



The Car & General Group of Companies

Kenya • Uganda • Tanzania • Rwanda • South Sudan



Power for better living

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CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS	- Chairman
V V Gidoomal*	- Managing Director
E M Grayson*	- Finance Director
S P Gidoomal	- Non-executive director
Dr B Kiplagat	- Non-executive director
P Shah	- Non-executive director
M Soundararajan**	- Non-executive director

* British ** Indian

SECRETARY

N P Kothari – FCPS (Kenya)

REGISTERED OFFICE

New Cargen House
Lusaka Road
P O Box 20001 - 00200
Nairobi
Telephone +254 - 020 6943000

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P O Box 40092 - 00100
Nairobi

BANKERS

Kenya
Standard Chartered Bank
Kenya Limited
CfC Stanbic Bank Limited
Giro Commercial Bank Limited
I & M Bank Limited

Tanzania
Standard Chartered Bank
Tanzania Limited
Stanbic Bank Tanzania Limited
NBC Limited

Uganda
Standard Chartered Bank Limited
National Bank of Commerce
Stanbic Bank (Uganda) Limited

Rwanda

KCB Bank Rwanda Limited

LEGAL ADVISORS

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

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 - 00200, Nairobi	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles and vehicles, commercial laundry equipment, commercial engines and general goods.
Car & General (Automotive) Limited P O Box 20001 - 00200, Nairobi	Sale of brake linings and friction materials.
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) P O Box 20001 - 00200, Nairobi	Sale of welding alloys and welding equipment and provision of sales and marketing services related to three-wheeler vehicles.
Car & General (Tanzania) Limited P O Box 1552 Dar es Salaam	Sales and marketing service relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines and related services.
Car & General (Trading) Limited - Tanzania P O Box 1552 Dar es Salaam	Sales and marketing services relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines welding alloys and brake linings.
Car & General (Uganda) Limited P O Box 207 Kampala	Sales and service of power equipment, marine engines, motor cycles, agricultural tractors and implements, commercial engines and general goods.
Kibo Poultry Products Limited P O Box 742 Moshi	Day-old chick farming.
Sovereign Holdings International Limited P O Box 146 Road Town, Tortola British Virgin Islands	Property holding company.
Car & General (Engineering) Limited P O Box 20001 - 00200, Nairobi	Sales and marketing services relating to the provision of power equipment and related services.
Car & General (Marine) Limited P O Box 20001 - 00200, Nairobi	Sales and marketing services relating to the provision of marine engines and related products.
Car & General (Industries) Limited P O Box 20001 - 00200, Nairobi	Dormant.
Cargen Insurance Agencies Limited P O Box 20001 - 00200, Nairobi	Dormant.
Dewdrops Limited P O Box 20001 - 00200, Nairobi	Property holding company
Car & General (Rwanda) Limited Plot 1403, Muhima Road P O Box 7238, Kigali, Rwanda	Sales and service of power equipment, marine engines, motor cycles, three-wheeler vehicles, commercial engines and general goods.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-fourth Annual General Meeting of Car & General (Kenya) Limited will be held at the Southern Sun, Mayfair Hotel, Parklands Road, Parklands, Nairobi on Thursday, 20th March 2014 at 11.00 a.m for the following purposes:

ORDINARY BUSINESS

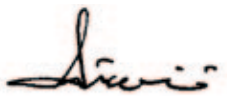
- 1 To receive the Directors' Report and audited financial statements for the year ended 30 September 2013.
- 2 To declare a first and final dividend of KShs 26,735,539 (KShs 0.80 per share) in respect of the year ended 30th September 2013 to shareholders registered at the close of business on 19th February 2014.
- 3 To approve Directors' fees.
- 4 To elect Directors:
 - (a) Mr S P Gidoomal, a Director of the Company, retires by rotation and being eligible, offers himself for re-election.
 - (b) Mr M Soundararajan, a Director of the Company retires by rotation and being eligible offers himself for re-election.
- 5 To authorize the Directors to fix the remuneration of the auditors, Deloitte & Touche.

SPECIAL BUSINESS

To consider and if thought fit pass the following resolutions as ORDINARY RESOLUTIONS subject to such regulatory approvals, including that of Capital Markets Authority, as may be required:

- 6 *Increase of Authorized Capital*
That the share capital of the Company be increased from KShs 175,000,000/- to KShs 210,000,000/- by the creation of 7,000,000 additional Ordinary Shares of KShs 5/- each, to rank pari passu in all respects with the existing Ordinary Shares in the capital of the Company.
- 7 *Capitalization of Revenue Reserve*
That it is desirable to capitalize the sum of KShs 33,419,420/- being part of the amount standing to the credit of the Revenue Reserve account in the books of the Company, and accordingly that such sum be set free for distribution amongst the holders of the Ordinary Shares of the Company on the Register of Members at the close of business on 19th February 2014 in the proportion in which they hold such Shares respectively on that day on condition that the same be not paid in cash but be applied in paying up in full at par 6,683,884 Ordinary Shares of KShs 5/- each to be allotted, distributed and credited as fully paid up to and amongst the said holders of Ordinary Shares in the proportion of one new Ordinary Share for every five Ordinary Shares then held, save that these Shares shall not rank for dividends in respect of the year ended 30th September 2013 and the Directors shall give effect to this Resolution.
- 8 *Fractions*
That should any of the said Ordinary Shares not being issued by reason of any fractions of the Share being disregarded, the Directors be authorized to allot and issue the same to such persons and upon such terms and conditions as they may deem fit.

BY ORDER OF THE BOARD



N P Kothari
Secretary

27 January 2014
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 2013



“We are budgeting for a turnover of KSh 9 billion.”

Nicholas Ng'ang'a - Chairman of Car & General

The year to 30th September 2013 proved extremely challenging. The elections in March 2013 had a negative impact in the first six months of our financial year. The second half was better both in terms of turnover and profitability. Nevertheless, our motorcycle business was adversely effected in August and September 2013 with the introduction of VAT on unit sales and the temporary withdrawal of duty remission on CKD kits. However, our turnover grew 23% from Kshs 5.7 billion to Kshs 7.1 billion and our net profit after tax increased by 18% from Kshs 266 million to Kshs 315 million. As volume grows we expect profitability of our distribution business to improve.

The highlights of the financial year were the establishment of our motorcycle CKD manufacturing plant ; recognition by Cummins as the top distributor in Africa for the second year running; the growth of our aftermarket business in Kenya including MRF tyres and lubricants; our sustained market share in our three wheeler business in Kenya and Tanzania; the entry into Doosan construction equipment and Kubota tractors which represent significant growth opportunities. We now offer a complete range of specialized engine related products through a solid distribution network and must develop dominant market shares in each segment.

The biggest challenges throughout the year were the slowdown due to elections; insufficient production at our poultry operations and a decline in our Cummins business in the mining sector.

Going forward, we foresee a stable year from a political perspective which should result in a positive economic environment. We also see greater competition in all key markets which will result in both margin and market pressure. Key to success will be higher efficiency levels in all areas of our business, maintaining market share in core products and successfully developing our new products.

We are pleased to report that we have continued our corporate social responsibility programs namely the building of water pans in arid areas and our countrywide eye clinic program. We hope to intensify activities in 2014.

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, saw a marginal recovery in market size which led to an increase in our volumes. We launched a new motorcycle and three wheeler model both of which have been well received. We expect sales to increase in 2014.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2013 (continued)

This year will be extremely challenging with the expected increase in stronger competition which may lead to 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. Detailed planning and disciplined implementation will be key to success.

Our aftermarket strategy is solid and we see growth in our sales of parts, tyres and oils.

C&G Engineering – Kenya

The Cummins business in Kenya and regionally is growing. Our challenge remains the entry of competition from all over the world and our ability to differentiate ourselves. Our market share is strong but there is room for further improvement.

Our Ingersoll Rand business is heading in the right direction.

We have gained a foothold in the construction industry through our Doosan business. We must emerge as a mainstream competitor in 2014.

Head Office – Kenya

The operation continues to earn rent and provide services to all divisions. There remains significant room for improvement in our shared services operations particularly in the area of logistics and information technology.

Car & General (Uganda) Limited – Uganda

The operation has now made a recovery. All our product lines are on the right track and we expect a positive year.

We need to focus more on our Rwanda branch. Our entry into South Sudan has been impacted by political issues in the country.

Car & General (Trading) Limited - Tanzania

The operation had a positive year with good growth across all sectors. We expect to see reasonable returns this year.

Kibo Poultry Products Limited – Tanzania

This operation had a difficult year. We expect a return to profitability in the second half of the year. We remain confident that the poultry business offers an opportunity in Tanzania and would like to pursue this as a means of diversifying group activity.

The Future

Our portfolio of niche engine products is now complete and offers significant scope for further growth. This year will be critical to future success. We are budgeting for a turnover of Kshs 9 billion. This will require a growth in market share in all sectors. Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects. The quality of competition is increasing.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2013 (continued)

In spite of the significant investments being made, your Board recommends a dividend of Kshs 26.7 m for the financial year 2012-13 (Kshs 18.4 m for 2011-12). This represents Kshs 0.80 per share (2012 – Kshs 0.55 per share). We are maintaining conservative dividends in view of the considerable 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.

In addition, your Board recommends an increase in the authorized capital of the company to Kshs 210 million and make a capitalization issue (Bonus issue) of one new share for every five shares held. The capitalization will be subject to the approvals of the Capital Markets Authority, other regulatory authorities and the shareholders. The bonus shares do not qualify for the final dividend in respect of the year ended 30th September 2013.

I must express my gratitude to my fellow-directors and all members of staff of the company for their dedication and support. I look forward to continued support and to further progress of the Group.



N Nganga – CHAIRMAN

27 January 2014

	 Power Generation	
		
	 PIAGGIO Complete transportation solutions	
		
	 MRF 	
	 MERCURY	
		



1. Official opening of our Nakuru TVS assembly plant.
2. We believe in customer education, here our staff show a customer how a Kubota tractor works during a demo in Nyahururu.
3. We value positive partnerships, here we exchange an MOU with CBA.
4. Car & General had a successful launch of Garmin GPS products.
5. We had a succesful Briggs & Stratton training at a Nairobi Hotel in November 2013.
6. Mr Vijay Gidoomal addresses residents of Bamba, in Kilifi during the opening of two water dams built by Car & General and Cummins in conjunction with the Lions Club.
7. We have a program that allows students from technical institutions to visit our facilities. Students from Don Bosco Technical Institute are shown how a Toyota forklift works.
8. We launched an improved boda boda bike - the TVS Star HLX.
9. Mr Venkatesh Jayaraman, the Managing Director of Car & General Trading Tanzania recieves the Cargen premier League trophy from Mr Vijay Gidoomal, the Group Managing Director.

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 Group's overall internal control over financial, operational and compliance issues.

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

Committees of the Board

The Group has the following standing committees which operate under the terms of reference set by the Board.

Audit Committee

The Board has constituted an audit committee that meets at least four times a year. 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.

Members of the audit committee comprise three non-executive directors, P Shah (Chairman), M Soundararajan and S P Gidoomal. The Group Finance Director attends on invitation. 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, N Ng'ang'a, and the Group Managing Director, V V Gidoomal, attend all the meetings of the committee.

Nominations Committee

The Committee meets as necessary and is comprised of two non-executive directors and the Group Managing Director, Mr V V Gidoomal. The committee is chaired by Mr. N. Ng'ang'a.

The committee's main role is to make recommendations to the Board to fill vacancies for executive and non-executive directors. In making recommendations, the committee looks at the mix of skills, expertise and how the new appointment will add value to the present complement.

CORPORATE GOVERNANCE REPORT (continued)**Internal controls**

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

Chief Financial Officer

The chief financial officer, Mr. E.M Grayson, is a Fellow of the Institute of Chartered Accountants in England and Wales.

Distribution of shareholders as at 30 September 2013

Shareholding (No. of shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	75,139	387	0.23
500 - 5,000	706,118	377	2.11
5,001 - 10,000	706,286	102	2.11
10,001 - 100,000	2,305,436	90	6.90
100,001 - 1,000,000	3,099,932	10	9.28
above 1,000,000	26,526,513	6	79.37
Total	33,419,424	972	100.00

Top ten shareholders

	30 September 2013 No. of shares	%
1 Fincom Limited	10,861,183	32.50
2 Betrin Limited	5,322,633	15.93
3 Monyaka Investments Limited	4,180,927	12.51
4 Primaco Limited	3,042,205	9.10
5 Standard Chartered Nominees A/C 9397	1,585,800	4.75
6 Vapa Limited	1,533,765	4.59
7 Paul Wanderi Ndung'u	848,166	2.54
8 Nairobi Commercial Continental Limited	450,000	1.35
9 Mr. C J Gidoomal	368,515	1.10
10 Cannon Assurance (K) Ltd	310,350	0.93

Directors' direct shareholding

Mr N Ng'ang'a	4,540
Mr V V Gidoomal	1,320
Mr E M Grayson	1,320
Mr B Kiplagat	1,320

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited financial statements of Car & General (Kenya) Limited ("the company") and its subsidiaries (together, the "group") for the year ended 30 September 2013 which show their state of affairs.

ACTIVITIES

The company acts as a holding company and derives its revenue from rental income, management fees and sale of industrial equipment. It also operates a trading branch in Juba, South Sudan. The activities of the subsidiary companies are detailed on page 3.

GROUP RESULTS

	2013 Sh'000
Profit before taxation	458,969
Taxation	(143,179)
Profit for the year	<u>315,790</u>
Attributable to:	
Owners of the parent	295,113
Non-controlling interests	<u>20,677</u>
	<u>315,790</u>

DIVIDEND

The directors propose payment of a first and final dividend of Sh 26,735,539 (Sh 0.80 per share), (2012 – Sh 18,380,683 (Sh 0.55 per share)) in respect of the year ended 30 September 2013. The bonus shares mentioned below do not qualify for the first and final dividend in respect of the year ended 30 September 2013.

INCREASE OF AUTHORISED CAPITAL AND CAPITALISATION OF REVENUE RESERVES

The directors have resolved to recommend to shareholders at the Annual General Meeting to (a) increase the authorised capital from Sh 175,000,000 to Sh 210,000,000 by the creation of 7,000,000 additional ordinary shares of Sh 5 each and (b) make a capitalisation issue (Bonus Issue) of 1 (one) new share for every five (5) shares held.

The capitalisation issue is subject to the approvals of the Capital Markets Authority and the shareholders.

DIRECTORS

The present board of directors is shown on page 2.

AUDITORS

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

BY ORDER OF THE BOARD



N P Kothari
Secretary

27 January 2014
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 parent company and its subsidiary companies keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and of the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2014

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 15 to 58 which comprise the consolidated and company statements of financial position as at 30 September 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act and, for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, 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 of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements give a true and fair view of the financial position of Car & General (Kenya) Limited and its subsidiaries as at 30 September 2013, and of their financial performance and cash flows 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 company, so far as appears from our examination of those books; and
- iii) the parent company's statement of financial position (balance sheet) is in agreement with the books of account.

*The engagement partner responsible for the audit resulting in this independent auditors' report is **Fredrick Aloo – PI No 1537.***



Certified Public Accountants (Kenya)
27 January 2014
Nairobi, Kenya

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2013**

	Notes	2013 Sh'000	2012 Sh'000
TURNOVER	3(b)	7,056,021	5,711,529
COST OF SALES		(5,861,852)	(4,695,638)
GROSS PROFIT		1,194,169	1,015,891
OTHER INCOME	4	13,502	23,823
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	13	292,500	196,750
PROFIT ON SALE OF SHARES IN SUBSIDIARY COMPANY	17(b)	-	119,755
SELLING AND DISTRIBUTION COSTS		(362,448)	(324,602)
ADMINISTRATIVE EXPENSES		(473,181)	(425,389)
INTEREST EXPENSE	5	(213,287)	(261,716)
NET EXCHANGE GAINS		7,714	10,006
PROFIT BEFORE TAXATION	6	458,969	354,518
TAXATION CHARGE	8	(143,179)	(87,962)
PROFIT FOR THE YEAR	9	315,790	266,556
OTHER COMPREHENSIVE INCOME:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
REVALUATION SURPLUS ON PROPERTY		86,970	43,935
DEFERRED TAX ON REVALUATION SURPLUS		(26,091)	(13,181)
EXCHANGE DIFFERENCE ARISING ON TRANSLATION OF FOREIGN OPERATIONS		2,736	(34,767)
		63,615	(4,013)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		379,405	262,543
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		295,113	250,068
NON-CONTROLLING INTERESTS		20,677	16,488
PROFIT FOR THE YEAR		315,790	266,556
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		358,728	246,055
NON-CONTROLLING INTERESTS	10	20,677	16,488
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		379,405	262,543
EARNINGS PER SHARE - Basic and diluted	11	Sh 8.83	Sh 7.48

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013**

	Notes	2013 Sh'000	2012 Sh'000
ASSETS			
Non-current assets			
Investment property	13	1,895,000	1,602,500
Property, plant and equipment	14(a)	776,042	677,998
Operating lease prepayments	15	13,427	13,729
Intangible assets	16	6,165	2,816
Deferred tax asset	22(b)	22,204	11,178
		<u>2,712,838</u>	<u>2,308,221</u>
Current assets			
Inventories	18	2,557,040	2,200,610
Trade and other receivables	19	1,443,407	1,007,150
Due from related parties	20	1,588	2,148
Tax recoverable	8(c)	16,069	15,379
Cash and bank balances		170,488	171,892
		<u>4,188,592</u>	<u>3,397,179</u>
Total assets		<u><u>6,901,430</u></u>	<u><u>5,705,400</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	167,097	167,097
Revaluation surplus		338,441	283,089
Revenue reserve		1,948,665	1,666,406
Translation reserve/(deficit)		(23,853)	(26,589)
Equity attributable to owners of the parent		<u>2,430,350</u>	<u>2,090,003</u>
Non-controlling interests	10	<u>73,828</u>	<u>53,151</u>
Total equity		<u><u>2,504,178</u></u>	<u><u>2,143,154</u></u>
Non-current liabilities			
Deferred tax liabilities	22(b)	535,779	409,886
Borrowings	23	94,869	223,897
		<u>630,648</u>	<u>633,783</u>
Current liabilities			
Borrowings	23	1,827,960	1,476,963
Trade and other payables	24	1,927,135	1,441,981
Taxation payable	8(c)	11,509	9,519
		<u>3,766,604</u>	<u>2,928,463</u>
Total equity and liabilities		<u><u>6,901,430</u></u>	<u><u>5,705,400</u></u>

The financial statements on pages 15 to 58 were approved by the board of directors on 27 January 2014 and were signed on its behalf by:



N Ng'ang'a
Director



V V Gidoomal
Director

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013**

	Notes	2013 Sh'000	2012 Sh'000
ASSETS			
Non current assets			
Investment property	13	1,160,000	957,500
Property, plant and equipment	14(b)	373,717	286,981
Operating lease prepayments	15	937	955
Intangible assets	16	5,405	1,729
Investment in subsidiaries	17	27,942	27,942
		<u>1,568,001</u>	<u>1,275,107</u>
Current assets			
Inventories	18	89,111	-
Trade and other receivables	19	64,830	47,461
Due from related parties	20	1,588	2,148
Due from group companies	20	2,727,235	2,892,650
Cash and bank balances		5,449	2,996
		<u>2,888,213</u>	<u>2,945,255</u>
Total assets		<u><u>4,456,214</u></u>	<u><u>4,220,362</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	167,097	167,097
Revaluation surplus		241,144	183,414
Revenue reserve		724,193	589,561
Total equity		<u>1,132,434</u>	<u>940,072</u>
Non current liabilities			
Deferred taxation	22	431,873	336,468
Borrowings	23	56,837	223,897
		<u>488,710</u>	<u>560,365</u>
Current liabilities			
Borrowings	23	1,053,166	1,332,566
Trade and other payables	24	27,042	36,025
Due to group companies	20	1,754,862	1,351,334
		<u>2,835,070</u>	<u>2,719,925</u>
Total equity and liabilities		<u><u>4,456,214</u></u>	<u><u>4,220,362</u></u>

The financial statements on pages 15 to 58 were approved by the board of directors on 27 January 2014 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 2013**

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Translation reserve Sh'000	Attributable to owners of the parent Sh'000	Non - controlling interests Sh'000	Total Sh'000
Year ended 30 September 2012							
At 1 October 2011	167,097	256,430	1,430,624	8,178	1,862,329	57,993	1,920,322
Profit for the year	-	-	250,068	-	250,068	16,488	266,556
Revaluation surplus on property	-	43,935	-	-	43,935	-	43,935
Deferred tax on revaluation surplus	-	(13,181)	-	-	(13,181)	-	(13,181)
Exchange difference arising on translation of foreign operations	-	-	-	(34,767)	(34,767)	-	(34,767)
Total comprehensive income for the year	-	30,754	250,068	(34,767)	246,055	16,488	262,543
Transfer of excess depreciation	-	(5,850)	5,850	-	-	-	-
Deferred tax on excess depreciation transfer	-	1,755	(1,755)	-	-	-	-
Non-controlling interests share of subsidiary disposed off during the year - note 10	-	-	-	-	-	(21,330)	(21,330)
Dividends paid – 2011	-	-	(18,381)	-	(18,381)	-	(18,381)
At 30 September 2012	167,097	283,089	1,666,406	(26,589)	2,090,003	53,151	2,143,154
Year ended 30 September 2013							
At 1 October 2012	167,097	283,089	1,666,406	(26,589)	2,090,003	53,151	2,143,154
Profit for the year	-	-	295,113	-	295,113	20,677	315,790
Revaluation surplus on property	-	86,970	-	-	86,970	-	86,970
Deferred tax on revaluation surplus	-	(26,091)	-	-	(26,091)	-	(26,091)
Exchange difference arising on translation of foreign operations	-	-	-	2,736	2,736	-	2,736
Total comprehensive income for the year	-	60,879	295,113	2,736	358,728	20,677	379,405
Transfer of excess depreciation	-	(7,363)	7,363	-	-	-	-
Deferred tax on excess depreciation transfer	-	1,836	(1,836)	-	-	-	-
Dividend paid - 2012	-	-	(18,381)	-	(18,381)	-	(18,381)
At 30 September 2013	167,097	338,441	1,948,665	(23,853)	2,430,350	73,828	2,504,178

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000
Year ended 30 September 2012				
At 1 October 2011	167,097	155,193	396,971	719,261
Profit for the year	-	-	208,438	208,438
Revaluation surplus on property	-	43,935	-	43,935
Deferred tax on revaluation surplus	-	(13,181)	-	(13,181)
Total comprehensive income for the year	-	30,754	208,438	239,192
Transfer of excess depreciation	-	(3,619)	3,619	-
Deferred tax on depreciation transfer	-	1,086	(1,086)	-
Dividend paid - 2011	-	-	(18,381)	(18,381)
At 30 September 2012	167,097	183,414	589,561	940,072
Year ended 30 September 2013				
At 1 October 2012	167,097	183,414	589,561	940,072
Profit for the year	-	-	149,864	149,864
Revaluation surplus on property	-	86,970	-	86,970
Deferred tax on revaluation surplus	-	(26,091)	-	(26,091)
Total comprehensive income for the year	-	60,879	149,864	210,743
Transfer of excess depreciation	-	(4,498)	4,498	-
Deferred tax on depreciation transfer	-	1,349	(1,349)	-
Dividend paid - 2012	-	-	(18,381)	(18,381)
At 30 September 2013	167,097	241,144	724,193	1,132,434

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2013**

	Notes	2013 Sh'000	2012 Sh'000
Cash flows from operating activities			
Net cash generated from operations	25(a)	148,546	286,730
Tax paid	8(c)	(53,401)	(6,214)
Net cash generated from operating activities		<u>95,145</u>	<u>280,516</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	14(a)	(62,442)	(109,284)
Purchase of intangible assets	16	(4,489)	(286)
Proceeds on disposal of property, plant and equipment		5,346	9,353
Proceeds from disposal of subsidiary company		-	166,577
Net cash (used in)/generated from investing activities		<u>(61,585)</u>	<u>66,360</u>
Cash flows from financing activities			
Loans received	25(b)	3,629,491	3,269,046
Loans repaid	25(b)	(3,495,976)	(3,379,525)
Dividend paid		(18,381)	(18,381)
Interest paid	5	(213,287)	(261,716)
Repayment of hire-purchase finance	25(b)	(357)	(2,459)
Net cash used in financing activities		<u>(98,510)</u>	<u>(393,035)</u>
Net decrease in cash and cash equivalents		<u>(64,950)</u>	<u>(46,159)</u>
Cash out flow on disposal of subsidiary		-	(550)
Cash and cash equivalents at the beginning of the year		105,690	151,188
Effects of exchange rate changes on the balance of cash held in foreign operations		<u>305</u>	<u>1,211</u>
Cash and cash equivalents at the end of the year	25(d)	<u><u>41,045</u></u>	<u><u>105,690</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2013
1 ACCOUNTING POLICIES**Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

For purposes of the Kenyan Companies Act the balance sheet is equivalent to the statement of financial position while the profit and loss account is equivalent to the statement of profit or loss.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)**(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2013**

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The group has adopted the amendments to IAS 1 which became mandatory in the current year.

Amendment to IAS 12 Income Taxes

The amendment to IAS 12 relates to the treatment of deferred tax on investment properties carried at fair value. The value of the group's investments properties is expected to be recovered through use and the directors are of the opinion that the revised IAS 12 presumption can be rebutted. Thus its adoption has not had a significant impact on the group's financial statements.

(ii) Relevant new standards and amendments to published standards effective for the year ended 30 September 2013

	Effective for annual periods beginning on or after
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (2011) - Revised requirements for pensions and other post-retirement benefits, termination benefits and other changes.	1 January 2013
IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 36, Impairment of Assets	1 January 2014
IFRS 9, Financial Instruments	1 January 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
1 ACCOUNTING POLICIES (continued)**Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)** (continued)***(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective***

- **IFRS 10 Consolidated Financial Statements**

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

The directors anticipate that the adoption of this new standard will not materially affect the amounts reported in the financial statements.

- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined.
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on.
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information).
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (continued)

(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective (continued)

- **IFRS 12 Disclosure of Interests in Other Entities (continued)**

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The directors anticipate that IFRS 12 will be adopted in the group's financial statements for the annual period beginning 1 October 2013 and that the application of the new standard would result in more extensive disclosures in the financial statements.

- **IFRS 13 Fair Value Measurement**

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the group has yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 October 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC) (continued)

(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective (continued)

- **IAS 19 Employee Benefits (2011)**

An amended version of IAS 19 Employee Benefits has introduced revised requirements regarding pensions and other post-retirement benefits, termination benefits and other changes.

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19)
- Introducing enhanced disclosures about defined benefit plans
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affecting the recognition and measurement of termination benefits
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features
- Incorporating other matters submitted to the IFRS Interpretations Committee.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will not have significant impact on the group's financial statement since the group does not operate defined benefits schemes.

- **IAS 27 Separate Financial Statements (2011)**

An amended version of IAS 27 which only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The standard is effective for annual periods beginning on or after 1 January 2013. The group will apply this amendment prospectively. The directors anticipate no material impact to the group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1 ACCOUNTING POLICIES** (continued)**(iii) Impact of relevant new and amended standards and interpretations on the financial statements in issue but not yet effective** (continued)

- **IAS 36 Impairment of Assets**

The amendments to IAS 36 require the disclosure of the recoverable amount of an asset when an impairment loss has been recognized or reversed and a detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.

The amendments to IAS 36 are effective for periods beginning on or after 1 January 2014. The directors anticipate no material impact to the group's financial statements..

- **IFRS 9 Financial Instruments**

This standard relates to the classification and measurement of financial assets and financial liabilities and it is intended that it will replace IAS 39 Financial Instruments: Recognition and Measurement. The Standard will require financial assets to be classified into two categories: those measured at amortised cost and those measured at fair value. For financial liabilities, the standard will retain most of the IAS 39 requirements. Further phases of this standard are due to be issued in due course. The group has yet to assess the full impact of this standard which will be effective for periods beginning on or after 1 January 2015. The group will also consider the impact of further phases of this Standard when completed by the IASB.

There are no other new and amended standards and interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the group.

(iv) Early adoption of standards

The group did not early-adopt any new or amended standards in 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1 ACCOUNTING POLICIES** (continued)**Basis of preparation**

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to revenue reserves) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2013.

The subsidiaries are set out in note 17 (a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Revenue

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to revenue reserves. No transfer is made from the revaluation reserve to revenue reserves except when an asset is derecognised.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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%
Furniture and equipment	12.5% - 30%
Motor vehicles	25%
Computers	30%

At the end of each reporting period the difference between depreciation charge for the year based on revalued amount of property, and that based on historical cost is transferred from the revaluation reserve to the revenue reserve net of the related deferred tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1 ACCOUNTING POLICIES** (continued)**Impairment**

At each reporting 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.

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 profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction and leasehold land held for such purposes), is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Inventories**

Raw materials, imported finished products and spare parts are stated at cost. The cost of inventories includes 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. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provision is made for obsolete, slow moving and defective inventories.

Livestock

Livestock is carried at market value.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

The Group's financial assets are mainly trade receivables.

Trade receivables

Trade 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 goods or services directly to a debtor with no intention of trading the receivable. Trade receivables are measured at amortised cost using the effective interest method, less any impairment.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period as well as observable changes in the national or local economic conditions that correlate with default on receivables. 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 profit or loss.

Financial liabilities

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

Borrowings

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. 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.

Trade payables

Trade payables are carried at their nominal value.

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
1 ACCOUNTING POLICIES (continued)**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 reporting 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 companies in the group.

The Group also contributes to statutory defined contribution pension schemes in the countries where the entities in the group operate, the National Social Security Fund (NSSF). Contributions are determined by local statute.

The Group's obligations to retirement benefit schemes are recognised in profit or loss 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 at year end which are expressed in foreign currencies are translated at the exchange rates ruling at year end. Transactions during the year which are denominated in foreign currency are translated at the rates of exchange ruling at the transaction dates. Gains and losses on exchange are dealt with in the profit or loss in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Kenya Shillings using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) under the translation reserve/(deficit).

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group Board of directors). The directors then allocate resources to and assess the performance of the operating segments of the Group.

The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; trade and workshop, investment properties and poultry.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

Comparatives

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION 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 accounting judgments in applying accounting policies

Property, plant and equipment

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

Impairment losses

At each reporting 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 reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
3 SEGMENTAL INFORMATION*(a) Reportable segments*

Information reported to the group's chief operating decision maker (the board of directors) for the purposes of resource allocation and segment performance is focused on the principal activities of the group. The Group's reportable segments under IFRS 8 are as follows:

- Trade and workshop – sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles, motor cars, three-wheeler vehicles, commercial laundry equipment, commercial engines and general goods.
- Poultry – day old chick farming
- Investment properties – property rentals

(b) Segment revenues and results

The segment information provided to the group board of directors for reportable segments is as follows:

	Trade and workshop Sh'000	Investment properties Sh'000	Poultry Sh'000	Group Sh'000
30 September 2013				
Revenue	6,817,889	62,811	175,321	7,056,021
Gain in fair value of investment property	-	292,500	-	292,500
Segment profit/(loss) before tax	167,877	328,140	(37,048)	458,969
30 September 2012				
Revenue	5,483,899	60,307	167,323	5,711,529
Gain in fair value of investment property	-	196,750	-	196,750
Segment profit/(loss) before tax	167,449	207,083	(20,014)	354,518

Revenue reported above represents revenue generated from external customers.

There were no revenue derived from transactions with a single external customer that amounts to 10% or more of the groups' revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

(c) Segment assets and liabilities

	Trade and workshop Sh'000	Investment properties Sh'000	Poultry Sh'000	Group Sh'000
30 September 2013				
Assets	4,849,423	1,902,150	149,857	6,901,430
Liabilities	3,749,047	586,953	61,252	4,397,252
30 September 2012				
Assets	3,976,697	1,607,625	121,078	5,705,400
Liabilities	3,031,798	498,834	31,614	3,562,246

(d) Other segment information

30 September 2013

Cost of sales	5,757,523	-	104,329	5,861,852
Expenses	724,246	4,529	106,854	835,629
Taxation charge	55,457	98,442	(10,720)	143,179
Finance costs	190,070	23,217	-	213,287
Depreciation/amortization	44,969	1	4,224	49,194
Capital expenditure	60,646	-	6,285	66,931

30 September 2012

Cost of sales	4,590,528	-	105,110	4,695,638
Expenses	547,985	94,352	107,654	749,991
Taxation charge	31,499	62,125	(5,662)	87,962
Finance costs	211,538	48,652	1,526	261,716
Depreciation/amortisation	45,392	1	4,716	50,109
Capital expenditure	50,044	-	59,526	109,570

(e) Geographical information

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

	2013 Sh'000	2012 Sh'000
Kenya	5,016,077	3,900,864
Uganda	492,777	656,227
Tanzania	1,495,685	1,113,108
South Sudan	6,050	-
Rwanda	45,432	41,330
	<u>7,056,021</u>	<u>5,711,529</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

(f) The group's total assets and liabilities are located in the following countries:

	2013 Sh'000	2012 Sh'000
Non-current assets (excluding deferred tax assets)		
Kenya	2,391,718	1,993,433
Uganda	110,785	114,572
Tanzania	185,070	187,390
South Sudan	1,890	-
Rwanda	1,171	1,648
	<u>2,690,634</u>	<u>2,297,043</u>
Total assets		
Kenya	5,538,322	4,367,498
Uganda	467,909	634,483
Tanzania	856,491	677,085
South Sudan	14,891	-
Rwanda	23,817	26,334
	<u>6,901,430</u>	<u>5,705,400</u>
Total liabilities		
Kenya	3,786,917	2,956,719
Uganda	153,436	310,201
Tanzania	455,866	290,388
South Sudan	526	-
Rwanda	507	4,938
	<u>4,397,252</u>	<u>3,562,246</u>
4 OTHER OPERATING INCOME		
Gain on disposal of property, plant and equipment	1,422	1,699
Miscellaneous income	12,080	22,124
	<u>13,502</u>	<u>23,823</u>
5 INTEREST EXPENSE		
Interest on borrowings	<u>213,287</u>	<u>261,716</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6 PROFIT BEFORE TAXATION**

	2013 Sh'000	2012 Sh'000
The profit before tax is arrived at after charging:		
Depreciation - property, plant and equipment (note 14)	47,727	49,143
Amortisation - operating lease prepayments (note 15)	405	189
- intangible assets (note 16)	1,062	777
Staff costs (note 7)	457,623	399,180
Directors' remuneration - fees	2,596	2,600
- other emoluments	26,172	25,433
Auditors' remuneration	5,757	5,240
And after crediting:		
Fair value gains on investment properties (note 13)	292,500	196,750
Gain on sale of subsidiary	-	119,755
Gain on disposal of property, plant and equipment	1,422	1,699

7 STAFF COSTS

Salaries and wages	431,290	376,169
Retirement benefit costs:		
- Defined contribution scheme	7,784	7,499
- National Social Security Fund contribution	15,765	15,469
Leave pay provision	2,784	43
	<u>457,623</u>	<u>399,180</u>

8 TAXATION**(a) Taxation charge**

Current tax	54,486	25,500
Deferred tax charge	92,072	55,305
Prior year (over)/under provision – deferred tax	(3,379)	7,157
Total deferred tax charge (note 22)	88,693	62,462
Taxation charge	<u>143,179</u>	<u>87,962</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:

	2013 Sh'000	2012 Sh'000
(b) Reconciliation of expected tax based on accounting profit to the taxation charge		
Group profit before taxation	458,969	354,518
Tax calculated at the applicable of 30%	137,691	106,355
Tax effect of incomes not subject to tax	-	(35,927)
Tax effect of expenses not deductible for tax	8,867	10,377
Prior year (over)/under provision- deferred tax	(3,379)	7,157
Taxation charge	<u>143,179</u>	<u>87,962</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 TAXATION (continued)

	2013 Sh'000	2012 Sh'000
(c) Taxation (payable)/recoverable		
GROUP		
Balance at the beginning of the year – recoverable	5,860	25,825
Expense for the year	(54,486)	(25,500)
Paid in the year	53,401	6,214
Currency translation differences	(215)	(679)
	<u>4,560</u>	<u>5,860</u>
Balance at the end of the year – recoverable	<u>4,560</u>	<u>5,860</u>
This is analysed as:		
Taxation recoverable	16,069	15,379
Taxation payable	(11,509)	(9,519)
	<u>4,560</u>	<u>5,860</u>

9 PROFIT FOR THE YEAR

A profit of Sh 149,864,000 (2012 - Sh 208,438,000) has been dealt within the separate financial statements of the parent company.

10 NON-CONTROLLING INTERESTS

	2013 Sh'000	2012 Sh'000
At the beginning of the year	53,151	57,993
Share of profit for the year	20,677	16,488
Disposed of during the year- Premier Power Equipments & Products Private Limited	-	-
	-	(21,330)
At the end of the year	<u>73,828</u>	<u>53,151</u>
	<u>2013 %</u>	<u>2012 %</u>
Represented by non-controlling interests in:		
Car & General (Marine) Limited	<u>16</u>	<u>16</u>
Dewdrops Limited	<u>34</u>	<u>34</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11 EARNINGS PER SHARE

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

	2013	2012
Profit attributable to owners of the parent (Sh'000)	295,113	250,068
Number of shares	33,419,424	33,419,424
Basic and diluted earnings per share (Sh)	8.83	7.48

12 DIVIDEND PER SHARE

Proposed dividends are not recorded as liabilities 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 the year ended 30 September 2013 of Sh 0.80 per share (2012 – Sh 0.55 per share) amounting to a total dividend of Sh 26,735,539 (2012 – Sh 18,380,683). The financial statements for the year ended 30 September 2013 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of revenue reserves in the year ending 30 September 2014.

13 INVESTMENT PROPERTY – GROUP AND COMPANY

	GROUP Sh'000	COMPANY Sh'000
At 1 October 2011	1,405,750	830,750
Fair value gains	196,750	126,750
At 30 September 2012	1,602,500	957,500
At 1 October 2012	1,602,500	957,500
Fair value gains	292,500	202,500
At 30 September 2013	1,895,000	1,160,000

Investment properties comprise 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 Sh 1,895,000,000 (2012: Sh 1,602,500,000) to secure borrowings granted to the Group.

These properties were valued by R R Oswald & Company Limited, registered valuers in Kenya, as at 30 September 2013, on an open market basis. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTY – GROUP AND COMPANY (continued)

ANALYSIS OF INVESTMENT PROPERTY
AT VALUATION

	GROUP 2013 Sh'000	COMPANY 2013 Sh'000	GROUP 2012 Sh'000	COMPANY 2012 Sh'000
Leasehold over 50 years unexpired	985,000	250,000	850,000	205,000
Leasehold under 50 years unexpired	910,000	910,000	752,500	752,500
	<u>1,895,000</u>	<u>1,160,000</u>	<u>1,602,500</u>	<u>957,500</u>

14 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	WIP Sh'000	Total Sh'000
COST OR VALUATION							
At 1 October 2011	472,767	76,836	88,831	134,114	41,349	-	813,897
Exchange rate adjustments	(20,528)	(16)	(4,888)	(4,938)	(1,070)	-	(31,440)
Additions	588	10,536	21,681	21,484	5,467	49,528	109,284
Disposals	-	(650)	(774)	(17,476)	(162)	-	(19,062)
Eliminated on sale of subsidiary	(25,076)	(8,777)	(3,418)	(542)	(2,933)	-	(40,746)
Revaluation surplus	39,250	-	-	-	-	-	39,250
At 30 September 2012	<u>467,001</u>	<u>77,929</u>	<u>101,432</u>	<u>132,642</u>	<u>42,651</u>	<u>49,528</u>	<u>871,183</u>
At 1 October 2012	467,001	77,929	101,432	132,642	42,651	49,528	871,183
Exchange rate adjustments	1,562	11	(231)	(235)	4	(274)	837
Additions	-	26,845	12,734	17,703	4,379	781	62,442
Disposals	-	-	(2,389)	(11,338)	(1,642)	(108)	(15,477)
Transfer to land and buildings	49,927	-	-	-	-	(49,927)	-
Revaluation surplus	81,500	-	-	-	-	-	81,500
At 30 September 2013	<u>599,990</u>	<u>104,785</u>	<u>111,546</u>	<u>138,772</u>	<u>45,392</u>	<u>-</u>	<u>1,000,485</u>
COMPRISING:							
At 30 September 2013							
At valuation 2013	468,739	-	-	-	-	-	468,739
At cost	131,251	104,785	111,546	138,772	45,392	-	531,746
	<u>599,990</u>	<u>104,785</u>	<u>111,546</u>	<u>138,772</u>	<u>45,392</u>	<u>-</u>	<u>1,000,485</u>
At 30 September 2012							
At valuation 2012	369,208	-	-	-	-	-	369,208
At cost	97,793	77,929	101,432	132,642	42,651	49,528	501,975
	<u>467,001</u>	<u>77,929</u>	<u>101,432</u>	<u>132,642</u>	<u>42,651</u>	<u>49,528</u>	<u>871,183</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP (continued)

	Land and buildings Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	WIP Sh'000	Total Sh'000
DEPRECIATION							
At 1 October 2011	13,140	28,789	40,679	62,144	24,529	-	169,281
Exchange rate adjustments	(1,692)	(18)	(1,411)	(1,696)	(539)	-	(5,356)
Charge for the year	8,361	9,230	6,339	20,112	5,101	-	49,143
Eliminated on disposals	-	(32)	(473)	(10,806)	(123)	-	(11,434)
Eliminated on sale of subsidiary	(503)	(1,330)	(675)	(169)	(1,087)	-	(3,764)
Write back on revaluation	(4,685)	-	-	-	-	-	(4,685)
At 30 September 2012	14,621	36,639	44,459	69,585	27,881	-	193,185
At 1 October 2012	14,621	36,639	44,459	69,585	27,881	-	193,185
Exchange rate adjustments	240	4	(18)	(61)	29	-	194
Charge for the year	9,823	8,805	7,265	17,008	4,826	-	47,727
Eliminated on disposals	-	-	(2,095)	(7,904)	(1,194)	-	(11,193)
Write back on revaluation	(5,470)	-	-	-	-	-	(5,470)
At 30 September 2013	19,214	45,448	49,611	78,628	31,542	-	224,443
NET BOOK VALUE							
At 30 September 2013	580,776	59,337	61,935	60,144	13,850	-	776,042
At 30 September 2012	452,380	41,290	56,973	63,057	14,770	49,528	677,998
NET BOOK VALUE (COST BASIS)							
At 30 September 2013	102,509	59,337	61,935	60,144	13,850	-	297,775
At 30 September 2012	53,655	41,290	56,973	63,057	14,770	49,528	279,273

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd professional valuers on 30 September 2013. The basis of valuation has been open market value. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

	2013 Sh'000	2012 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Leasehold buildings over 50 years unexpired	102,436	45,112
Leasehold buildings under 50 years unexpired	497,554	421,889
	599,990	467,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP** (continued)

The exchange rate adjustments arise as a result of translation of the property, plant and equipment opening balances of subsidiaries outside Kenya.

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

(b) PROPERTY AND EQUIPMENT - COMPANY

	Land and buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION					
At 1 October 2011	238,294	4,597	12,470	18,285	273,646
Additions	-	73	183	871	1,127
Disposals	-	(504)	-	-	(504)
Revaluation surplus	39,250	-	-	-	39,250
At 30 September 2012	277,544	4,166	12,653	19,156	313,519
At 1 October 2012	277,544	4,166	12,653	19,156	313,519
Additions	-	1,997	5,193	1,080	8,270
Disposals	-	-	-	(57)	(57)
Revaluation surplus	81,500	-	-	-	81,500
At 30 September 2013	359,044	6,163	17,846	20,179	403,232
COMPRISING:					
At 30 September 2013					
At valuation	353,101	-	-	-	353,101
At cost	5,943	6,163	17,846	20,179	50,131
	359,044	6,163	17,846	20,179	403,232
At 30 September 2012					
At valuation	271,601	-	-	-	271,601
At cost	5,943	4,166	12,653	19,156	41,918
	277,544	4,166	12,653	19,156	313,519
DEPRECIATION					
At 1 October 2011	81	2,456	8,263	13,107	23,907
Charge for the year	4,766	536	550	1,719	7,571
Eliminated on disposals	-	(255)	-	-	(255)
Write back on revaluation	(4,685)	-	-	-	(4,685)
At 30 September 2012	162	2,737	8,813	14,826	26,538
At 1 October 2012	162	2,737	8,813	14,826	26,538
Charge for the year	5,551	648	822	1,445	8,466
Eliminated on disposals	-	-	-	(19)	(19)
Write back on revaluation	(5,470)	-	-	-	(5,470)
At 30 September 2013	243	3,385	9,635	16,252	29,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 (b) PROPERTY AND EQUIPMENT - COMPANY (continued)

	Land and buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Computers Sh'000	Total Sh'000
NET BOOK VALUE					
At 30 September 2013	358,801	2,778	8,211	3,927	373,717
At 30 September 2012	277,382	1,429	3,840	4,330	286,981
NET BOOK VALUE (COST BASIS)					
At 30 September 2013	16,752	2,778	8,211	3,927	31,668
At 30 September 2012	17,094	1,429	3,840	4,330	26,693

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd professional valuers on 30 September 2013. The basis of valuation has been open market value. The valuers have the relevant experience in valuing properties located in similar locations.

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.

	2013 Sh'000	2012 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Leasehold buildings over 50 years unexpired	34,044	26,544
Leasehold buildings under 50 years unexpired	325,000	251,000
	<u>359,044</u>	<u>277,544</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
15 OPERATING LEASE PREPAYMENTS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2011	18,608	1,440
Exchange rate adjustments	(867)	-
At 30 September 2012	17,741	1,440
At 1 October 2012	17,741	1,440
Exchange rate adjustments	148	-
At 30 September 2013	17,889	1,440
AMORTISATION		
At 1 October 2011	4,006	467
Exchange rate adjustments	(183)	-
Charge for the year	189	18
At 30 September 2012	4,012	485
At 1 October 2012	4,012	485
Exchange rate adjustments	45	-
Charge for the year	405	18
At 30 September 2013	4,462	503
NET BOOK VALUE		
At 30 September 2013	13,427	937
At 30 September 2012	13,729	955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2011	7,824	5,205
Exchange rate adjustments	(293)	-
Additions	286	227
Disposals	(54)	-
At 30 September 2012	<u>7,763</u>	<u>5,432</u>
At 1 October 2012	7,763	5,432
Exchange rate adjustments	(12)	-
Additions	4,489	4,475
Disposals	(186)	-
At 30 September 2013	<u>12,054</u>	<u>9,907</u>
AMORTISATION		
At 1 October 2011	4,313	3,289
Exchange rate adjustments	(111)	-
Charge for the year	777	414
Eliminated on disposals	(32)	-
At 30 September 2012	<u>4,947</u>	<u>3,703</u>
At 1 October 2012	4,947	3,703
Exchange rate adjustments	(4)	-
Charge for the year	1,062	799
Eliminated on disposals	(116)	-
At 30 September 2013	<u>5,889</u>	<u>4,502</u>
NET BOOK VALUE		
At 30 September 2013	<u>6,165</u>	<u>5,405</u>
At 30 September 2012	<u>2,816</u>	<u>1,729</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
17 (a) INVESTMENT IN SUBSIDIARIES**Investments at cost**

	Holding	2013 Sh'000	2012 Sh'000
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	100%	15,072	15,072
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	100%	2,250	2,250
Car & General (Engineering) Limited (formerly Kamco Engineering Limited) 130,000 shares of Ksh 20 each at cost	100%	2,600	2,600
Car & General (Marine) Limited (formerly Cargen Plastics Limited) 157,757 shares of Ksh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 1000 shares of Ksh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of Ksh 20 each at cost less amounts written off	100%	1,098	1,098
Car & General (Trading) Limited - Kenya 2,000 shares of Ksh 20 each at cost	100%	40	40
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) 25,000 shares of Ksh 20 each at cost	100%	500	500
Cargen Insurance Agencies Limited 100 shares of Ksh 20 each at cost	100%	2	2
Kibo Poultry Products Limited 998 shares of TSh 5,000 each at cost	100%	90	90
Sovereign Holdings International Limited 1 share of US\$ 1 each	100%	-	-
Dewdrops Limited	66%	7	7
Car & General (Rwanda) Limited	100%	508	508
		<u>27,942</u>	<u>27,942</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**17 (b) INVESTMENT IN SUBSIDIARIES**

The movement of the investment in subsidiaries is as follows:

	2013 Sh'000	2012 Sh'000
At the beginning of the year	27,942	74,386
Disposed during the year (Premier Power Equipment's & Products Pvt. Limited)	-	(46,444)
At the end of the year	27,942	27,942
Profit on disposal of subsidiary		
Disposal proceeds	-	166,577
Share of net assets in the disposed subsidiary	-	(46,822)
Profit on disposal	-	119,755

18 INVENTORIES - GROUP

	2013 Sh'000	2012 Sh'000
Goods in transit and in bond	1,101,087	923,358
Finished products	891,193	889,425
Raw materials, spares and consumables	539,736	366,682
Work in progress	5,633	16,707
Livestock	19,391	4,438
	2,557,040	2,200,610

INVENTORIES - COMPANY

Finished products	88,929	-
Raw materials, spares and consumables	182	-
	89,111	-

19 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013 Sh'000	2012 Sh'000	2013 Sh'000	2012 Sh'000
Trade receivables	1,184,354	812,943	22,664	4,281
Other receivables	259,053	194,207	42,166	43,180
	1,443,407	1,007,150	64,830	47,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 RELATED PARTIES

	GROUP		COMPANY	
	2013 Sh'000	2012 Sh'000	2013 Sh'000	2012 Sh'000
Due from directors	<u>1,588</u>	<u>2,148</u>	<u>1,588</u>	<u>2,148</u>
Due from subsidiaries	<u>-</u>	<u>-</u>	<u>2,727,235</u>	<u>2,892,650</u>
Due to group companies	<u>-</u>	<u>-</u>	<u>1,754,862</u>	<u>1,351,334</u>

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

21 SHARE CAPITAL – GROUP AND COMPANY

	2013 Sh'000	2012 Sh'000
Authorised		
35,000,000 ordinary shares of Sh 5 each	<u>175,000</u>	<u>175,000</u>

The movement in authorised share capital during the year is as follows:

	No. of shares in thousands		Par value	
	2013	2012	2013 Sh'000	2012 Sh'000
At the beginning of the year	35,000	34,000	175,000	170,000
Increased during the year	-	1,000	-	5,000
At the end of the year	<u>35,000</u>	<u>35,000</u>	<u>175,000</u>	<u>175,000</u>

	2013 Sh'000	2012 Sh'000
Issued and fully paid		
33,419,424 ordinary shares of Sh 5 each	<u>167,097</u>	<u>167,097</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION

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

	2013 Sh'000	2012 Sh'000
GROUP		
At the beginning of the year	398,708	321,749
Exchange difference on translation	83	(1,214)
Charge/(credit) for the year - (note 8(a))	92,072	55,305
Property revaluation	26,091	13,181
Eliminated on disposal of subsidiary	-	435
Prior year over provision	(3,379)	9,252
	<u>513,575</u>	<u>398,708</u>
COMPANY		
At the beginning of the year	336,468	278,729
Charge for the year	69,314	44,558
Property revaluation	26,091	13,181
	<u>431,873</u>	<u>336,468</u>

- (b) The analysis of the group's deferred tax assets and liabilities taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	2013 Sh'000	2012 Sh'000
Deferred tax assets	(22,204)	(11,178)
Deferred tax liabilities	535,779	409,886
	<u>513,575</u>	<u>398,708</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION (continued)

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

	At 1 October 2012 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2013 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	12,806	(6)	-	(49)	12,751
Relating to revaluation surplus	84,174	136	26,091	(487)	109,914
Relating to fair value gains on investment property	337,959	-	-	87,750	425,709
Unrealised exchange differences	2,679	34	-	(1,428)	1,285
	<u>437,618</u>	<u>164</u>	<u>26,091</u>	<u>85,786</u>	<u>549,659</u>
Deferred tax assets					
Tax losses carried forward	(31,843)	(19)	-	(480)	(32,342)
Unrealised exchange differences	-	-	-	-	-
Leave pay provision	(328)	(2)	-	244	(86)
Bad debts provision	(6,739)	(60)	-	3,143	(3,656)
	<u>(38,910)</u>	<u>(81)</u>	<u>-</u>	<u>2,907</u>	<u>(36,084)</u>
Net deferred tax liability	<u>398,708</u>	<u>83</u>	<u>26,091</u>	<u>88,693</u>	<u>513,575</u>
COMPANY					
Deferred tax liabilities					
Relating to revaluation surplus	349,471	-	26,091	60,750	436,312
Unrealised exchange differences	-	-	-	-	-
	<u>349,471</u>	<u>-</u>	<u>26,091</u>	<u>60,750</u>	<u>436,312</u>
Deferred tax assets					
Accelerated capital allowances	700	-	-	(507)	193
Tax losses carried forward	(13,226)	-	-	8,045	(5,181)
Leave pay provision	(150)	-	-	367	217
Unrealised exchange differences	(327)	-	-	659	332
	<u>(13,003)</u>	<u>-</u>	<u>-</u>	<u>8,564</u>	<u>(4,439)</u>
Net deferred tax liability	<u>336,468</u>	<u>-</u>	<u>26,091</u>	<u>69,314</u>	<u>431,873</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS

	2013 Sh'000	2012 Sh'000
GROUP		
Loans:		
Loans in Kshs	138,865	320,898
Loans in USD	928,329	750,376
Loans in Euro	1,734	3,971
	<u>1,068,928</u>	<u>1,075,245</u>
Short-term notes	724,458	559,056
Bank overdrafts (Secured)	129,443	66,202
Hire purchase obligations	-	357
	<u>1,922,829</u>	<u>1,700,860</u>
Current	(1,827,960)	(1,476,963)
Non-current	<u>94,869</u>	<u>223,897</u>
COMPANY		
Loans:		
Loans in Kshs	138,865	320,898
Loans in USD	169,741	606,636
Loans in Euro	1,734	3,971
	<u>310,340</u>	<u>931,505</u>
Short-term notes	724,458	559,056
Bank overdrafts (Secured)	75,205	65,902
	<u>1,110,003</u>	<u>1,556,463</u>
Current	(1,053,166)	(1,332,566)
Non-current	<u>56,837</u>	<u>223,897</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2013 Sh'000	2012 Sh'000	2013 Sh'000	2012 Sh'000
Between 1 and 2 years	94,869	176,565	56,837	176,565
Between 2 and 5 years	-	47,332	-	47,332
	<u>94,869</u>	<u>223,897</u>	<u>56,837</u>	<u>223,897</u>

Interest rates

The effective interest rates at 30 September were as follows:

	2013	2012
Bank overdrafts	<u>16.28%</u>	<u>20.51%</u>
Loans:		
Loans in KSh	15.56%	18.42%
Loans in USD	8.23%	8.52%
Loans in Euro	8.00%	7.96%
	<u>11.07%</u>	<u>16.53%</u>
Short-term notes	<u>11.07%</u>	<u>16.53%</u>
Hire purchase obligations	<u>18.00%</u>	<u>22.50%</u>

Details of securities for loans and overdrafts

- The Standard Chartered Bank Kenya Limited loans and overdraft are secured by a collateral legal charge over land and buildings and a debenture over all assets for Sh 1,625,500,000 ranking pari passu with I & M Bank Limited for Sh 250,000,000. The total borrowings with Standard Chartered bank Kenya Limited are Sh 994,311,000.
- The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all Car & General (Trading) Limited - Tanzania for Sh 425,020,000, a fixed charge on associated company's property and corporate guarantee by associated companies. The total borrowings with Standard Chartered bank Tanzania Limited are Sh 107,860,000.
- The I&M Bank Limited overdraft is secured by a collateral legal charge over land and buildings and a debenture over certain assets of the company for Sh 250,000,000, ranking pari passu with Standard Chartered Bank Kenya Limited. The total borrowings with I&M Bank Limited are Sh 49,353,000.
- The Giro Commercial Bank Limited overdraft is secured by legal charge over land and buildings located on the properties KSM / MUN / BLOCK 3/7, LR 209/4160 Nairobi, LR 209/4159 Nairobi, and Msa Kwale/ Diani / Block 728-738 for Sh 63,000,000. The total borrowings with Giro Commercial Bank Limited are Sh 37,859,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

e) The Standard Chartered Bank Uganda Limited overdraft is secured by a legal charge over land and building and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 501,120,000 and a corporate guarantee by holding company. The total borrowings with Standard Chartered bank Uganda Limited are Sh 8,988,000.

f) The short term notes are from various lenders and are unsecured.

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP	
	2013 Sh'000	2012 Sh'000
Minimum lease payments		
Due within one year	-	482
Due after one year	-	-
	<u>-</u>	<u>482</u>
Less: Future finance charges	-	(125)
	<u>-</u>	<u>-</u>
Present value of minimum lease payments	-	357
Less: Amount due for settlement within 12 months	-	(357)
	<u>-</u>	<u>-</u>
Amounts due for settlement after 12 months	<u>-</u>	<u>-</u>

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

The weighted effect interest rate at 30 September 2013 was 18% (2012 – 22.50% p.a.).

The carrying values of the finance 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 294,719,165 (2012 – Sh 223,333,470). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013 Sh'000	2012 Sh'000	2013 Sh'000	2012 Sh'000
Trade payables	1,510,307	1,021,101	4,044	6,364
Other payables	416,828	420,880	22,998	29,661
	<u>1,927,135</u>	<u>1,441,981</u>	<u>27,042</u>	<u>36,025</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**25 NOTES TO THE STATEMENT OF CASH FLOWS**

	2013 Sh'000	2012 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	458,969	354,518
Adjustments for:		
Depreciation on property, plant and equipment	47,727	49,143
Leasehold land amortisation	405	189
Fair value gains on investment properties	(292,500)	(196,750)
Gain on disposal of subsidiary	-	(119,755)
Gain on disposal of property and equipment	(1,090)	(1,699)
Intangible assets amortisation	1,062	777
Interest expense	213,287	261,716
Exchange translation on opening reserves	1,993	(16,327)
Non-controlling interests eliminated on disposal of Subsidiary	-	(21,330)
Property and equipment written off	96	-
Exchange adjustment on borrowings	25,570	(93,564)
Adjusted profit before working capital changes	455,519	216,918
(Increase)/decrease in inventories	(356,430)	90,159
Increase in trade and other receivables	(436,257)	(38,088)
Decrease/(increase) in balances due from related parties	560	(175)
Increase in trade and other payables	485,154	17,916
Net cash generated from operations	<u>148,546</u>	<u>286,730</u>
(b) Analysis of changes in borrowings		
At the beginning of the year	1,634,658	1,841,160
Loans received	3,629,491	3,269,046
Repayments	(3,495,976)	(3,379,525)
Hire purchase facility repaid (note 25(c))	(357)	(2,459)
Exchange rate adjustments	25,570	(93,564)
At the end of the year	<u>1,793,386</u>	<u>1,634,658</u>
(c) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	357	2,816
Loans repaid in the year	(357)	(2,459)
At the end of the year	<u>-</u>	<u>357</u>
(d) Cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents at year end comprise:		
Cash and bank balances	170,488	171,892
Bank overdrafts (note 23)	(129,443)	(66,202)
	<u>41,045</u>	<u>105,690</u>
26 CAPITAL COMMITMENTS		
Authorised and contracted for	<u>7,210</u>	<u>817</u>
Authorised but not contracted for	<u>51,950</u>	<u>46,526</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**27 CONTINGENT LIABILITIES**

	2013 Sh'000	2012 Sh'000
GROUP		
Sundry bank guarantees	266,489	228,329
	<u> </u>	<u> </u>
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	2,446,800	1,655,096
Sundry bank guarantees	176,366	181,631
	<u> </u>	<u> </u>
	<u>2,623,166</u>	<u>1,836,727</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.

28 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

The Group as a lessor

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

	2013 Sh'000	2012 Sh'000
Within one year	63,946	60,256
In the second to fifth year inclusive	235,863	232,220
	<u> </u>	<u> </u>
	<u>299,809</u>	<u>292,476</u>

29 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 statement of financial position are disclosed on note 20 to the financial statements.

During the year, the following transactions were carried out with related parties. Giro Commercial Bank Limited and I&M Bank Limited, which are not members of Car & General (Kenya) Limited, are related through certain common directors. Fincom Limited is a member of Car & General (Kenya) Limited and is also related through common directors.

	GROUP		COMPANY	
	2013 Sh'000	2012 Sh'000	2013 Sh'000	2012 Sh'000
Borrowings repaid	<u>228,083</u>	<u>442,600</u>	<u>228,083</u>	<u>425,433</u>
Borrowings received	<u>204,173</u>	<u>431,430</u>	<u>204,173</u>	<u>397,257</u>
Interest paid	<u>9,413</u>	<u>20,816</u>	<u>9,092</u>	<u>13,604</u>
Loan balance at year end	<u>21,967</u>	<u>45,877</u>	<u>21,967</u>	<u>45,877</u>
Overdraft balance at year end	<u>65,245</u>	<u>39,937</u>	<u>49,352</u>	<u>39,937</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	2013 Sh'000	2012 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	<u>241,246</u>	<u>220,377</u>
Fees for services as directors	2,596	2,600
Other emoluments for executive directors (included in key management compensation above)	26,172	25,433
	<u>28,768</u>	<u>28,033</u>

30 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 borrowings, cash and cash equivalents and equity, comprising issued capital revaluation reserves, revenue reserves and non-controlling interests.

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 bank balances. Total capital is calculated as equity attributable to owners of the parent and non-controlling interests. The borrowings mainly relate to import loans for new products and are expected to reduce as sales for these products increase.

	2013 Sh'000	2012 Sh'000
Equity	<u>2,504,178</u>	<u>2,143,154</u>
Total borrowings	1,922,829	1,700,860
Less: cash and bank balances	(170,488)	(171,892)
Net debt	<u>1,752,341</u>	<u>1,528,968</u>
Gearing Ratio	<u>70%</u>	<u>71%</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES

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 finance 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 represented the Group's maximum exposure to credit risk as at 30 September 2013 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	857,977	326,377	91,379	1,275,733
Due from directors	1,588	-	-	1,588
Bank balances	170,488	-	-	170,488
	<u>1,030,053</u>	<u>326,377</u>	<u>91,379</u>	<u>1,447,809</u>

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2012 is made up as follows:

Trade receivables	484,348	328,595	97,160	910,103
Due from directors	2,148	-	-	2,148
Bank balances	171,892	-	-	171,892
	<u>658,388</u>	<u>328,595</u>	<u>97,160</u>	<u>1,084,143</u>

Bank balances are fully performing, they are held in reputable banks that have a high credit rating.

The customers under the fully performing category are paying their debts as they continue trading. Part of trade and other receivables in the past due category are fully impaired and have been provided for. The group does not hold any collateral or other enhancements to cover the credit risk.

Liquidity risk

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 reporting date to the contractual maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Liquidity risk (continued)

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 2013						
Liabilities						
Trade payables	190,509	1,167,512	152,286	-	-	1,510,307
Other borrowings	462,665	1,174,889	216,340	68,935	-	1,922,829
Total financial liabilities	<u>653,174</u>	<u>2,342,401</u>	<u>368,626</u>	<u>68,935</u>	<u>-</u>	<u>3,433,136</u>
At 30 September 2012						
Liabilities						
Trade payables	97,999	920,618	2,484	-	-	1,021,101
Finance lease obligations	70	208	136	-	-	414
Other borrowings	436,837	852,805	330,618	240,181	-	1,860,441
Total financial liabilities	<u>534,906</u>	<u>1,773,631</u>	<u>333,238</u>	<u>240,181</u>	<u>-</u>	<u>2,881,956</u>

Market risk

(i) Foreign exchange risk

A sizable portion of the Group's purchases are denominated in foreign currencies. The group manages the currency risk on net exposure by monitoring exchange rate movements and mitigates the risks by using foreign exchange forward contracts when appropriate and by invoicing customers in the relevant foreign currency, where possible.

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

Foreign Currency	USD KSh'000	EURO KSh'000	SSP KSh'000	RWF KSh'000	JPY KSh'000
2013					
Assets					
Bank and cash balances	33,637	-	3,516	627	-
Trade receivables	378,467	-	5,644	6,175	-
	<u>412,104</u>	<u>-</u>	<u>9,160</u>	<u>6,802</u>	<u>-</u>
Liabilities					
Trade payables	<u>1,183,283</u>	<u>8,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
2012					
Assets					
Bank and cash balances	16,948	1,190	-	-	-
Trade receivables	233,831	2,143	-	-	-
	<u>250,779</u>	<u>3,333</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities					
Trade payables	<u>740,080</u>	<u>5,149</u>	<u>-</u>	<u>-</u>	<u>20,291</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

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.

	2013 Sh'000 Effect on Profit	2012 Sh'000 Effect on Profit
Currency – US Dollar (USD)		
+ 10 % KSh Movement	77,118	48,930
- 10 % KSh Movement	(77,118)	(48,930)
Currency – Euro (Euro)		
+ 10 % KSh Movement	813	182
- 10 % KSh Movement	(813)	(182)
Currency South Sudan (SSP)		
+ 10 % KSh Movement	916	-
- 10 % KSh Movement	(916)	-
Currency Rwandese Francs (RWF)		
+ 10 % KSh Movement	680	-
- 10 % KSh Movement	(680)	-
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	-	2,029
- 10 % KSh Movement	-	(2,029)

(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.

The table below summarises the exposure to interest rate risk at the reporting 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 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 2013						
Financial assets						
Cash and bank balances	170,488	-	-	-	-	170,488
Total financial liabilities						
Subject to interest sensitivity	(462,665)	(1,174,889)	(216,340)	(68,935)	-	(1,922,829)
Interest sensitivity gap	(292,177)	(1,174,889)	(216,340)	(68,935)	-	(1,752,341)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	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 2012						
Financial assets						
Cash and bank balances	171,892	-	-	-	-	171,892
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities	(432,095)	(825,311)	(300,443)	(143,368)	-	(1,701,217)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Interest sensitivity gap	<u>(260,203)</u>	<u>(825,311)</u>	<u>(300,443)</u>	<u>(143,368)</u>	<u>-</u>	<u>(1,529,325)</u>

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 reporting date was outstanding for the whole year.

	2013 Sh'000 Effect on Profit	2012 Sh'000 Effect on Profit
+ 1% Movement	17,523	15,293
- 1 %Movement	(17,523)	(15,293)

(iii) Price risk

As at 31 December 2013 and 2012, the group did not hold financial instruments that are subject to price fluctuations.

32 INCORPORATION

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

33 CURRENCY

The financial statements are presented in Kenya Shillings rounded to the nearest thousand (Sh '000) which is also the functional currency.



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 Southern Sun, Mayfair Hotel, Parklands
Road, Parklands, Nairobi on Thursday, 20th March 2014 at 11.00 a.m., and at any adjournment thereof.

Dated this day of 2014

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 authorised 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, Nairobi not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.

