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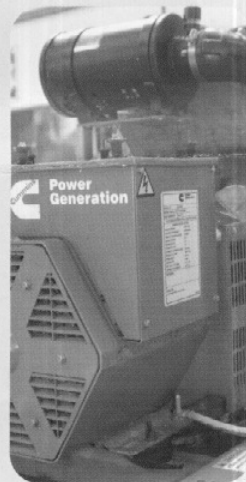
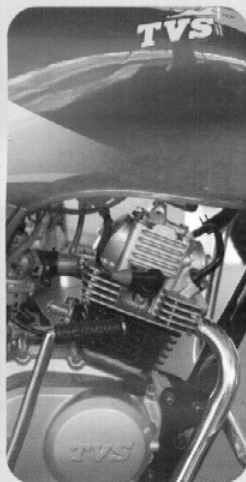
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CAR *and*
GENERAL

The Car & General Group of Companies

Kenya • Uganda • Tanzania



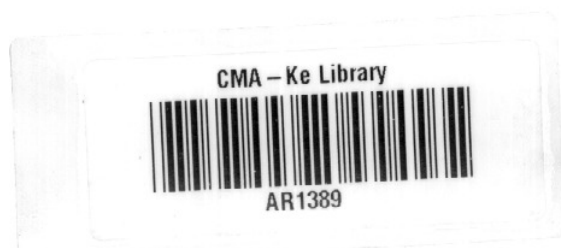
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2008 Annual Report

www.cargen.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS	- Chairman
V V Gidoomal*	- Managing Director
H S Amrit, EBS	
E M Grayson*	
Dr B Kiplagat	
P Shah	
S P Gidoomal	(Appointed 20.08.2008)
M Soundararajan	(Appointed 07.11.2008)
C J Gidoomal	(Resigned 20.08.2008) (alternate S P Gidoomal - ceased 20.08.2008)

* British

SECRETARY

N P Kothari
P O Box 30633 - 00100
Nairobi

REGISTERED OFFICE

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

AUDITORS

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

BANKERS

Kenya
Standard Chartered Bank Kenya
Limited
CFC Stanbic Bank Limited
Giro Commercial Bank Limited

Tanzania
Standard Chartered Bank
Tanzania Limited
Stanbic Bank Tanzania Limited

Uganda
Standard Chartered Bank Limited
National Bank of Commerce

ADVOCATES

Walker Kontos Advocates
Hakika House, Bishops Road
P O Box 60680 - 00200
Nairobi

2009/1389

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES

Car & General (Trading) Limited - Kenya
P O Box 20001
00200 - Nairobi

Car & General (Automotive) Limited
P O Box 20001
00200 - Nairobi

Car & General (Piaggio) Limited
(formerly Car & General (Weldtec) Limited)
P O Box 20001
00200 - Nairobi

Car & General (Tanzania) Limited
P O Box 1552
Dar es Salaam

Car & General (Trading) Limited - Tanzania
P O Box 1552
Dar es Salaam

Car & General (Uganda) Limited
P O Box 207
Kampala

Kibo Poultry Products Limited
P O Box 742
Moshi

Sovereign Holdings International Limited
P O Box 146
Road Town
Tortola
British Virgin Islands

Car & General (Engineering) Limited
(formerly Kamco Engineering Limited)
P O Box 20001
00200 - Nairobi

Car & General (Marine) Limited
(formerly Cargen Plastics Limited)
P O Box 20001
00200 - Nairobi

Car & General (Industries) Limited
P O Box 20001
00200 - Nairobi

Cargen Insurance Agencies Limited
P O Box 20001
00200 - Nairobi

ACTIVITIES

Sales and service of power equipment, household goods, marine engines, motor cycles, motor cars, three-wheeler vehicles, commercial laundry equipment, commercial engines and general goods.

Sale of brake linings and friction materials.

Sale of welding alloys and welding equipment and provision of sales and marketing services related to three-wheeler vehicles.

Sales and marketing services, relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines and related services.

Sales and marketing services relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines welding alloys and brake linings.

Sales and service of power equipment, marine engines, motor cycles, commercial engines and general goods.

Day old chick farming.

Property holding company.

Sales and marketing services relating to the provision of power equipment and related services.

Sales and marketing services relating to the provision of marine engines and related products.

Dormant

Dormant

NOTICE OF MEETING

Notice is hereby given that the sixty-ninth Annual General Meeting of Car & General (Kenya) Limited will be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi on 24 March 2009 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive the Directors' Report and audited financial statements for the year ended 30 September 2008.
2. To declare a final dividend of Sh 15,000,000 (Sh 0.67 per share) to shareholders registered at the close of business on 2 March 2009.
3. To approve Directors' fees.
4. To re-elect Directors:
 - a. Mr S P Gidoomal, who was appointed a Director of the Company with effect from 20th August 2008, and who retires in accordance with the Company's Articles of Association, offers himself for re-election.
 - b. Mr M Soundararajan who was appointed a Director of the Company with effect from 7th November 2008, and who retires in accordance with the Company's Articles of Association, offers himself for re-election.
 - c. Mr P Shah retires by rotation, and being eligible, offers himself for re-election.
 - d. To re-elect Mr N Ng'ang'a as a Director of the Company, a special notice having been received, pursuant to sections 142 and 186(5) of the Companies Act (Cap 486), of the intention to propose the following as an ordinary resolution:

That Mr N Ng'ang'a, who has attained the age of 70 years, be and is hereby re-elected a Director of the Company.
5. To authorise the Directors to fix the remuneration of the auditors, Deloitte & Touche.

SPECIAL BUSINESS

To approve the acquisition of 65% shareholding in Premier Power Products Limited of Coimbatore, India, for a consideration of US Dollars 140,000.

BY ORDER OF THE BOARD

Secretary
27 January 2009
Nairobi

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. A detachable proxy form is at the end of the financial statements.

CHAIRMAN'S REPORT – FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

The year to September 2008 proved challenging, particularly in view of the political crisis in January. Notwithstanding, the Group made reasonable progress. Turnover, at KSh 3 billion, grew 62% over 2007. The Group generated a profit before tax of KSh 322 million, of which KSh 56 million related to a revaluation of investment properties as required by International Accounting Standards. Profits from operations grew by 36%.

The highlights of the financial year were the profitability of our regional businesses both in Kenya and in the rest of East Africa; the growth of our TVS two wheelers in Kenya and Uganda; the growth of all core brands, particularly Cummins; the further streamlining of business in Ethiopia, Djibouti, Eritrea and Seychelles through dealers; and the virtual completion of renovation of our Uganda facilities; the launch of Ingersoll-Rand construction business; the profitability of our Nakuru branch in its first year; better internal communication thereby improving clarity throughout; and a more empowered and customer centric culture.

Areas for improvement continue to be the promotion of our Mariner brand; the sales and marketing of our after sales activity; the overall management of our compressor business; the definition of our Corporate Social Responsibility Program and the improvement in our working capital management.

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

- 1 To continue to improve the overall management of our business to ensure efficiency and clarity at all levels. We must make the transition into a great organization if we are to maximise the significant growth opportunities before us.
- 2 To be more cash positive now that our key investments have been made. This will be particularly important with a more difficult economic environment looming ahead of us.
- 3 Selling higher volumes of all products to counter the effects of an expected drop in margin resulting from exchange rate and competitive pressures.
- 4 To make customers smile through intense activity in every street in every town.
- 5 To focus more on after sales activity to ensure that we service the engines we sell. This will be particularly challenging in the small engine business of motorcycles and Briggs & Stratton Power products.
- 6 To keep our business tidier and avoid unnecessary loose ends which are time consuming and costly.
- 7 To build a regional, balanced business with each product line performing in each region. In this regard we need to improve marketing activity and grow closer to end users.
- 8 To continue to develop and retain our best people to ensure succession planning and sufficient resources for growth.

We have already implemented initiatives relating to these critical success factors. We look forward to seeing the impact on profitability in the coming months.

I now comment more specifically on each subsidiary below:

Car & General (Trading) Limited – 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. The market size of our products continues to grow. We are strongly positioned to take advantage of this growth. Efficiencies in our stocking and our ability to deliver immediately to the customer will be critical to success.

CHAIRMAN'S REPORT – FINANCIAL YEAR ENDED 30 SEPTEMBER 2008 (continued)

This year will be extremely challenging with the expected increase in stronger competition and a decline in margin. We must get closer to our markets and our customers throughout Kenya in order to increase market share and unit sales in order to ensure profitable growth on a sustainable basis. We are confident that the business will continue to grow in real terms.

We have now also launched the Tafe tractor and Piaggio four wheeler. We expect contribution in Q3 and Q4.

Our brake pad business struggled this year. Our launch of a less expensive brake pad has been successful in avoiding further decline. Notwithstanding, this will continue as a small contributor to our business.

Autotalia

We have made little progress in this area. We continue to service customers to whom we have sold Alfa Romeo vehicles. Due to focus on other business areas, we have been reluctant to relaunch the Alfa Romeo brand and are unlikely to do so in the short term.

Car & General Engineering

The Cummins business is growing significantly. Our challenge will be to maintain momentum and capture service. We have successfully established our Cummins engine workshop, now in its third year. We have identified several key accounts and are targeting all significant Cummins users in the regional market. Prospects are promising and adequate coverage will be crucial.

Our current challenge will be to develop Ingersoll-Rand into a market leader. Our biggest problem has been supply and price. We continue to work hard in resolving these issues following which we will be much more aggressive.

Head Office

The operation continues to earn rent and provide services to all divisions. Our IT upgrade is certainly providing a better service although there remains room for improvement.

Car & General (Uganda) Limited

The operation grew geometrically and delivered a satisfactory return this year. Our challenge will be to handle and service this growth. We have completed our showroom and workshop development at a cost of US\$ 800,000.

Car & General (Trading) Limited - Tanzania

The operation has made a slim profit this year. We now have enough product throughput (with the introduction of Cummins, three wheelers and outboards) to generate a satisfactory return. The parent company has funded the working capital requirements of US\$ 1 million this year in order to capitalize on growth opportunities.

Kibo Poultry Products Limited

This operation had a difficult year due to the rising cost of maize, a major feed ingredient. We were unable to translate this cost into higher pricing. Notwithstanding, we need to expand this operation if we are to remain in this business long term. We have already procured land and will embark on an expansion at the appropriate time. We are confident that the poultry business offers an opportunity in Tanzania and would like to pursue this as a means of diversifying group activity.

CHAIRMAN'S REPORT – FINANCIAL YEAR ENDED 30 SEPTEMBER 2008 (continued)

The Future

We seek shareholders' approval for the acquisition of 65% of Premier Power Products Limited (PPPL) in Coimbatore, India. PPPL is the authorised distributor for Briggs & Stratton products for South and East India. Apart from selling traditional Briggs & Stratton products, PPPL is also engaged in the manufacture of a whole range of agricultural implements which will be sold in India and worldwide. The acquisition represents a geographical shift but is nevertheless synergistic with our current product range and strategy.

Our current portfolio of niche engine products offers significant scope for further growth. In the short term we will remain focused on achieving this with small additions. We are budgeting for a significant increase in turnover for the 2008/2009 financial year. This will be extremely challenging. We are confident that we have the organization in place to achieve this.

Our primary concern is the effect of the current economic situation on business levels. The first quarter to 31 December 2008 was extremely challenging with performance well below budget. Profitability was particularly affected by currency losses. We have now increased prices albeit to a limited extent due to competitive pressures. Our focus will remain on maximizing market share and improving the quality of our organization in order to ensure top line growth which will protect and hopefully grow profitability.

Your company recommends a dividend of KSh 15 million for the financial year 2007-8. This represents KSh 0.67 per share. We are recommending conservative dividends in view of the significant resources required to achieve budgeted growth levels and to develop into a great organization. We are investing heavily in all our operations and, as far as possible, we would like to do so through internal resources. Furthermore, with the current economic scenario, we would like to be prudent.

I took over from Mr. C J Gidoomal as Chairman on 20 August 2008 and would like to thank him for his significant contribution during his tenure.

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 the further progress of the Group.

N Ng'ang'a – CHAIRMAN
27 January 2009 Nairobi

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Group's Board of Directors is responsible for the governance of the Group and is accountable to the shareholders for ensuring that the Group 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 four 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.

Six out of the eight members of the Board are non-executive including the Chairman of the Board, and 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 Group 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 as required. Its responsibilities include review of financial information, budgets, development plans, compliance with accounting standards, liaison with the external auditors, fixing the remuneration of external auditors and overseeing internal control systems. Two non-executive directors 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 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 executive directors. The Chairman and the Group Managing Director attend all the meetings of the committee.

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 group remains structured to ensure appropriate segregation of duties.

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.

CORPORATE GOVERNANCE REPORT (continued)

Top ten shareholders

		2008 No of shares	%
1	Fincom Limited	7,240,789	32.50
2	Betrin Limited	3,548,422	15.93
3	Monyaka Investments Limited	2,787,285	12.51
4	Primaco Limited	2,228,137	10.00
5	Barclays (Kenya) Nominees Ltd A/C 9397	1,087,200	4.88
6	Vapa Limited	1,022,510	4.59
7	Nairobi Commercial Continental Limited	300,000	1.35
8	Paul Wanderi Ndungu	251,800	1.13
9	Mr C J Gidoomal	245,677	1.10
10	Kaindi David Kyuli	168,960	0.76

Directors' shareholdings

Mr V V Gidoomal	880
Mr N Ng'ang'a	3,027
Mr EM Grayson	880
Mr B Kiplagat	880
Mr H S Amrit	880
Mr P Shah	880

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 2008.

ACTIVITIES

The company is a holding company and derives its revenue from rental income and management fees. 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:

	2008 Sh'000
Group profit before taxation	321,565
Taxation	(106,725)
Profit for the year	<u>214,840</u>
Attributable to:	
Equity holders of the parent	211,644
Minority interest	3,196
	<u>214,840</u>

DIVIDEND

The directors propose payment of a first and final dividend of Sh 15,000,000 (Sh 0.67 per share), 2007 – Sh 15,000,000 (Sh 0.67 per share) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2.

A special notice has been received by the Company to the effect that Mr N Ng'ang'a who has attained the age of 70 years be re-elected a Director of the Company. Mr N Ng'ang'a offers himself for re-election.

Mr P Shah retires by rotation in accordance with Articles of Association and, being eligible, offers himself for re-election.

Mr S P Gidoomal, who was appointed a Director of the Company with effect from 20th August 2008, and who retires in accordance with the Company's Articles of Association, offers himself for re-election.

Mr M Soundararajan who was appointed a Director of the Company with effect from 7th November 2008, and who retires in accordance with the Company's Articles of Association, offers himself for re-election.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with Section 159(2) of the Companies Act (Cap 486).

Secretary
27 January 2009
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

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

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 Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

N Ng'ang'a
Director

V V Gidoomal
Director

27 January 2009

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

Report on the Financial Statements

We have audited the accompanying financial statements of Car & General (Kenya) Limited set out on pages 13 to 50 which comprise the consolidated and parent company balance sheets as at 30 September 2008, and the consolidated income statement, consolidated and parent company statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company and of the group as at 30 September 2008 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the parent company and its subsidiaries, so far as appears from our examination of those books; and
- iii) the parent company's balance sheet is in agreement with the books of account.



Certified Public Accountants (Kenya)

27 January 2009 Nairobi

Audit • Tax • Consulting • Financial Advisory •

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

A member firm of
Deloitte Touche Tohmatsu

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008**

	Note	2008 Sh'000	2007 Sh'000
TURNOVER	3	2,997,342	1,846,523
COST OF SALES		(2,265,367)	(1,315,529)
GROSS PROFIT		731,975	530,994
OTHER OPERATING INCOME	4	866	5,980
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	17	56,228	61,160
SELLING AND DISTRIBUTION COSTS		(160,864)	(119,765)
ADMINISTRATIVE EXPENSES		(251,474)	(190,048)
COST ARISING AS A RESULT OF REDEVELOPMENT	5	-	(8,508)
INTEREST EXPENSE	6	(65,282)	(39,070)
NET EXCHANGE GAINS	6	10,116	16,703
PROFIT BEFORE TAXATION	7	321,565	257,446
TAXATION CHARGE	9	(106,725)	(82,652)
PROFIT FOR THE YEAR	10	214,840	174,794
ATTRIBUTABLE TO: EQUITY HOLDERS' OF THE PARENT		211,644	171,886
MINORITY INTEREST	11	3,196	2,908
		214,840	174,794
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	12	9.50	7.71
DIVIDEND PER SHARE - Proposed	13	0.67	0.67

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2008

	Notes	2008 Sh'000	2007 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	359,846	294,794
Operating lease prepayments	15	18,356	16,365
Intangible assets	16	2,986	2,037
Investment property	17	540,000	457,375
		<u>921,188</u>	<u>770,571</u>
Current assets			
Inventories	20	1,113,362	829,885
Trade and other receivables	21	619,394	343,900
Finance lease receivables	18	20,932	21,256
Cash and bank balances		75,644	76,795
		<u>1,829,332</u>	<u>1,271,836</u>
Total assets		<u><u>2,750,520</u></u>	<u><u>2,042,407</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	111,398	111,398
Revaluation surplus		149,723	152,429
Revenue reserve		830,069	630,719
Translation reserve/(deficit)		29,801	(12,605)
Equity attributable to equity holders of the parent		<u>1,120,991</u>	<u>881,941</u>
Minority interest	11	7,854	4,658
Total equity		<u><u>1,128,845</u></u>	<u><u>886,599</u></u>
Non-current liabilities			
Deferred taxation	24	197,127	172,236
Borrowings	25	10,911	17,724
		<u>208,038</u>	<u>189,960</u>
Current liabilities			
Borrowings	25	601,433	411,088
Trade and other payables	26	797,824	533,010
Taxation payable	9(c)	14,380	21,750
		<u>1,413,637</u>	<u>965,848</u>
Total equity and liabilities		<u><u>2,750,520</u></u>	<u><u>2,042,407</u></u>

The financial statements on pages 13 to 50 were approved by the board of directors on 27 January 2009 and were signed on its behalf by:

N. Ng'ang'a
Director

V.V. Gidoomal
Director

COMPANY BALANCE SHEET
30 SEPTEMBER 2008

	Notes	2008 Sh'000	2007 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	14	131,971	158,761
Operating lease prepayments	15	1,082	1,102
Intangible assets	16	2,613	1,774
Investment property	17	540,000	457,375
Investment in subsidiaries	19	27,427	27,427
Due from group companies	22	39,316	24,994
		<u>742,409</u>	<u>671,433</u>
Current assets			
Trade and other receivables	21	37,462	20,749
Due from group companies	22	483,047	383,818
Taxation recoverable	9(c)	-	1,125
Cash and bank balances		660	23,544
		<u>521,169</u>	<u>429,236</u>
Total assets		<u><u>1,263,578</u></u>	<u><u>1,100,669</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	111,398	111,398
Revaluation surplus		74,018	75,323
Revenue reserve		344,553	338,584
		<u>529,969</u>	<u>525,305</u>
Shareholders' funds			
Non current liabilities			
Deferred taxation	24	178,764	158,525
Borrowings	25	291	9,394
		<u>179,055</u>	<u>167,919</u>
Current liabilities			
Borrowings	25	434,588	289,046
Trade and other payables	26	25,855	28,837
Due to group companies	22	93,599	89,562
Taxation payable	9(c)	512	-
		<u>554,554</u>	<u>407,445</u>
Total equity and liabilities		<u><u>1,263,578</u></u>	<u><u>1,100,669</u></u>

The financial statements on pages 13 to 50 were approved by the board of directors on 27 January 2009 and were signed on its behalf by:

N. Ng'ang'a
Director

V.V. Gidoomal
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2008**

	Attributable to equity holders of the parent						
	Share capital	Revaluation surplus	Revenue reserve	Translation /(deficit) reserve	Total	Minority interest	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 September 2007							
At 1 October 2007	111,398	152,481	470,617	(3,767)	730,729	1,750	732,479
Revaluation surplus on property	-	4,520	-	-	4,520	-	4,520
Deferred tax on revaluation surplus	-	(1,356)	-	-	(1,356)	-	(1,356)
Transfer of excess depreciation	-	(4,594)	4,594	-	-	-	-
Deferred tax on depreciation transfer	-	1,378	(1,378)	-	-	-	-
Exchange difference arising on translation of foreign operations	-	-	-	(8,838)	(8,838)	-	(8,838)
Profit for the year	-	-	171,886	-	171,886	2,908	174,794
Dividend paid - 2006	-	-	(15,000)	-	(15,000)	-	(15,000)
At 30 September 2007	<u>111,398</u>	<u>152,429</u>	<u>630,719</u>	<u>(12,605)</u>	<u>881,941</u>	<u>4,658</u>	<u>886,599</u>
Year ended 30 September 2008							
At 1 October 2007	111,398	152,429	630,719	(12,605)	881,941	4,658	886,599
Transfer of excess depreciation	-	(3,866)	3,866	-	-	-	-
Deferred tax on depreciation transfer	-	1,160	(1,160)	-	-	-	-
Exchange difference arising on translation of foreign operations	-	-	-	42,406	42,406	-	42,406
Profit for the year	-	-	211,644	-	211,644	3,196	214,840
Dividend paid - 2007	-	-	(15,000)	-	(15,000)	-	(15,000)
At 30 September 2008	<u>111,398</u>	<u>149,723</u>	<u>830,069</u>	<u>29,801</u>	<u>1,120,991</u>	<u>7,854</u>	<u>1,128,845</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000
Year ended 30 September 2007				
At 1 October 2006	111,398	74,122	310,449	495,969
Revaluation surplus on property	-	4,520	-	4,520
Deferred tax on revaluation surplus	-	(1,356)	-	(1,356)
Transfer of excess depreciation	-	(2,804)	2,804	-
Deferred tax on depreciation transfer	-	841	(841)	-
Profit for the year	-	-	41,172	41,172
Dividends paid - 2006	-	-	(15,000)	(15,000)
At 30 September 2007	<u>111,398</u>	<u>75,323</u>	<u>338,584</u>	<u>525,305</u>
Year ended 30 September 2008				
At 1 October 2007	111,398	75,323	338,584	525,305
Transfer of excess depreciation	-	(1,864)	1,864	-
Deferred tax on depreciation transfer	-	559	(559)	-
Profit for the year	-	-	19,664	19,664
Dividends paid - 2007	-	-	(15,000)	(15,000)
At 30 September 2008	<u>111,398</u>	<u>74,018</u>	<u>344,553</u>	<u>529,969</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008**

	Notes	2008 Sh'000	2007 Sh'000
Operating activities			
Cash generated from/(used in) operations	27(a)	84,981	(110,513)
Tax paid	9(c)	(93,903)	(21,414)
Interest paid - net	6	(65,282)	(39,070)
Net cash used in operating activities		<u>(74,204)</u>	<u>(170,997)</u>
Investing activities			
Purchase of property, plant and equipment	27(c)	(84,492)	(37,237)
Purchase of intangible assets		(1,512)	(371)
Proceeds on disposal of property, plant and equipment and intangibles		2,799	812
Net cash used in investing activities		<u>(83,205)</u>	<u>(36,796)</u>
Financing activities			
Loans received	27(b)	475,629	319,459
Loans repaid	27(b)	(330,676)	(69,939)
Dividend paid		(15,000)	(15,000)
Repayment of hire-purchase finance	27(d)	(4,677)	(2,885)
Net cash generated from financing activities		<u>125,276</u>	<u>231,635</u>
(Decrease)/increase in cash and cash equivalents		(32,133)	23,842
Cash and cash equivalents at the beginning of the year		(2,861)	(23,588)
Effects of exchange rate changes on the balance of cash held in foreign operations		5,690	(3,115)
Cash and cash equivalents at the end of the year	27(e)	<u>(29,304)</u>	<u>(2,861)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

Adoption of new and revised international financial reporting standards

In the current financial year, the following new and revised standards became effective for the first time and were adopted by the Group where relevant to its operations.

- IFRS 7 on Financial Instruments: Disclosure; this standard introduces new qualitative and quantitative disclosure requirements about exposure to risks arising from financial instruments. Minimum disclosure on credit, market and liquidity risk has been defined.
- IAS 1, Presentation of financial statements Amendment – Capital Disclosures – defines minimum disclosure requirements about fund's capital and management thereof.

At the date of approval of these financial statements, the following new or revised Standards and Interpretations were in issue but effective for annual periods commencing after 1 October 2008:

- IFRIC 12, Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008);
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008);
- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008);
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods on or after 1 January 2009);
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3, Business Combinations – Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);and
- IAS 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009);
- IAS 39, Financial Instruments: Recognition and Measurement: Reclassification of financial assets (effective for accounting periods beginning on or after 1 November 2008)
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)
- "Improvements to IFRSs" was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project.

The directors are currently assessing the impact and expected timing of adoption of these amendments on the Group's results and financial position.

Basis of preparation

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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 the statement of changes in equity.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, all of which have a financial year end of 30 September.

The subsidiaries which have been consolidated are set out in note 19.

Turnover

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

Rental income is recognised when it falls due.

Property, plant and equipment

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

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.

Depreciation

Freehold land is not depreciated.

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%

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.

Any impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 ACCOUNTING POLICIES (continued)****Leasehold land**

Payments to acquire interest in leasehold 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 property

Investment property comprises land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, as determined regularly by external independent valuers. The fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment property is not subject to depreciation. Changes in their carrying amount between balance sheet dates are recorded, net of deferred tax, through the income statement.

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

Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment losses in the company's separate financial statements. The holding company accounts for dividends from subsidiary companies when its right to receive dividend as a shareholder has been established.

Intangible assets

Intangible assets represent computer software which is stated at cost less amortisation and any impairment losses. 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 the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective inventories.

Livestock

Livestock is carried at market value.

Financial assets

The Group classifies its financial assets into the category of loans and receivables. Management determines the appropriate classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash receipts (including all fees, transaction costs and premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets are assessed to be impaired individually. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Classification as debt or equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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.

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

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.

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.

Segmental reporting

Segment result is segment revenue less segment expense.

Segment revenue is revenue reported in the Group's income statement that is directly attributable to a segment and the relevant portion of Group revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the same Group. Segment revenue does not include:

- (a) interest or dividend income, including interest earned on advances or loans to other segments, unless the segment's operations are primarily of a financial nature; or
- (b) gains on sales of investments or gains on extinguishment of debt unless the segment's operations are primarily of a financial nature.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Segmental reporting (continued)

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the same entity. Segment expense does not include:

- (a) interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature;
- (b) losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature;
- (c) an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method;
- (d) income tax expense; or
- (e) general administrative expenses, head-office expenses, and other expenses that arise at the Group level and relate to the Group as a whole. However, costs are sometimes incurred at the Group level on behalf of a segment. Such costs are segment expenses if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis.

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. Segment assets and liabilities do not include income tax assets and liabilities respectively.

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).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

2

CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY

In the process of applying the Group's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the Group's accounting policies are dealt with below:

Critical judgments in applying accounting policies

Plant and equipment

Critical estimates are made by the Group management, in determining depreciation rates for plant and equipment.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Key sources of estimating uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of plant and equipment

The Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period.

3 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

	Trade, motor vehicles and workshop items Sh'000	Rental income Sh'000	Poultry sales Sh'000	Group Sh'000
2008				
Segment revenue	2,838,493	58,744	100,105	2,997,342
Segment expense	2,507,827	76,761	93,117	2,677,705
Segment result	330,666	(18,017)	6,988	319,637
Fair value gains	-	56,228	-	56,228
Profit before tax	288,750	25,564	7,251	321,565
Segment assets	1,957,604	741,215	51,701	2,750,520
Segment liabilities	920,797	469,367	20,004	1,410,168
Depreciation/amortisation	13,165	7,680	892	21,737
Capital expenditure	79,186	6,449	17,290	102,925
2007				
Segment revenue	1,701,711	50,285	94,527	1,846,523
Segment expense	1,487,705	66,074	71,563	1,625,342
Segment result	214,006	(15,789)	22,964	221,181
Fair value gains	-	61,160	-	61,160
Profit before tax	188,110	46,351	22,985	257,446
Cost arising as a result of redevelopment	(8,508)	-	-	(8,508)
Segment assets	1,313,821	690,732	37,854	2,042,407
Segment liabilities	614,932	327,319	19,571	961,822
Depreciation/amortisation	9,109	7,311	681	17,101
Capital expenditure	27,413	7,634	2,561	37,608

(b) Secondary reporting – Geographical segments

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

	2008 Sh'000	2007 Sh'000
Kenya	1,844,532	1,081,353
Uganda	867,194	506,680
Tanzania	285,616	258,490
	<u>2,997,342</u>	<u>1,846,523</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2008 Sh'000	2007 Sh'000
4 OTHER OPERATING INCOME		
Gain on disposal of property	580	310
Sundry income	286	5,670
	<u>866</u>	<u>5,980</u>
5 COST ARISING AS A RESULT OF REDEVELOPMENT		
Demolition of Car & General (Uganda) Limited old Showroom as a result of redevelopment	-	(8,508)
	<u>-</u>	<u>(8,508)</u>
6 FINANCE COSTS - NET		
Interest income - customers	141	803
Interest payable and similar charges	(65,423)	(39,873)
	<u>(65,282)</u>	<u>(39,070)</u>
Interest expense-net	(65,282)	(39,070)
Net exchange gains	10,116	16,703
	<u>(55,166)</u>	<u>(22,367)</u>
7 PROFIT BEFORE TAXATION		
The profit before tax is arrived at after charging:		
Depreciation - property, plant and equipment	20,935	16,938
Amortisation - operating lease prepayments	212	208
- intangible assets	590	495
Staff costs (note 8)	201,327	144,466
Directors' remuneration - current year fees	1,000	961
- other emoluments	18,677	16,575
Auditors' remuneration	2,844	2,495
And after crediting:		
Fair value gains on investment properties	56,228	61,160
Gain on disposal of property, plant and equipment and intangibles	580	310
	<u>56,808</u>	<u>61,470</u>
8 STAFF COSTS		
Salaries and wages	191,346	138,739
Retirement benefit costs:		
- Defined contribution scheme	3,710	2,837
- National Social Security Fund	5,304	3,129
Leave pay provision	967	(239)
	<u>201,327</u>	<u>144,466</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9	TAXATION	2008 Sh'000	2007 Sh'000
(a)	Taxation charge		
	Current tax	83,928	51,750
	Deferred tax - (note 24)	22,797	30,902
	Taxation charge	<u>106,725</u>	<u>82,652</u>
	The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
		2008 Sh'000	2007 Sh'000
(b)	Reconciliation of expected tax based on accounting profit to the taxation charge		
	Group profit before taxation	<u>321,565</u>	<u>257,446</u>
	Tax calculated at the applicable of 30%	96,469	77,234
	Tax effect of:		
	Expenses not deductible for tax purposes	7,653	10,432
	Prior year under/(over)provision	2,603	(5,014)
	Taxation charge	<u>106,725</u>	<u>82,652</u>
(c)	TAXATION (PAYABLE)/RECOVERABLE		
	GROUP		
	Balance at the beginning of the year - Payable	(21,750)	8,534
	Expense for the year	(83,918)	(51,750)
	Paid in the year	93,903	21,414
	Currency translation differences	(1,159)	52
	Withholding tax written off	(1,456)	-
	Balance at the end of the year - Payable	<u>(14,380)</u>	<u>(21,750)</u>
	COMPANY		
	Balance at the beginning of the year	1,125	1,288
	Expense for the year	(876)	(331)
	Paid in the year	695	168
	Withholding tax written off	(1,456)	-
	Balance at the end of the year (payable)/recoverable	<u>(512)</u>	<u>1,125</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 PROFIT FOR THE YEAR

A profit of Sh 19,664,000 (2007 - Sh 41,172,000) has been dealt with in the separate financial statements of the parent company.

11 MINORITY INTEREST

	2008 Sh'000	2007 Sh'000
At 1 October	4,658	1,750
Share of profit for the year	3,196	2,908
At 30 September	<u>7,854</u>	<u>4,658</u>

12 EARNINGS PER SHARE

Earnings per share are calculated based on the profit attributable to shareholders divided by the number of ordinary shares in issue in each period as follows:

	2008	2007
Profit attributable to equity holders of the parent (Sh'000)	<u>211,644</u>	<u>171,886</u>
Number of shares ('000)	<u>22,280</u>	<u>22,280</u>
Basic earnings per share (Sh)	<u>9.50</u>	<u>7.71</u>

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

13 DIVIDEND PER SHARE

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Annual General Meeting, a first and final dividend is to be proposed in respect of 2008 of Shs 0.67 per share (2007 - Shs 0.67 per share) amounting to a total of Shs 15,000,000 (2007 - Shs 15,000,000). The financial statements for the year ended 30 September 2008 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 30 September 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings Sh '000	Work in progress Sh '000	Plant and machinery Sh '000	Furniture and equipment Sh '000	Motor vehicles Sh '000	Computers Sh '000	Total Sh '000
COST OR VALUATION							
At 1 October 2006	248,340	391	23,013	34,969	36,726	11,960	355,399
Exchange rate adjustments	(5,877)	(9)	(137)	(246)	(347)	(108)	(6,724)
Additions	2,696	15,555	5,812	3,384	4,896	4,894	37,237
Disposals	-	-	(1,692)	(192)	(1,656)	(36)	(3,576)
Write offs	(12,437)	-	-	-	-	-	(12,437)
Revaluation surplus	1,673	-	-	-	-	-	1,673
At 30 September 2007	234,395	15,937	26,996	37,915	39,619	16,710	371,572
At 1 October 2007	234,395	15,937	26,996	37,915	39,619	16,710	371,572
Exchange rate adjustments	10,462	2,336	756	1,204	2,135	533	17,426
Additions	13,755	33,743	13,156	4,321	30,608	5,830	101,413
Disposals	-	-	-	(30)	(4,484)	(187)	(4,701)
Write offs	-	-	-	-	-	-	-
Reclassified to investment property (note 17)	(26,397)	-	-	-	-	-	(26,397)
At 30 September 2008	232,215	52,016	40,908	43,410	67,878	22,886	459,313
COMPRISING:							
At valuation 2007	117,509	-	-	-	-	-	117,509
At valuation 2005	51,346	-	-	-	-	-	51,346
At valuation 1992	29,020	-	-	-	-	-	29,020
At cost	34,340	52,016	40,908	43,410	67,878	22,886	261,438
	232,215	52,016	40,908	43,410	67,878	22,886	459,313
DEPRECIATION							
At 1 October 2006	14,514	-	16,380	21,491	13,059	5,579	71,023
Exchange rate adjustments	(412)	-	(76)	(295)	17	(53)	(819)
Charge for the year	4,696	-	1,518	2,130	6,137	1,917	16,398
Eliminated on disposals	-	-	(1,462)	(97)	(1,494)	(21)	(3,074)
Eliminated on write offs	(3,903)	-	-	-	-	-	(3,903)
Write back on revaluation	(2,847)	-	-	-	-	-	(2,847)
At 30 September 2007	12,048	-	16,360	23,229	17,719	7,422	76,778
At 1 October 2007	12,048	-	16,360	23,229	17,719	7,422	76,778
Exchange rate adjustments	1,740	-	346	598	1,213	339	4,236
Charge for the year	4,292	-	2,843	2,362	8,862	2,576	20,935
Eliminated on disposals	-	-	-	(9)	(2,372)	(101)	(2,482)
At 30 September 2008	18,080	-	19,549	26,180	25,422	10,236	99,467

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT – GROUP (continued)

	Land and buildings Sh '000	Work in progress Sh '000	Plant and machinery Sh '000	Furniture and equipment Sh '000	Motor vehicles Sh '000	Computers Sh '000	Total Sh '000
NET BOOK VALUE (REVALUATION BASIS)							
At 30 September 2008	214,135	52,016	21,359	17,230	42,456	12,650	359,846
At 30 September 2007	222,347	15,937	10,636	14,686	21,900	9,288	294,794
NET BOOK VALUE (COST BASIS)							
At 30 September 2008	100,696	52,016	21,359	17,230	42,456	12,650	246,407
At 30 September 2007	89,321	15,937	10,636	14,686	21,900	9,288	161,768

Land and buildings are carried at valuations derived by various external professional valuers. The basis of valuation has been open market value.

Work in progress relates to on going cost of construction of Car & General (Uganda) Limited premises.

	2008 Sh'000	2007 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings over 50 years unexpired	85,718	67,468
Leasehold buildings under 50 years unexpired	146,367	166,797
	<u>232,215</u>	<u>234,395</u>

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

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

	2008 KSh	2007 KSh
1 Tanzania shilling	0.0623	0.0545
1 Uganda shilling	0.0438	0.0382
1 US dollar	<u>73.2500</u>	<u>66.9000</u>

Included in plant and equipment as at 30 September 2008 are idle assets with an original cost of Sh 1,053,000 (2007 - Sh 1,053,000) and accumulated depreciation of Sh 1,010,000 (2007 - Sh 999,000).

Included in plant and equipment as at 30 September 2008 are fully depreciated assets with an original cost of Sh 88,000 (2007 - Sh 88,000). The notional depreciation on these assets is Sh 11,000 (2007 - Sh 11,000).

There is a fixed debenture and a floating charge over the entire Groups' assets to secure borrowings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Freehold Land & buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings & equipment Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION					
At 1 October 2006	140,337	6,177	9,138	7,518	163,170
Additions	2,696	-	526	4,121	7,343
Disposals	-	(1,260)	-	-	(1,260)
Revaluation surplus	1,673	-	-	-	1,673
At 30 September 2007	144,706	4,917	9,664	11,639	170,926
At 1 October 2007	144,706	4,917	9,664	11,639	170,926
Additions	1,713	193	702	2,517	5,125
Disposals	-	-	-	-	-
Reclassification to investment property	(26,397)	-	-	-	(26,397)
At 30 September 2008	120,022	5,110	10,366	14,156	149,654
COMPRISING:					
At valuation 2007	118,309	-	-	-	118,309
At cost	1,713	5,110	10,366	14,156	31,345
	120,022	5,110	10,366	14,156	149,654
DEPRECIATION					
At 1 October 2006	39	1,614	5,778	2,969	10,400
Charge for the year	2,850	1,124	461	1,364	5,799
Eliminated on disposals	-	(1,187)	-	-	(1,187)
Written back on revaluation	(2,847)	-	-	-	(2,847)
At 30 September 2007	42	1,551	6,239	4,333	12,165
At 1 October 2007	42	1,551	6,239	4,333	12,165
Charge for the year	2,385	858	462	1,813	5,518
Eliminated on disposals	-	-	-	-	-
At 30 September 2008	2,427	2,409	6,701	6,146	17,683
NET BOOK VALUE					
(REVALUATION BASIS)					
At 30 September 2008	117,595	2,701	3,665	8,010	131,971
At 30 September 2007	144,664	3,366	3,425	7,306	158,761

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2008

14 PROPERTY, PLANT AND EQUIPMENT - COMPANY (continued)

NET BOOK VALUE ON COST BASIS

	Freehold Land & buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings & equipment Sh'000	Computers Sh'000	Total Sh'000
At 30 September 2008	53,109	2,701	3,665	8,010	67,485
At 30 September 2007	52,465	3,366	3,425	7,306	66,562

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd professional valuers. The basis of valuation has been open market value.

There is a fixed debenture and a floating charge over all the Company's assets to secure borrowings granted to the Company and its subsidiaries.

Included in motor vehicles as at 30 September 2008, is a vehicle with a cost of Sh 3,275,862 (2007 - Sh 3,275,862) which is the subject of a finance lease through NIC Bank Limited

	2008 Sh'000	2007 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings under 50 years unexpired	6,799	6,799
Leasehold buildings over 50 years unexpired	113,093	137,777
	120,022	144,706

Freehold land and buildings are carried at valuations derived by various external professional valuers. The basis of valuation has been open market value.

15 OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000
COST	
At 1 October 2006	20,404
Exchange rate adjustments	(451)
At 30 September 2007	19,953
At 1 October 2007	19,953
Exchange rate adjustments	2,685
At 30 September 2008	22,638

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15 OPERATING LEASE PREPAYMENTS – GROUP (continued)

	Sh'000
AMORTISATION	
At 1 October 2006	3,454
Exchange rate adjustments	(74)
Amortisation for the year	208
At 30 September 2007	3,588
At 1 October 2007	3,588
Exchange rate adjustments	482
Amortisation for the year	212
At 30 September 2008	4,282
NET BOOK VALUE	
At 30 September 2008	18,356
At 30 September 2007	16,365
OPERATING LEASE PREPAYMENTS - COMPANY	
COST	
At 1 October 2006 and 30 September 2007 and 30 September 2008	1,540
AMORTISATION	
At 1 October 2006	419
Charge for the year	19
At 30 September 2007	438
At 1 October 2007	438
Charge for the year	20
At 30 September 2008	458
NET BOOK VALUE	
At 30 September 2008	1,082
At 30 September 2007	1,102

NOTES TO THE FINANCIAL STATEMENTS (continued)

16	INTANGIBLE ASSETS	GROUP Sh'000	COMPANY Sh'000
	COST		
	At 1 October 2006	2,909	2,548
	Exchange rate adjustments	(15)	-
	Additions	371	291
		<u>3,265</u>	<u>2,839</u>
	At 30 September 2007	3,265	2,839
	At 1 October 2007	3,265	2,839
	Exchange rate adjustments	61	-
	Additions	1,512	1,324
		<u>4,838</u>	<u>4,163</u>
	At 30 September 2008	4,838	4,163
	DEPRECIATION		
	At 1 October 2006	738	648
	Exchange rate adjustments	(5)	-
	Charge for the year	495	417
		<u>1,228</u>	<u>1,065</u>
	At 30 September 2007	1,228	1,065
	At 1 October 2007	1,228	1,065
	Exchange rate adjustments	34	-
	Charge for the year	590	485
		<u>1,852</u>	<u>1,550</u>
	At 30 September 2008	1,852	1,550
	NET BOOK VALUE		
	At 30 September 2008	<u>2,986</u>	<u>2,613</u>
	At 30 September 2007	<u>2,037</u>	<u>1,774</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 INVESTMENT PROPERTY – GROUP AND COMPANY

	Sh'000
At 1 October 2006	396,215
Fair value gains	61,160
	<u>457,375</u>
At 30 September 2007	457,375
	<u>457,375</u>
At 1 October 2007	457,375
Reclassified from freehold land & buildings (note 14)	26,397
Fair value gains	56,228
	<u>540,000</u>
At 30 September 2008	<u>540,000</u>

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

A legal charge exists over investment properties with a net book value of Ksh 540,000,000 (2007:Ksh 457,375,000) to secure borrowings granted to the Group.

These properties were valued by R R Oswald & Company Limited, registered valuers, as at 30 September 2008, on an open market basis.

	2008 Sh'000	2007 Sh'000
ANALYSIS OF INVESTMENT PROPERTY AT VALUATION:		
Leasehold over 50 years unexpired	165,000	117,375
Leasehold under 50 years unexpired	375,000	340,000
	<u>540,000</u>	<u>457,375</u>

18 FINANCE LEASE RECEIVABLES - GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Amounts receivable under finance leases:				
Within one year	25,058	25,465	20,861	21,256
In the second to fifth year inclusive	74	-	71	-
	<u>25,132</u>	<u>25,465</u>	<u>20,932</u>	<u>21,256</u>
Less: unearned finance income	(4,200)	(4,209)	-	-
Present value of minimum lease payments receivable	<u>20,932</u>	<u>21,256</u>	<u>20,932</u>	<u>21,256</u>

The Group enters into finance leasing arrangements for certain equipment and motor vehicles. The average term of finance leases entered into is 2 years.

Unguaranteed residual values of assets leased under finance leases are estimated at nil (2007 - Nil).

The interest rate inherent in the leases is variable at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 30 September 2008 was 18 % (2007 - 18%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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INVESTMENT IN SUBSIDIARIES

Subsidiary	Country of incorporation	Holding	2008 Sh'000	2007 Sh'000
Cargen Insurance Agencies Limited 100 shares of Sh 20 each at cost	Kenya	100%	2	2
Car & General (Marine) Limited 157,757 shares of Sh 20 each at cost	Kenya	84%	3,155	3,155
Car & General (Automotive) Limited 95,480 shares of Sh 20 each at cost less amounts written off	Kenya	100%	1,098	1,098
Car & General (Industries) Limited 1,000 shares of Sh 20 each at cost	Kenya	100%	20	20
Car & General (Trading) Limited - Kenya 2,000 shares of Sh 20 each at cost	Kenya	100%	40	40
Car & General (Piaggio) Limited 25,000 shares of Sh 20 each at cost	Kenya	100%	500	500
Car & General (Engineering) Limited 130,000 shares of Sh 20 each at cost	Kenya	100%	2,600	2,600
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	Tanzania	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	Tanzania	100%	15,072	15,072
Kibo Poultry Products Limited 998 shares of Tsh 5,000 each at cost	Tanzania	100%	90	90
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	Uganda	100%	2,250	2,250
Sovereign Holdings International Limited 1 share of US\$ 1 each	British Virgin Islands	100%	-	-
			<u>27,427</u>	<u>27,427</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2008 Sh'000	2007 Sh'000
20	INVENTORIES – GROUP		
	Raw materials, spares and consumables	115,970	134,644
	Work in progress	1,720	8,608
	Finished products	355,108	286,598
	Goods in transit and in bond	636,324	395,922
	Livestock	4,240	4,113
		<u>1,113,362</u>	<u>829,885</u>
		GROUP	COMPANY
		2008	2007
		Sh'000	Sh'000
21	TRADE AND OTHER RECEIVABLES		
	Trade receivables	491,730	259,333
	Due from directors	1,057	1,209
	Other receivables	126,607	83,358
		<u>619,394</u>	<u>343,900</u>
		2008	2007
		Sh'000	Sh'000
22	GROUP COMPANIES – COMPANY		
	Due from Group companies:		
	Car & General (Trading) Limited - Kenya	144,430	292,233
	Car & General (Piaggio) Limited	132,776	85,326
	Kibo Poultry Products Limited	234	-
	Car & General (Automotive) Limited	176,858	2,753
	Car & General (Tanzania) Limited	-	2,022
	Car & General (Trading) Limited - Tanzania	28,749	1,484
	Total current	<u>483,047</u>	<u>383,818</u>
	Sovereign Holdings International Limited	8,588	8,546
	Car & General (Marine) Limited	17,123	7,295
	Car & General (Engineering) Limited	13,605	9,153
	Total non current	<u>39,316</u>	<u>24,994</u>
		<u>522,363</u>	<u>408,812</u>

The intercompany balances are non-interest bearing with no fixed maturity periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2008 Sh'000	2007 Sh'000
22	GROUP COMPANIES – COMPANY (continued)		
	Due to Group companies:		
	Car & General (Uganda) Limited	86,383	80,921
	Car & General (Industries) Limited	4,378	4,467
	Car & General (Trading)Limited-Tanzania	2,838	-
	Kibo Poultry Products Limited	-	4,174
		<u>93,599</u>	<u>89,562</u>
23	SHARE CAPITAL		
	Authorised		
	23,000,000 ordinary shares of Sh 5 each	<u>115,000</u>	<u>115,000</u>
	Issued and fully paid		
	22,279,616 ordinary shares of Sh 5 each	<u>111,398</u>	<u>111,398</u>
24	DEFERRED TAXATION		
	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:		
		2008 Sh'000	2007 Sh'000
	GROUP		
	At the beginning of the year	172,236	140,495
	Exchange difference on translation	2,094	(517)
	Income statement charge-(note 9)	22,797	30,902
	Revaluation reserve debit	-	1,356
	At the end of the year	<u>197,127</u>	<u>172,236</u>
	COMPANY		
	At the beginning of the year	158,525	137,163
	Income statement charge	20,239	20,006
	Revaluation reserve debit	-	1,356
	At the end of the year	<u>178,764</u>	<u>158,525</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFERRED TAX (continued)

Deferred tax assets and liabilities, and the movement on the deferred tax account are attributable to the following items:

	At 1 October 2007 Sh'000	Exchange adjustment Sh'000	Charged to revaluation reserve Sh '000	Charged/ (credited) to income statement Sh'000	At 30 September 2008 Sh'000
GROUP					
DEFERRED TAX LIABILITIES					
Accelerated capital allowances	2,991	361	-	8,939	12,291
Relating to revaluation surplus	171,064	1,650	-	8,508	181,222
Unrealised exchange differences	861	(29)	-	(3,131)	(2,299)
	<u>174,916</u>	<u>1,982</u>	<u>-</u>	<u>14,316</u>	<u>191,214</u>
DEFERRED TAX ASSETS					
Tax losses carried forward	(2,075)	110	-	163	(1,802)
Unrealised exchange differences	-	-	-	-	-
Leave pay provision	(605)	2	-	231	(372)
Prior year under provision	-	-	-	8,087	8,087
	<u>(2,680)</u>	<u>112</u>	<u>-</u>	<u>8,481</u>	<u>5,913</u>
Net deferred tax liability	<u>172,236</u>	<u>2,094</u>	<u>-</u>	<u>22,797</u>	<u>197,127</u>
COMPANY					
DEFERRED TAX LIABILITIES					
Relating to revaluation surplus	157,868	-	-	16,868	174,736
Unrealised exchange differences	562	-	-	(3,975)	(3,413)
	<u>158,430</u>	<u>-</u>	<u>-</u>	<u>12,893</u>	<u>171,323</u>
DEFERRED TAX ASSETS					
Accelerated capital allowances	700	-	-	6,922	7,622
Leave pay provision	(605)	-	-	424	(181)
	<u>95</u>	<u>-</u>	<u>-</u>	<u>7,346</u>	<u>7,441</u>
Net deferred tax liability	<u>158,525</u>	<u>-</u>	<u>-</u>	<u>20,239</u>	<u>178,764</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

25	BORROWINGS	2008 Sh'000	2007 Sh'000
	GROUP		
	Loans:		
	Short - term notes (various lenders) - interest 10.40% (2007 - 9.76%) p.a.	422,846	190,464
	Stanbic Bank Tanzania Limited - secured, interest at 19% (2007 - 18%) p.a	3,636	7,287
	Standard Chartered Bank Kenya Limited - Import loan -secured, interest at 13.75% p.a	-	86,873
	Standard Chartered Bank Uganda Limited - Import loan -secured, interest at 21.5% p.a	51,699	37,661
	Standard Chartered Bank Kenya Limited - secured, interest at 16.50% (2007 - 14.75%) p.a	9,567	19,467
	Hire purchase obligations	19,648	7,404
		<u>507,396</u>	<u>349,156</u>
	Bank overdrafts (secured)	104,948	79,656
		<u>612,344</u>	<u>428,812</u>
	Current		
	Non-current	(601,433)	(411,088)
		<u>10,911</u>	<u>17,724</u>
	COMPANY		
	Loans:		
	Short - term notes(various lenders) - interest 10.40% (2007 - 9.76%) p.a.	422,846	190,464
	Standard Chartered Bank Kenya Limited - Import loan -secured, interest at 13.75% p.a.	-	86,873
	Standard Chartered Bank Kenya Limited secured, interest at 16.50% (2007-14.75%) p.a	9,567	19,467
	Hire purchase obligations	728	1,165
		<u>433,141</u>	<u>297,969</u>
	Bank overdrafts (Secured)	1,738	471
		<u>434,879</u>	<u>298,440</u>
	Current	(434,588)	(289,046)
	Non-current	<u>291</u>	<u>9,394</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 BORROWINGS (continued)

MATURITY OF NON CURRENT BORROWINGS

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Between 1 and 2 years	10,911	17,724	291	9,394

Interest rates

The effective interest rates at 30 September were as follows:

	2008	2007
Bank overdrafts	15.71%	13.86%
Loans	11.90%	16.01%

Details of securities for loans and overdrafts

GROUP

- The Standard Chartered Bank Kenya Limited loans and overdrafts are secured by a collateral legal charge over land and buildings and a debenture over assets for Sh 512,500,000 ranking pari passu with CFC Stanbic Bank Limited for Sh 150,000,000.
- The Stanbic Bank Tanzania Limited loan is secured by a legal charge over land and buildings of Sovereign Holdings Limited.
- CFC Stanbic Bank Limited overdraft is secured by a collateral legal charge over land and buildings and a debenture over certain assets of the Group for Sh 150,000,000 ranking pari passu with Standard Chartered Bank Kenya Limited.
- The Standard Chartered Bank Uganda Limited overdraft is secured by a legal charge over land and buildings and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 93,660,000.
- The National Bank of Commerce (Uganda) Limited bank overdraft is secured by a debenture over certain assets for Sh 1,337,000 of Car & General (Uganda) Limited.
- The Giro Commercial Bank Limited overdraft is secured by a legal charge over land and buildings for Sh 30,000,000.

COMPANY

The Standard Chartered Bank Kenya Limited loans and overdrafts are secured by a collateral legal charge over land and buildings and a debenture over assets for Sh 512,500,000 ranking pari passu with CFC Stanbic Bank Limited for Sh 150,000,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 BORROWINGS (continued)

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP		COMPANY	
	2008	2007	2008	2007
	Sh'000	Sh'000	Sh'000	Sh'000
Minimum lease payments				
Due within one year	11,526	3,785	573	573
Due after one year	13,816	5,926	382	955
	<u>25,342</u>	<u>9,711</u>	<u>955</u>	<u>1,528</u>
Less: Future finance charges	<u>(5,694)</u>	<u>(2,307)</u>	<u>(227)</u>	<u>(363)</u>
Present value of minimum Lease payments	19,648	7,404	728	1,165
Less: Amount due for settlement Within 12 months	<u>(9,233)</u>	<u>(2,886)</u>	<u>(437)</u>	<u>(437)</u>
Amounts due for settlement After 12 months	<u>10,415</u>	<u>4,518</u>	<u>291</u>	<u>728</u>

The finance lease obligations relates to the hire-purchase loan from NIC Bank Limited for purchase of motor-vehicles.

The weighted average rate of interest was 15.25 % (2007 - 14%) p.a.

The carrying values of the lease obligation approximate their fair values. The leases are secured by the assets which are subject of the finance lease.

Undrawn facilities

The group had undrawn committed borrowing facilities amounting to Sh 32,974,000 (2007 - Sh 321,516,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

26 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008	2007	2008	2007
	Sh'000	Sh'000	Sh'000	Sh'000
Trade payables	675,016	397,132	9,724	3,587
Other payables	122,808	135,878	16,131	25,250
	<u>797,824</u>	<u>533,010</u>	<u>25,855</u>	<u>28,837</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 NOTES TO THE CASH FLOW STATEMENT

	2008 Sh'000	2007 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	321,565	257,446
Adjustments for:		
Depreciation on property, plant and equipment	20,935	16,398
Leasehold land amortisation	212	208
Fair value gains on investment properties	(56,228)	(61,160)
Gain on disposal of property and equipment	(580)	(310)
Intangible assets amortisation	590	495
Showroom write off	-	8,534
Interest expense - net	65,282	39,070
Exchange translation on opening reserves	24,293	-
Withholding tax written off	1,456	-
Deferred tax asset written off	246	-
Exchange adjustment on borrowings	1,043	-
	<u>378,814</u>	<u>260,681</u>
Increase in inventories	(283,477)	(381,561)
Increase in trade and other receivables	(275,494)	(137,066)
Decrease in finance lease receivables	324	3,767
Increase in trade and other payables	264,814	143,666
	<u>84,981</u>	<u>(110,513)</u>
(b) Analysis of changes in borrowings		
At the beginning of the year	349,156	102,521
Loans received	475,629	319,459
Repayments	(330,676)	(69,939)
Hire purchase facility	12,244	(2,885)
Exchange rate adjustments-opening borrowings	1,043	-
	<u>507,396</u>	<u>349,156</u>
(c) Analysis of additions to property, plant and equipment		
Acquisition by cash	84,492	37,237
Acquisition through hire-purchase (see note 27 (d))	16,921	-
	<u>101,413</u>	<u>37,237</u>
(d) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	7,404	10,289
Hire-purchase financing received	16,921	-
Loans repaid in the year	(4,677)	(2,885)
	<u>19,648</u>	<u>7,404</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 NOTES TO THE CASHFLOW STATEMENT (continued)

(e) Cash and cash equivalents

Cash and cash equivalents

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

	2008 Sh'000	2007 Sh'000
Cash and bank balances	75,644	76,795
Bank overdrafts	(104,948)	(79,656)
	<u>(29,304)</u>	<u>(2,861)</u>

28 CAPITAL COMMITMENTS

Authorised but not contracted for
Authorised and contracted for

-	32,244
4,860	-

29 CONTINGENT LIABILITIES

GROUP

Sundry bank guarantees
Pending legal suits

953	734
1,500	1,500
<u>2,453</u>	<u>2,234</u>

COMPANY

Guarantees in respect of bank facilities for subsidiaries
Sundry bank guarantees
Pending legal suits

662,500	265,460
953	734
1,500	1,500
<u>664,953</u>	<u>267,694</u>

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

The group/Company as a lessor

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

	2008 Sh'000	2007 Sh'000
Within one year	52,176	17,448
In the second to fifth year inclusive	199,916	23,695
	<u>252,092</u>	<u>41,143</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 RELATED PARTY TRANSACTIONS

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.

Balances with subsidiaries carried in the company's balance sheet are disclosed on note 22 to the financial statements.

During the year, the following transactions were carried out with related parties, Giro Commercial Bank Limited and National Bank of Commerce (U) Limited which are not members of Car & General (Kenya) Limited Group but are related through certain common directors:

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Borrowings repaid	-	2,040	-	2,040
Interest paid	3,807	3,406	1,293	1,275
Loan balance at year end	12,803	12,803	12,803	12,803
Overdraft balance at year end	21,554	11,334	-	-
Compensation of key management personnel				
			2008 Sh'000	2007 Sh'000
The remuneration of directors and other members of key management during the period was as follows:				
Salaries and other benefits			94,626	73,323
Fees for services as directors			1,000	961
Other emoluments (included in key management compensation above)			18,677	16,575
			19,677	17,536

32 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Consistent with others in similar industries, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 CAPITAL MANAGEMENT (continued)

	2008 Sh'000	2007 Sh'000
Equity	1,128,845	886,599
Total borrowings	612,344	428,812
Less: cash and cash equivalents	(75,644)	(76,795)
Net debt	536,700	352,017
Gearing	47.5%	39.7%

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. The department identifies, evaluates and hedges financial risks. The Board provides policies for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

Credit risk

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

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2008 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Total Sh'000
Trade and other receivables	619,394	73,980	693,374
Cash and bank balances	75,644	-	75,644
Finance lease receivable	20,932	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2007 was as follows:

	Fully performing Sh '000	Past due Sh'000	Total Sh'000
Trade and other receivables	343,900	52,990	396,890
Cash and bank balances	76,795	-	76,795
Finance lease receivable	21,256	-	-
	<u> </u>	<u> </u>	<u> </u>

The customers under the fully performing category are paying their debts as they continue trading. Trade and other receivables in the past due category are fully impaired.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2008						
Liabilities						
Trade and other payables	80,702	598,220	117,739	1,163	-	797,824
Finance lease obligations	769	2,308	6,156	10,415	-	19,648
Borrowings	580,655	3,486	8,059	496	-	592,696
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities	<u>662,126</u>	<u>604,014</u>	<u>131,954</u>	<u>12,074</u>	<u>-</u>	<u>1,410,168</u>
At 30 September 2007						
Total financial liabilities	<u>144,300</u>	<u>643,712</u>	<u>169,756</u>	<u>4,054</u>	<u>-</u>	<u>961,822</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) Foreign exchange risk

A sizable portion of the Group's purchases are denominated in foreign currencies. The Company manages the currency risk by using foreign exchange forward contracts and by maintaining bank accounts in the principal foreign currency from which the payments are made.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the balance sheet date are as follows:

Foreign Currency	USD Ksh'000	EURO Ksh'000	ZAR Ksh'000	JPY Ksh'000	AUD Ksh'000	DKK Ksh'000	SEK Ksh'000	SFR Ksh'000
2008								
Assets								
Bank and cash balances	6,519	-	-	-	-	-	-	-
Trade receivables	35,160	-	-	-	-	-	-	-
Liabilities								
Trade payables	560,949	4,314	14,544	19,799	3,633	-	1,401	-
2007								
Assets								
Bank and cash balances	1,271	-	-	-	-	-	-	-
Trade receivables	4,215	-	-	-	-	-	-	-
Liabilities								
Trade payables	213,010	2,747	14,214	12,200	5,198	1,220	-	457

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Ksh against the relevant foreign currencies (all the other variables held constant). 10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit and other equity where the Ksh strengthens against the relevant currency. For a 10% weakening of the Ksh against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances would be negative.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Market risk (continued)**Foreign currency sensitivity analysis (continued)*

	2008 Sh'000 Effect on profit	2007 Sh'000 Effect on profit
Currency - USD		
+ 10 % KSh Movement	51,927	20,752
- 10 % KSh Movement	(51,927)	(20,752)
Currency EURO		
+ 10 % KSh Movement	431	275
- 10 % KSh Movement	(431)	(275)
Currency ZAR		
+ 10 % KSh Movement	1,454	1,421
- 10 % KSh Movement	(1,454)	(1,421)
Currency JPY		
+ 10 % KSh Movement	1,980	1,220
- 10 % KSh Movement	(1,980)	(1,220)
Currency AUD		
+ 10 % KSh Movement	363	520
- 10 % KSh Movement	(363)	(520)
Currency DKK		
+ 10 % KSh Movement	-	122
- 10 % KSh Movement	-	(122)
Currency SEK		
+ 10 % KSh Movement	140	-
- 10 % KSh Movement	(140)	-
Currency SFR		
+ 10 % KSh Movement	-	46
- 10 % KSh Movement	-	(46)

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Interest rate risk (continued)

The table below summarises the exposure to interest rate risk at the balance sheet date. Included in the table are the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re pricing or maturity dates.

	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
At 30 September 2008						
Financial assets						
Cash and bank balances	75,644	-	-	-	-	75,644
Total financial assets	75,644	-	-	-	-	75,644
Liabilities						
Finance lease obligations	(769)	(2,308)	(6,156)	(10,415)	-	(19,648)
Borrowings	(580,655)	(3,486)	(8,059)	(496)	-	(592,696)
Total financial liabilities	(581,424)	(5,794)	(14,215)	(10,911)	-	(612,344)
Interest sensitivity gap	(505,780)	(5,794)	(14,215)	(10,911)	-	(536,700)
At 30 September 2007						
Total financial assets	76,795	-	-	-	-	76,795
Total financial liabilities	(396,056)	(4,206)	(11,218)	(17,332)	-	(428,812)
Net liquidity gap	(319,261)	(4,206)	(11,218)	(17,332)	-	(352,017)

Interest rate sensitivity analysis

The following table details the Group's sensitivity to a 1% increase and decrease in interest rates (all the other variables held constant). 1% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For floating rate liabilities the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

	2008 Shs 000 Effect on Profit	2007 Shs' 000 Effect on profit
+ 1% Movement	654	399
- 1 % Movement	(654)	(399)

(iii) Price risk

The Group does not hold any investments that would be subject to price risk; hence this risk is not relevant.

34 INCORPORATION

The Company is domiciled and incorporated in Kenya under the Companies Act.

35 CURRENCY

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

PROXY

I/We

of

being a member/members of Car & General (Kenya) Limited hereby appoint

of

or failing him/her

of

or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me / us and on my /our behalf at the Annual General Meeting of the Company to be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi on 24 March 2009 at 12 noon, and at any adjournment thereof.

Dated this day of 2009

Signature

NOTES:

- 1 A member may appoint a proxy of his own choice. A proxy need not be a member of the Company.
- 2 If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized in their behalf.
- 3 In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
- 4 To be valid, this form must be completed and deposited at the Registered Office of the Company, New Cargen House, Lusaka Road, not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.