,030	139,289
Hire purchase obligations		-	522
		183,837	251,546
Total equity and liabilities		561,247	578,447

The financial statements on pages 12 to 38 were approved by the board of directors on 12 January 2004 and were signed on its behalf by:

V. V. Gidoomal
Director

E. M. Grayson
Director

CAR & GENERAL

COMPANY BALANCE SHEET
30 SEPTEMBER 2003

	Note	2003 Sh'000	2002 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	109,287	115,953
Operating lease prepayments	16	2,213	1,244
Intangible assets	17	580	775
Investment properties	19	84,767	105,222
Investment in subsidiaries	20	27,427	27,427
		224,274	250,621
Current assets			
Trade and other receivables	22	12,896	12,084
Due from group companies	23	208,758	181,365
Taxation recoverable		989	855
Cash and bank balances		190	128
		222,833	194,432
Total assets		447,107	445,053
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	111,398	111,398
Revaluation reserve		38,923	41,662
Revenue reserve		111,500	85,975
Proposed dividend		15,000	-
Shareholders' funds		276,821	239,035
Non-current liabilities			
Deferred taxation	25	30,633	41,189
Borrowings	26	7,835	11,868
		38,468	53,057
Current liabilities			
Borrowings	26	17,561	24,392
Trade and other payables	27	20,354	23,674
Due to group companies	23	93,903	104,895
		131,818	152,961
Total equity and liabilities		447,107	445,053

The financial statements on pages 12 to 38 were approved by the board of directors on 12 January 2004 and were signed on its behalf by:

V. V. Gidoomal
Director

E. M. Grayson
Director

CAR & GENERAL

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Share Capital Sh '000	Revaluation reserve Sh '000	Revenue reserve Sh '000	Proposed dividend Sh '000	Total Sh '000
At 1 October 2001(as previously reported)	111,398	119,392	82,989	-	313,779
Prior year adjustments:					
- accumulated depreciation on buildings (1)	-	-	(10,215)	-	(10,215)
- transfer of excess depreciation (1)	-	(10,215)	10,215	-	-
- deferred tax on depreciation transfer (1)	-	3,065	(3,065)	-	-
- deferred taxation on revaluation surplus (2)	-	-	(2,905)	-	(2,905)
- accumulated amortisation of leasehold land (3)	-	-	(2,354)	-	(2,354)
- reversal of revaluation surplus on leasehold land (3)	-	(3,567)	-	-	(3,567)
- amortisation overprovision (3)	-	-	6	-	6
As restated	111,398	108,675	74,671	-	294,744
Transfer of excess depreciation	-	(2,911)	2,911	-	-
Deferred tax on depreciation transfer	-	654	(382)	-	272
Currency translation differences	-	(937)	(1,874)	-	(2,811)
Net profit for the year	-	-	6,409	-	6,409
At 30 September 2002	111,398	105,481	81,735	-	298,614
At 1 October 2002 (as previously reported)	111,398	116,597	90,073	-	318,068
Prior year adjustments:					
- accumulated depreciation on buildings (1)	-	-	(10,894)	-	(10,894)
- transfer of excess depreciation (1)	-	(10,894)	10,894	-	-
- deferred tax on depreciation transfer (1)	-	3,268	(3,268)	-	-
- deferred taxation on revaluation surplus (2)	-	-	(2,569)	-	(2,569)
- accumulated amortisation of leasehold land (3)	-	-	(2,510)	-	(2,510)
- reversal of revaluation surplus on leasehold land (3)	-	(3,490)	-	-	(3,490)
- amortisation overprovision (3)	-	-	9	-	9
As restated	111,398	105,481	81,735	-	298,614
Transfer of excess depreciation	-	(2,578)	2,578	-	-
Deferred tax on depreciation transfer	-	557	(557)	-	-
Revaluation surplus realised on property disposal	-	(2,016)	2,016	-	-
Currency translation differences	-	(3,839)	(638)	-	(4,477)
Net profit for the year	-	-	60,679	-	60,679
Proposed dividend - 2003	-	-	(15,000)	15,000	-
At 30 September 2003	111,398	97,605	130,813	15,000	354,816

The prior period adjustments relate to:

(1) Recognition of prior years depreciation on buildings and transfer of excess depreciation thereon from revenue to revaluation reserve in line with International Accounting Standard No. 16 on Property, plant and equipment.

(2) Recognition of deferred tax on revaluation surplus on buildings to ensure compliance with International Accounting Standard No. 12, Income taxes.

(3) Reclassification of the cost of leasehold land to prepaid operating leases, reversal of revaluation surplus thereon and amortisation based on historical cost, to ensure compliance with International Accounting Standard No. 17 on Leases.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Share Capital Sh '000	Revaluation reserve Sh '000	Revenue reserve Sh '000	Proposed dividend Sh '000	Total Sh '000
At 1 October 2001	111,398	42,554	92,890	-	246,842
Transfer of excess depreciation	-	(1,274)	1,274	-	-
Deferred tax on depreciation transfer	-	382	(382)	-	-
Net loss for the year	-	-	(7,807)	-	(7,807)
At 30 September 2002	111,398	41,662	85,975	-	239,035
At 1 October 2002	111,398	41,662	85,975	-	239,035
Transfer of excess depreciation	-	(1,033)	1,033	-	-
Deferred tax on depreciation transfer	-	310	(310)	-	-
Revaluation surplus realised on property disposal	-	(2,016)	2,016	-	-
Net profit for the year	-	-	37,786	-	37,786
Proposed dividend	-	-	(15,000)	15,000	-
At 30 September 2003	111,398	38,923	111,500	15,000	276,821

CAR & GENERAL

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Note	2003 Sh'000	2002 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	28 (a)	40,082	45,504
Interest paid		(15,777)	(30,338)
Tax paid		(1,141)	(793)
Net cash generated from operating activities		23,164	14,373
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,014)	(6,457)
Purchase of intangible assets		-	(48)
Proceeds on disposal of operating lease prepayments, property, plant and equipment		9,339	10,421
Proceeds on disposal of investment property		53,910	-
Net cash generated from investing activities		59,235	3,916
FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	17,000
Payments of long-term borrowings		(19,528)	(31,489)
Hire purchase repayments		(566)	(1,431)
Net cash used in financing activities		(20,094)	(15,920)
Increase in cash and cash equivalents		62,305	2,369
Cash and cash equivalents at 1 October		(89,840)	(92,209)
Cash and cash equivalents at 30 September	28 (b)	(27,535)	(89,840)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted have not changed from the previous year and are set out below:

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain properties.

CONSOLIDATION

Subsidiary undertakings, 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 no longer consolidated as from the date of disposal. All inter company transactions, balances and unrealised surpluses and deficits on transactions with the subsidiary companies have been eliminated.

The income statements of subsidiaries are translated at average exchange rates for the year and balance sheets at year end rates. The resulting differences from translation are dealt with in reserves.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries whose financial year ends on 30 September.

The subsidiaries which have been consolidated are set out in note 20.

TURNOVER

Sales are recognised upon delivery of products to customers and performance of services, and are stated net of VAT and discounts.

Rental income is recognised when it falls due.

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.

PROPERTY, PLANT AND EQUIPMENT

Property and equipment are stated at cost or valuation less depreciation.

DEPRECIATION

Freehold land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

DEPRECIATION (continued)

Depreciation on other property, plant and equipment is provided using the reducing balance method at the following annual rates:

Buildings	2%
Plant and machinery	12.5% - 20%
Office equipment	12.5% - 30%
Motor vehicles	25%

The depreciation charge to the income statement is based on the carrying amounts of the property, plant and equipment. The excess of this charge over that based on the historical cost of the property and equipment is released each year from the revaluation reserves to retained earnings.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

IMPAIRMENT

At each balance sheet date, the group reviews the carrying amount 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.

LEASEHOLD LAND

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

LEASES

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

All other leases are classified as operating leases.

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

INVESTMENT PROPERTIES

Investment properties are carried at fair value. This is defined by International Accounting Standard No. 40 as the most probable price reasonably obtainable in the market at the balance sheet date. Surplus or deficit arising from revaluation is dealt with in the income statement.

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.

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 reducing balance basis at a rate of 20% p.a.

INVENTORIES

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 inventories are stated at net realisable value if lower than cost. Livestock is valued at directors' valuation.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

EMPLOYEE ENTITLEMENTS

Employee entitlements to annual leave and gratuity are recognised when they accrue to employees. A provision is made for the estimated liability for the entitlements as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

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 the tax legislation.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantially enacted are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

RETIREMENT BENEFITS OBLIGATIONS

The group operates a defined contribution pension scheme for its eligible employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by payments from both the employees and the company.

The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute.

The company's obligations to retirement benefit schemes are recognised in the income statement as they fall due.

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, comparatives figures have been adjusted to conform with changes in presentation in the current year. In particular, comparative figures have been adjusted for change in presentation to ensure compliance with International Accounting Standards No. 16, Property, plant and equipment and No. 17, Leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 SEGMENTAL INFORMATION

(a) Primary reporting format - Business segments

	Sales and service of motor vehicles Sh '000	Trade and workshop items Sh '000	Rental income Sh '000	Poultry Sales Sh '000	Group Sh '000
2003					
Turnover	14,072	378,690	50,164	46,377	489,308
Operating profit/(loss)	(8,922)	52,776	25,361	3,495	72,710
Segment assets	19,581	253,223	275,834	12,609	561,247
Segment liabilities	7,004	223,206	(32,786)	10,387	207,811
Depreciation/amortisation	224	6,082	4,478	260	11,044
Capital expenditure	-	3,018	707	289	4,014
2002					
Turnover	21,867	316,737	56,020	42,117	436,741
Operating profit/(loss)	(9,649)	34,995	18,954	5,181	49,481
Segment assets	17,011	219,010	328,328	14,098	578,447
Segment liabilities	15,905	229,062	24,763	11,141	280,871
Depreciation/amortisation	301	6,334	5,401	245	12,281
Capital expenditure	192	3,019	2,431	815	6,457

(b) Secondary reporting - Geographical segments

The group's revenues are derived from sales in the following markets:

	2003 Sh'000	2002 Sh'000
Kenya	316,123	306,030
Uganda	47,706	41,445
Tanzania	125,479	89,266
	489,308	436,741

3 OTHER OPERATING INCOME

	2003 Sh'000	2002 Sh'000
Profit on disposal of property, prepaid operating rentals, plant and equipment	5,267	389
Profit on disposal of investment properties	29,901	-
Sundry income	5,336	20,183
	40,504	20,572

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2003 Sh'000	2002 Sh'000
4 EXCEPTIONAL ITEMS		
Redundancy costs	12,425	6,356
Assets written off	701	-
	13,126	6,356

5 OPERATING PROFIT

The operating profit is arrived at after charging:

		2003 Sh'000	2002 Sh'000
Depreciation	- property, plant and equipment	10,655	11,002
Amortisation	- operating lease prepayments	235	21
	- intangible assets	154	193
Impairment loss on investment properties		2,430	3,045
Staff costs (Note 6)		53,437	67,548
Directors' remuneration	- fees	265	291
	- management	9,400	3,668
Auditors' remuneration	- current year	1,873	1,780
	- prior year underprovision	50	-
And after crediting:			
Profit on disposal of property, plant and equipment		35,168	389

6 STAFF COSTS

	2003 Sh'000	2002 Sh'000
Salaries and wages	51,633	65,956
Retirement benefit costs:		
- Defined contribution scheme	783	926
- National Social Security Fund	1,021	666
	53,437	67,548

	No.	No.
The number of persons employed by the Group at the year end was:	202	243

	2003 Sh '000	2002 Sh '000
7 FINANCE COSTS - NET		
Interest payable	15,777	30,338
Net exchange (gains)/ losses	(4,554)	111
	11,223	30,449

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION CHARGE

	2003 Sh '000	2002 Sh '000
Current tax	-	(512)
Deferred tax (note 25)	1,150	13,147
Taxation charge	1,150	12,635

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2003 Sh '000	2002 Sh '000
Group profit before taxation	61,487	19,032
Tax calculated at a tax rate of 30%	18,446	5,710
Tax effect of:		
Expenses not deductible for tax purposes	1,670	10,816
Income not taxable	(15,750)	(3,891)
Prior year deferred tax credit not recognised	(3,856)	-
Current year deferred tax credit not recognised	640	-
Taxation charge	1,150	12,635

9 PROFIT AFTER TAXATION

A profit of Sh 37,786,000 (2002 – loss Sh 7,807,000) has been dealt with in the financial statements of Car & General (Kenya) Limited.

10 MINORITY INTEREST

	2003 Sh '000	2002 Sh '000
At 1 October	1,038	1,026
Share of loss for the year	342	12
At 30 September	1,380	1,038

11 EARNINGS PER SHARE

Earnings per share is calculated on the net profit for the year attributable to ordinary shareholders of Sh 60,679,000 (2002 – Sh 6,409,000) divided by the number of ordinary shares in issue during the year of 22,279,616 (2002 – 22,279,616).

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

12 DIVIDEND PER SHARE

A first and final dividend is proposed in respect of 2003 of Sh 15,000,000 (2002 – Nil). The dividend per share of Sh 0.67 is calculated by dividing the final dividend by the number of ordinary shares in issue during the year of 22,279,616.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Freehold Land and Buildings Sh '000	Plant and Equipment Sh '000	Total Sh '000
COST OR VALUATION			
At 1 October 2002 (as previously reported)	227,647	96,699	324,346
Prior year adjustment:			
- reclassified to operating lease prepayments (note 15)	(24,663)	-	(24,663)
As restated	202,984	96,699	299,683
Exchange rate adjustments	6,297	(1,155)	5,142
Additions	-	4,014	4,014
Disposals	(3,901)	(7,265)	(11,166)
Write offs	-	(2,100)	(2,100)
At 30 September 2003	205,380	90,193	295,573
COMPRISING:			
At valuation 2000	35,832	-	35,832
At valuation 1998	3,856	-	3,856
At valuation 1994	10,241	-	10,241
At valuation 1992	74,669	-	74,669
At valuation 1991	10,148	-	10,148
At cost	70,634	90,193	160,827
	205,380	90,193	295,573
DEPRECIATION			
At 1 October 2002 (as previously reported)	21,033	62,830	83,863
Prior year adjustments:			
- accumulated depreciation of buildings	10,894	-	10,894
- reclassified to operating lease prepayments (note 15)	(172)	-	(172)
As restated	31,755	62,830	94,585
Exchange rate adjustments	(1,053)	(714)	(1,767)
Charge for the year	3,942	6,713	10,655
Eliminated on disposals	(871)	(6,248)	(7,119)
Eliminated on write offs	-	(1,442)	(1,442)
At 30 September 2003	33,773	61,139	94,912
NET BOOK VALUE			
At 30 September 2003	171,607	29,054	200,661
At 30 September 2002 (as restated)	171,229	33,869	205,098

Prior year adjustments relate to the reclassification of the cost of land to operating lease prepayments and recognition of prior years' depreciation charge on buildings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT - GROUP (continued)

	Freehold Land and Buildings Sh '000	Plant and Equipment Sh '000	Total Sh '000
NET BOOK VALUE (COST BASIS)			
At 30 September 2003	47,723	29,054	76,777
At 30 September 2002 (as restated)	49,263	33,869	83,132

Freehold land and buildings are included at valuation, carried out by external professional valuers. The basis of valuation was mortgage values.

ANALYSIS OF PROPERTIES AT COST OR VALUATION:

	2003 Sh '000	2002 Sh '000
Freehold	130	130
Leasehold over 50 years unexpired	47,013	47,321
Leasehold under 50 years unexpired	158,237	155,533
	205,380	202,984

The exchange rate adjustments arise as a result of the translation of Car & General (Uganda) Limited, Car & General (Tanzania) Limited, Car & General (Trading) Limited - Tanzania, Kibo Poultry Products Limited, and Sovereign Holdings International Limited's property, plant and equipment opening balances.

The rates of exchange applied at 30 September were as follows:

	2003 Sh	2002 Sh
1 Tanzania shilling	0.0748	0.0813
1 Uganda shilling	0.0395	0.0436
1 US dollar	78.4000	79.0500

Included in plant and equipment as at 30 September 2003 are idle assets with an original cost of Sh 14,717,752 (2002 - Sh 4,586,318) and accumulated depreciation of Sh 13,296,428 (2002 - Sh 1,204,876).

Included in plant and equipment as at 30 September 2003 are fully depreciated assets with an original cost of Sh 87,757 (2002 - Sh 75,483). The notional depreciation on these assets is Sh 10,970 (2002 - Sh 9,435).

The group has pledged assets with net book value of Sh 200,380,000 (2002 - Sh 211,007,000) to secure borrowings granted to it.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Freehold Land and Buildings Sh '000	Plant and Equipment Sh'000	Total Sh '000
COST OR VALUATION			
At 1 October 2002	126,740	20,375	147,115
Additions	-	707	707
Disposals	(3,901)	-	(3,901)
Write offs	-	(2,100)	(2,100)
At 30 September 2003	122,839	18,982	141,821
COMPRISING:			
At valuation 1992	53,938	-	53,938
At cost	68,901	18,982	87,883
	122,839	18,982	141,821
DEPRECIATION			
At 1 October 2002	19,105	12,057	31,162
Charge for the year	2,290	1,395	3,685
Eliminated on - disposals	(871)	-	(871)
- write offs	-	(1,442)	(1,442)
At 30 September 2003	20,524	12,010	32,534
NET BOOK VALUE			
At 30 September 2003	102,315	6,972	109,287
At 30 September 2002	107,635	8,318	115,953
NET BOOK VALUE (COST BASIS)			
At 30 September 2003	63,283	6,972	70,255
At 30 September 2002	64,540	8,318	72,858

The company has pledged assets with net book value of Sh 114,498,000 (2002 – Sh 119,741,000) to secure borrowings granted to it.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - COMPANY (continued)

ANALYSIS OF PROPERTIES AT COST OR VALUATION:

	2003 Sh '000	2002 Sh '000
Freehold	130	130
Leasehold over 50 years unexpired	3,404	7,305
Leasehold under 50 years unexpired	119,305	119,305
	122,839	126,740

Freehold land and buildings are carried at a valuation carried out by external professional valuers. The basis of valuation was mortgage values.

15 OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000
COST	
At 1 October 2002 (as previously reported)	1,678
Prior year adjustments:	
- reclassified from property, plant and equipment (note 13)	24,663
- reversal of revaluation surplus on leasehold land	(3,636)
As restated	22,705
Exchange rate adjustments	(1,951)
Reclassified from investment properties (note 18)	2,029
Reversal of fair value adjustment	(529)
Disposal	(50)
At 30 September 2003	22,204
AMORTISATION	
At 1 October 2002 (as previously reported)	389
Prior year adjustments:	
- accumulated amortisation in prior years	2,510
- reclassified from property, plant and equipment (note 13)	172
- adjustment for amortisation overprovision	(8)
- reversal of revaluation surplus on leasehold land	(146)
As restated	2,917
Exchange rate adjustments	(236)
Prior years amortisation	465
Amortisation for the year	235
Eliminated on disposal	(25)
At 30 September 2003	3,356
NET BOOK VALUE	
At 30 September 2003	18,848
At 30 September 2002 (as restated)	19,788

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 OPERATING LEASE PREPAYMENTS - COMPANY

	Sh'000
COST	
At 1 October 2002	1,620
Reclassified from investment properties (note 19)	2,029
Reversal of fair value adjustment	(529)
Disposal	(50)
At 30 September 2003	3,070
AMORTISATION	
At 1 October 2002	376
Prior years amortisation	465
Amortisation for the year	42
Eliminated on disposal	(26)
At 30 September 2003	857
NET BOOK VALUE	
At 30 September 2003	2,213
At 30 September 2002	1,244

17 INTANGIBLE ASSETS - GROUP AND COMPANY

	Sh '000
COST	
At 1 October 2002	2,315
Write offs	(160)
At 30 September 2003	2,155
DEPRECIATION	
At 1 October 2002	1,540
Charge for the year	154
Eliminated on write offs	(119)
At 30 September 2003	1,575
NET BOOK VALUE	
At 30 September 2003	580
At 30 September 2002	775

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVESTMENT PROPERTIES - GROUP

	Sh '000
At 1 October 2002	113,235
Leasehold land reclassified to operating lease prepayments (note 15)	(2,029)
Disposals	(24,009)
Write down to fair value	(2,430)
At 30 September 2003	84,767

Investment properties comprise residential and commercial properties held for long-term rental yields and not occupied by the group.

In the directors' opinion, the book value of the investment properties at 30 September 2003 is not materially different from their fair values.

Cost of leasehold land has been reclassified to operating lease prepayments and related fair value adjustment reversed in accordance with International Accounting Standard No.17 Leases (note 16).

ANALYSIS OF INVESTMENT PROPERTIES AT VALUATION:

	2003 Sh '000	2002 Sh '000
Freehold	6,080	6,240
Leasehold over 50 years unexpired	27,040	52,395
Leasehold under 50 years unexpired	51,647	54,600
	84,767	113,235

19 INVESTMENT PROPERTIES - COMPANY

	Sh '000
At 1 October 2002	105,222
Leasehold land reclassified to operating lease prepayments (note 16)	(2,029)
Disposals	(16,120)
Write down to fair value	(2,306)
At 30 September 2003	84,767

Investment properties comprise residential and commercial properties held for long-term rental yields and not occupied by the company.

In the directors' opinion, the book value of the investment properties at 30 September 2003 is not materially different from their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT PROPERTIES - COMPANY (continued)

ANALYSIS OF INVESTMENT PROPERTIES AT VALUATION:

	2003 Sh '000	2002 Sh '000
Freehold	6,080	6,240
Leasehold over 50 years unexpired	27,040	44,382
Leasehold under 50 years unexpired	51,647	54,600
	84,767	105,222

20 INVESTMENT IN SUBSIDIARIES

	Holding	2003 Sh '000	2002 Sh '000
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	100%	15,072	15,072
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
Cargen Plastics Limited 157,757 shares of Ksh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 1,000 shares of Ksh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of Ksh 20 each at cost less amounts written off	100%	1,098	1,098
Car & General (Trading) Limited - Kenya 2,000 shares of Ksh 20 each at cost	100%	40	40
Car & General (Weldtec) Limited 25,000 shares of Ksh 20 each at cost	100%	500	500
Cargen Insurance Agencies 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	90
Sovereign Holdings International Limited 1 share of US$ 1 each	100%	-	-
		27,427	27,427

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INVENTORIES

	2003 Sh '000	2002 Sh '000
Raw materials, spares and consumables	33,353	29,250
Work in progress	2,748	2,732
Finished products	38,528	38,926
Goods in transit and in bond	63,843	39,804
Livestock	6,638	7,279
	145,110	117,991

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003 Sh '000	2002 Sh '000	2003 Sh '000	2002 Sh '000
Trade receivables	66,890	69,027	9,927	9,336
Due from directors	998	904	998	904
Other receivables	24,970	42,195	1,971	1,844
	92,858	112,126	12,896	12,084

23 GROUP COMPANIES

	2003 Sh '000	2002 Sh '000
Due from Group Companies:		
Car & General (Tanzania) Limited	1,371	1,371
Car & General (Trading) Limited - Tanzania	1,198	550
Kamco Engineering Limited	7,320	7,058
Cargen Plastics Limited	8,346	8,345
Car & General (Automotive) Limited	19,467	51,707
Car & General (Trading) Limited - Kenya	102,803	40,045
Car & General (Weldtec) Limited	46,183	21,795
Kibo Poultry Products Limited	14,061	14,801
Sovereign Holdings International Limited	8,009	35,693
	208,758	181,365

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 GROUP COMPANIES (continued)

	2003 Sh '000	2002 Sh '000
Due to Group Companies:		
Car & General (Uganda) Limited	88,788	99,563
Car & General (Industries) Limited	5,115	5,332
	93,903	104,895

24 SHARE CAPITAL

	2003 Sh '000	2002 Sh '000
Authorised 23,000,000 ordinary shares of Sh 5 each	115,000	115,000
Issued and fully paid 22,279,616 ordinary shares of Sh 5 each	111,398	111,398

25 DEFERRED TAX

Deferred tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

GROUP	2003 Sh '000	2002 Sh '000
At 1 October		
As previously stated	3,515	(10,077)
Prior year adjustment	2,568	2,568
As restated	6,083	(7,509)
Exchange difference on translation	2,600	445
Income statement charge (Note 8)	1,150	13,147
At 30 September	9,833	6,083

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAX (continued)

Deferred tax assets and liabilities, deferred tax charge/(credit) in the income statement, and deferred tax charge/(credit) in equity are attributable to the following items:

	2002 Sh '000	Deferred Tax leasehold land Sh '000	2002 (As restated) Sh '000	Charged/ (credited) to Income Statement Sh '000	2003 Sh '000
GROUP					
DEFERRED TAX LIABILITIES					
Accelerated capital allowances	315	-	315	(259)	56
Relating to revaluation surplus	51,272	2,568	53,840	(4,987)	48,853
	51,587	2,568	54,155	(5,246)	48,909
DEFERRED TAX ASSETS					
Tax losses carried forward	(48,802)	-	(48,802)	8,221	(40,581)
Other temporary differences	730	-	730	775	1,505
	(48,072)	-	(48,072)	8,996	(39,076)
Net deferred tax liability	3,515	2,568	6,083	3,750	9,833
COMPANY					
DEFERRED TAX LIABILITIES					
Relating to revaluation surplus	40,962	-	40,962	(6,525)	34,437
Unrealised exchange differences	647	-	647	2,149	2,796
	41,609	-	41,609	(4,376)	37,233
DEFERRED TAX ASSETS					
Tax losses carried forward	(269)	-	(269)	(5,305)	(5,574)
Accelerated capital allowances	(151)	-	(151)	(111)	(262)
Leave pay provision	-	-	-	(764)	(764)
	(420)	-	(420)	(6,180)	(6,600)
Net deferred tax liability	41,189	-	41,189	(10,556)	30,633

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS

GROUP	2003 Sh '000	2002 Sh '000
Loans:		
Giro Commercial Bank Limited Secured, interest at 16% p.a. (2002 - 20%)	2,581	9,667
Standard Chartered Bank Kenya Limited Secured, interest at 11.75% (2002 - 19%) p.a.	10,208	14,292
Stanbic Bank Kenya Ltd Secured, interest at 18% p.a.	-	6,111
Others - unsecured	6,306	8,553
	19,095	38,623
Bank overdrafts (secured)	41,853	96,310
	60,948	134,933
Current	(46,807)	(111,735)
Non-current	14,141	23,198

COMPANY	2003 Sh '000	2002 Sh '000
Loans:		
Giro Commercial Bank Limited Secured, interest at 16% p.a. (2002 - 20%)	2,254	7,368
Standard Chartered Bank Kenya Limited Secured, interest at 11.75% (2002 -19% p.a.)	10,208	14,292
	12,462	21,660
Bank overdrafts (secured)	12,934	14,600
	25,396	36,320
Current	(17,561)	(24,392)
Non-current	7,835	11,868

Details of security for group loans and overdrafts

The Standard Chartered Bank Kenya Ltd loans and overdrafts are secured by collateral legal charge over land and buildings and a debenture over all assets for Sh 113,000,000, ranking pari-passu with Stanbic Bank Kenya Ltd.

The Stanbic Bank Kenya Ltd overdrafts are secured by collateral legal charge over land and buildings and a debenture over all assets for Sh 63,000,000, ranking pari-passu with Standard Chartered Bank Kenya Ltd.

The Giro Commercial Bank Ltd loan and overdraft are secured by legal charge over land and buildings, for Sh 20,000,000.

The National Bank of Commerce (Uganda) Limited bank overdraft is secured by a debenture over inventory and a motor vehicle logbook.

Unsecured loans represent funds injected in the company by one of the shareholders to finance the company operations. These loans have no specific repayment terms and are interest free.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

The weighted average effective interest rates during the year were as follows:

	2003	2002
Bank overdrafts	12.8%	19.0%
Loans	12.6%	19.1%

Maturity of non-current borrowings		
Between 1 and 2 years	4,627	7,645
Between 2 and 5 years	9,514	15,553
	14,141	23,198

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2003 Sh'000	2002 Sh'000	2003 Sh'000	2002 Sh'000
Trade payables	77,116	72,467	1,178	385
Other payables	59,914	66,822	19,176	23,289
	137,030	139,289	20,354	23,674

28 CASH GENERATED FROM OPERATIONS

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

	2003 Sh '000	2002 Sh '000
Operating profit	72,710	49,481
Adjustments for:		
Depreciation on property, plant and equipment	10,655	11,874
Leasehold land amortisation	235	214
Impairment loss on investment properties	2,430	3,045
Intangible assets amortisation	154	193
Profit on disposal of operating lease prepayments, property and equipment	(5,267)	(389)
Profit on disposal of investment properties	(29,901)	-
Equipment written off	658	-
Intangible assets written off	41	-
Reversal of fair value of leasehold land reclassified from investment properties	994	-
Net exchange gain/(losses)	4,554	(111)
Operating profit before working capital changes	57,263	64,307
Increase in inventories	(27,119)	(6,252)
Decrease/(increase) in trade and other receivables	19,268	(434)
Decrease in trade and other payables	(2,259)	(11,380)
Exchange rate adjustments - revenue reserves	(638)	(2,252)
Exchange rate adjustments - other	(6,433)	1,515
Cash generated from operations	40,082	45,504

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 CASH GENERATED FROM OPERATIONS (continued)

(b) Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2003 Sh'000	2002 Sh'000
Cash and bank balances	14,318	6,470
Bank overdrafts	(41,853)	(96,310)
	(27,535)	(89,840)

(c) Analysis of changes in borrowings

	2003 Sh'000	2002 Sh'000
At 1 October	38,623	53,112
Loans received	-	17,000
Repayments	(19,528)	(31,489)
At 30 September	19,095	38,623

29 CONTINGENT LIABILITIES

GROUP	2003 Sh '000	2002 Sh '000
Guarantees in respect of bank facilities for subsidiaries/others	98,960	84,500
Sundry bank guarantees	4,301	2,100
Others guarantees	-	3,042
Pending legal suits	360	1,000
	103,621	90,642
COMPANY		
Guarantees in respect of bank facilities for subsidiaries/others	98,960	76,000
Sundry bank guarantees	4,301	2,100
Pending legal suits	360	1,000
	103,621	79,100

The group is a defendant in various legal suits. In the opinion of the directors, after taking appropriate legal advice, the outcome of such suits are unlikely to result in any significant loss.

30 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

At the balance sheet date, the company had contracted with tenants for the following non-cancellable future minimum lease payments:

	2003 Sh'000	2002 Sh'000
Within one year	52,871	53,957
In the second to fifth year inclusive	201,904	263,409
After five years	1,085	42,339
	255,860	359,705

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 RELATED PARTY TRANSACTIONS - GROUP AND COMPANY

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the year, the following transactions were carried out with a related party, Giro Commercial Bank Limited, which is not a member of Car & General (Kenya) Limited group:

	2003 Sh'000	2002 Sh'000
Borrowings received	-	3000
Borrowings repaid	7,086	3,391
Loan balance at year end	2,581	9,667

32 RISK MANAGEMENT POLICIES

The group's financial risk management objectives and policies are detailed below:

Currency risk
A sizable portion of the group's purchases are denominated in foreign currencies. The group manages the currency risk by maintaining bank accounts in the principal foreign currency from which the payments are made.

Interest rate risk
The interest rate risk exposure arises mainly from interest rate movements on the group's borrowings. To manage the interest rate risk, management has endeavoured to only sign and obtain borrowings from institutions that offer contracts with fixed interest rates. At year end, borrowings with no fixed interest rate were minimal.

Credit risk
In the normal course of its business, the group incurs credit risk from customers. The credit risk is, however, managed through management's constant monitoring of the status of the credit worthiness of its customers. The group has no significant concentration of credit risk, with exposure spread over a large number of customers.

33 FAIR VALUE

Where fair value has not been disclosed, there is no material difference between the fair value and the carrying value of the group's financial assets and liabilities as reported in these financial statements.

34 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

35 CURRENCY

The financial statements are presented in Kenya Shillings Thousands (Sh'000).

CAR & GENERAL (KENYA) LIMITED
GROUP

CAR & GENERAL

Proxy
Annual General Meeting

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 20th day of February 2004 at 12 noon or at any adjournment thereof.

Dated this day of 2004

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 February 2004.

2 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.