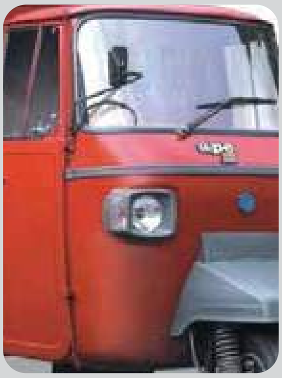
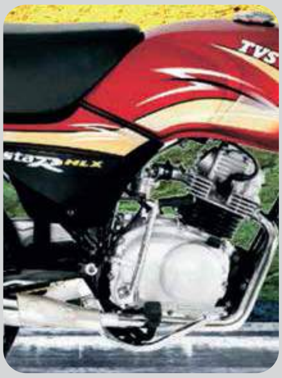
CAR and GENERAL

Car & General (Kenya) PLC

Kenya • Uganda • Tanzania • Rwanda • South Sudan




Power for better living

Annual report 2018

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BOARD OF DIRECTORS

N Ng'ang'a, EBS - Chairman
V V Gidoomal - Chief Executive Officer
S P Gidoomal
P Shah
M Soundararajan*
C M Ngini
G M Mboya

* Indian

SECRETARY

N P Kothari – FCPS (Kenya)

REGISTERED OFFICE

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

AUDITORS

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

PRINCIPAL BANKERS

Kenya

Standard Chartered Bank Kenya Limited
I & M Bank Limited
Equity Bank (Kenya) Limited
KCB Bank Kenya Limited
Co-operative Bank of Kenya Limited

Tanzania

Standard Chartered Bank Tanzania Limited
NBC Limited
Diamond Trust Bank Tanzania Limited
I & M Bank Tanzania Limited
NMB Tanzania Limited
Ban ABC Tanzania Limited
KCB Bank Tanzania Limited
CRDB Bank Limited
Ecobank Tanzania Limited

Uganda

Standard Chartered Bank Uganda Limited
Stanbic Bank (Uganda) Limited
KCB Bank Uganda Limited

South Sudan

KCB Bank Limited

Rwanda

KCB Bank Rwanda Limited

LEGAL ADVISORS

Coulson Harney LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P O Box 10643 - 00100
Nairobi, Kenya

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001- 00200 - Nairobi	Sales and service of power equipment, material handling equipment, construction and earth-moving equipment, compressed air solutions, household goods, agricultural tractors and implements, marine engines, motorcycles and three-wheeler vehicles, commercial laundry equipment, commercial engines and general goods.
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 service of power equipment, marine engines, motor cycles, agricultural tractors and implements, commercial engines three-wheeler vehicles and general goods.
Dew Tanzania Limited P O Box 1552, Dar es Salaam	Property holding company.
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 three-wheeler vehicles 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.
Dewdrops Limited P O Box 20001 - 00200 - Nairobi	Holding company.
Progen Company Limited P O Box 20001 - 00200 - Nairobi	Property holding company.
NIIT C&G Training Limited (formerly Car & General (Piaggio) Limited) P O Box 20001 - 00200 - Nairobi	Development of talent by offering multi-disciplinary learning, management and training delivery solutions to corporations, institutions and individuals. It did not trade during the year.
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.

BRANCH

Car & General (Kenya) PLC - Juba Plot No. 15, Kator, Tumbla Road Juba - South Sudan	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. The branch was dormant during the year.

The company also has the following dormant subsidiaries in Kenya:

(a) Car & General (Automotive) Limited
(b) Car & General (Engineering) Limited
(c) Car & General (Marine) Limited
(d) Car & General (Industries) Limited
(e) Cargen Insurance Agencies Limited

ASSOCIATE COMPANY	ACTIVITIES
Watu Credit Limited P O Box 10556 - 80101 Nyali	Microfinance services

JOINT VENTURE

Cummins C&G Holdings Limited C/o Minerva Fiduciary Services (Mauritius) Ltd Suite 2004, Level 2 Alexander House 35 Cybercity Ebene Republic of Mauritius	Sale and service of commercial engines and power equipment

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventy–ninth Annual General Meeting of Car & General (Kenya) Plc will be held in Palm Room, Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Monday, 25th March 2019 at 11.00 a.m., for the following purposes:

1 To receive the Directors' Report and audited financial statements for the year ended 30th September 2018.

2 To receive and approve the Directors' Remuneration Report and Policy for the financial year ending 30th September 2019.

Shareholders are invited to vote on the Directors' Remuneration Report and Policy which appear on pages 14 and 15 of the Annual Report and Financial Statements for the year ended 30th September 2018.

3 To declare a first and final dividend of KShs 0.80 per share as recommended by the Directors.

4 To elect Directors:

(a) Mr M Soundararajan, retires by rotation and, being eligible, offers himself for re-election.

(b) Mr S P Gidoomal retires by rotation and, being eligible, offers himself for re-election.

5 To appoint the Audit Committee:

Mr P Shah (Chairman), Mr M Soundararajan, Mr S P Gidoomal and Mr C M Ngini being members of the Audit Committee be re-appointed to continue to serve as members of the said Committee in accordance with The Companies Act, 2015.

6 To appoint Deloitte & Touche as auditors of the Company and to authorize the Directors to fix the remuneration of the auditors in terms of Section 721 of The Companies Act, 2015.

By Order of the Board

N P Kothari
Secretary

15th January 2019

(a) 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. A proxy need not be a member of the Company. A detachable proxy form is at the end of the financial statements.

(b) Registration of members and proxies attending the Annual General Meeting on 25th March 2019, will commence at 10.00 a.m. Production of a National Identity Card/passport, a current Central Depository Statement of Account or Share Certificates for shares held in the Company will be required for registration.

CHAIRMAN'S STATEMENT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2018

"Turnover for the year ending September 2018 was Kshs 10 billion against Kshs 9.6 billion achieved the previous financial year"

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

The year to September 2018 proved challenging. Notwithstanding, in spite of constrained liquidity conditions, the Group posted 19% growth on like for like sales (which exclude Cummins sales). Sales in Kenya grew 16% and sales outside Kenya grew 24%. Our two wheeler and three wheeler businesses experienced growth. Our equipment businesses (namely tractors, construction equipment and forklifts) remained flat in line with stable market size.

Our investment property business saw reasonable gains this year given current market conditions and concluded transactions. We continue to review the property portfolio to ensure it generates satisfactory returns. In this regard we are planning to invest in our property portfolio this year. We are also planning to divest non core properties. Any proceeds will be applied to the reduction of borrowings.

As a result of the above, like for like turnover for the year ending September 2018 was Kshs 10 billion against Kshs 9.6 billion achieved the previous financial year. The reported turnover figure for 2017of Kshs 9.6 billion excludes sales from our joint venture with Cummins which are no longer consolidated being a 50:50 partnership. Profit after tax over the same period was Kshs.226 million which is 183% higher than Kshs 80 million made during the same period last year. Profitability has been impacted by prudent provisions.

The highlight of the financial year was the growth in volume in our consumer businesses particularly in motorcycles and three wheelers which offset the static volume in our equipment business. Our investment in Watu credit is also performing satisfactorily. We now offer a complete range of specialized engine related products (both consumer and equipment) through a solid distribution network and are making good progress in achieving dominant market shares in each segment. We are certainly a more disciplined business and this will bear fruit as volumes grow.

Going forward, we believe constrained liquidity conditions will persist in 2019 given the cap on lending rates and government austerity measures. Key to success will be higher efficiency levels in all areas of our business, maintaining market share in core products and achieving satisfactory profitability across all businesses. We have made all necessary manpower and infrastructure investments – we now need to grow volume and market share on an efficient base.

I now comment more specifically below:

The Consumer Business

Our small engine business, in terms of power products, two-wheelers and three-wheelers, saw a general increase in sales. Our product and value proposition is strong especially when coupled with our aftermarket offerings. We expect market share to increase in 2018/2019 having launched various new models and financing initiatives.

CHAIRMAN'S STATEMENT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (continued)

Assuming stability, we expect our consumer markets to grow this year. We must get closer to our markets and our customers throughout the region 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.

The Equipment Business

The Cummins business in Kenya and regionally declined in 2017/2018. Our challenge remains growth of market share and our ability to differentiate ourselves. Our investments in our aftermarket business are now yielding results and will differentiate us from competition. We have significant scope for growth assuming economic growth throughout the region translates into development opportunities in terms of new projects. This has been lacking.

The fundamentals of our Ingersoll Rand business have been established. We expect this business to grow.

Our Doosan business had a positive year in terms of growth in spite of continued challenges in the financial sector which saw a reduction in equipment financing by banks. We are confident that we can achieve sustainable profitability and market share in this sector in 2019.

Our Kubota tractor and Toyota forklift businesses are also gaining traction. The market size remains restrictive to building a scalable business in the short term.

Shared Services

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. We have invested in a new ERP, SAP, in 2018. Implementation is now complete amidst many challenges. This will significantly improve management information systems.

Car & General (Trading) Limited - Tanzania

The operation had a positive year in spite of very low margins in the two and three wheeler business. We expect to continue growing this year given product traction.

Car & General (Uganda) Limited

The operation performed reasonably this year. This will remain a small and compact business.

Car & General Rwanda

The Rwanda business is small and our volumes are growing.

Kibo Poultry Products Limited

This operation made a small profit this year. We expect an increase in profitability in 2019.

CHAIRMAN'S STATEMENT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2018 (continued)

The Future

Our portfolio of niche engine products is now complete and offers significant scope for further growth. All significant investments have been made. This next year will be critical to future success and 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.

Given the consumption of capital in our real estate, equipment business and our plans to grow the business generally, the Directors recommend the payment of a conservative dividend of Sh 32,082,646 (Sh 0.80 per share).

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

N Nganga – CHAIRMAN

19 December 2018

C&G Group CEO Vijay Gidoomal cuts the ribbon to launch the Cummins 5000 series generators in Kenya. The generators come with remote monitoring which can allow one to keep an eye on the performance of the generator from a different location.

Vijay Gidoomal (right), the Car & General Group Chief Executive Officer, Dr. Manoj Shah (center), the Lions SightFirst Eye Hospital's board of management Chairman and Rizwana Peerbhoy (left), the Hospital's General Manager sign a Memorandum of Understanding (MOU) for holding free eye camps in various parts of the country.

C&G sponsored an eye clinic in Mombasa in conjunction with the LIons Club at a tune of KSh 250,000. Wallace Chege, Branch Manager, C&G Mombasa, hands over the sponsorship cheque to Lions Club Mombasa Pwani.

David Chesoni C&G (Trading) Managing Director (right) shows - County Executive Committee Member, Youth, Gender, Culture and Social Services Bigvai Mwailemi (left) of Taita Taveta County how the TVS HLX 150 motorcycle works during the launch of the new Car & General branch in Voi.

David Good (second left), the Ingersoll Rand Distribution leader Africa Compressed Air Technology Solution, and Charles Ndegwa (second right) the Car & general Nairobi Branch Manager, cut a ribbon to launch the Next Generation R-Series Ingersoll Rand compressors.

Car & General has with NIIT Limited, one of the most trusted skill development brand in India to offer both ICT and non-ICT training programs to individuals, corporates, universities, schools among others. NIIT C&G Training Centre is located on Loita Street, Barclays Plaza, mezzanine floor. Milicent Amach of NIIT C&G talks to visitors of the NIIT stand during an education expo at JKUAT.

Assemblers at the Car and General plant in Nakuru put together TVS motorcycles using air tools. The moving line starts with a bare frame and ends with a complete ready for the road motorcycle every two and a half minutes. 200 bikes are produced each day to meet growing demand

Eric Omondi during one of the TVS Stadium Tours. C&G has partnered with the comedian to promote TVS bikes.

Kubota® | MRF | DOOSAN
MOTOROL | NIIT THE CAREER EXPERTS | TVS
MERCURY | GARMIN®

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 Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Group's overall internal control over financial, operational and compliance issues.

Six out of the seven members of the Board are non-executive including the Chairman of the Board and other than the Chief Executive Officer, all other directors are subject to periodic reappointment in accordance with the Company's Article 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 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 four non-executive directors, P Shah (Chairman), M Soundararajan. C M Ngini and S P Gidoomal. Internal and external auditors and other company executives attend on invitation 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 Chief Executive Officer, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of executive directors.

Nominations Committee

The committee meets as necessary and is comprised of two non-executive directors and the Chief Executive Officer, 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.

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.

CORPORATE GOVERNANCE REPORT (continued)

Internal controls (continued)

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 H Wakanene, is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Distribution of shareholders as at 30 September 2018

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of Shareholding
Less than 500	85,720	565	0.21
500 - 5,000	711,305	394	1.77
5,001 - 10,000	656,721	87	1.64
10,001-100,000	2,313,774	89	5.77
100,001 - 1,000,000	2,958,310	10	7.38
above 1,000,000	33,377,478	7	83.23
Total	40,103,308	1,152	100

Top ten shareholders

	30 September 2018	
	No. of shares	Percentage
Fincom Limited	13,033,419	32.50
Monyaka Investments Limited	5,017,112	12.51
Primaco Limited	3,650,646	9.10
Betrin Limited	3,387,159	8.45
Investment & Mortgages Nominees Ltd A/C 001948	3,238,663	8.08
Paul Wanderi Ndungu	3,209,961	8.00
Vapa Limited	1,840,518	4.59
Nairobi Commercial Continental Limited	540,000	1.35
Rakesh Prakash Gadani	524,780	1.31
Chandan Jethanand Gidoomal	442,218	1.10
	34,884,476	86.99

Directors' direct shareholdings

V V Gidoomal	1,584
N Ng'ang'a	5,448
G M Mboya	5,040

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited consolidated and company financial statements (hereafter, "financial statements" of Car & General (Kenya) Plc (the "company) and its subsidiaries (together the "Group") for the year ended 30 September 2018, which discloses the state of the Group's financial affairs.

ACTIVITIES

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

GROUP RESULTS

	2018 Sh'000
Profit before taxation	357,811
Taxation charge	(132,095)
Profit for the year	225,716
Attributable to:	
Owners of the parent	214,530
Non-controlling interests	11,186
	225,716

DIVIDEND

The directors propose payment of a first and final dividend of Sh, 32,082,646 (Sh 0.80 per share) in respect of the year ((2017 - Sh 24,061,985) (Sh 0.60 per share))

DIRECTORS

The present board of directors is shown on page 2.

ENHANCED BUSINESS REVIEW

The general business environment in the region has been challenging on the back of weak economic growth and declining disposable incomes. Growth in the East African economies averaged just over 5%. The weak growth is underpinned by constrained credit conditions and fiscal austerity by Government. It is expected that economic recovery will commence in the second quarter of 2019 assuming liquidity conditions ease.

As a result, the group's markets have remained challenging during the financial year ended 30 September 2018. The markets for our various product lines remained broadly flat with significant downward pressure on the Equipment businesses (namely generators, construction equipment, tractors and forklifts). Notwithstanding, the Group has been able to achieve its market share objectives and grow sales 19% on a like for like basis (i.e excluding Cummins which is no longer consolidated). Tanzania grew particularly strongly.

Management continues to implement the growth strategy with the focus being establishing leading positions in core products in their respective markets. It is expected that markets will resume expansion in 2019. Achieving 2019 volume objectives is critical to delivering an EBITDA percentage of 8-10% which remains a key financial objective.

The group now has a great stable of quality brands and products catering to significant markets which are now well positioned to grow once economic prosperity resumes. We have in excess of 180,000 customers who depend on our products. It is our duty to improve their lives by delivering a superior level of support.

In addition, the group will commence at least one property project being the refurbishment of Mega, Uhuru Highway. This site should be fully operational by September 2019.

Environmental matters

The Group continues to be conscious about environmental aspects and operates accordingly and is in compliance with all fuel emission standards and best practice safety processes. Safety is paramount in our operations and we strive to provide a safe working environment for our staff and all other stakeholders.

REPORT OF THE DIRECTORS (continued)

Our people

The Group believes in developing talent and in rewarding fairly for performance. We are committed to improving skills, knowledge and wellbeing of all employees. Our selection, training, development and promotion policies ensure equal opportunities for all employees.

As at 30 September 2018, Car & General's staff headcount stood at 717 (2017: 641).

Social community issues

The Group continues to support the eye clinic and water security programs. We are now closely embarking on an education initiative in line with the current government strategy. This will form a key plank of our Corporate Responsibility program going forward.

BOARD AUDIT COMMITTEE

The Directors recommend that Mr P Shah, Mr M Soundararajan, Mr S P Gidoomal and Mr C Ngini the members of the Board Audit Committee, be re-appointed as members of the Committee in accordance with provisions of Section 769 of the Kenyan Companies Act 2015.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

DIRECTORS' INDEMNITIES

The Group maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Group Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 197 of The Companies Act, 2015) were in force during the year and remain in force, in relation to certain losses and liabilities which the Directors or Group Secretary may incur to third parties in the course of acting as Directors or Group Secretary or employees of the Group.

RE-APPOINTMENT OF AUDITORS

In accordance with section 721 of The Companies Act, 2015, a resolution is to be proposed at the Annual General Meeting for reappointment of Deloitte & Touche as auditors of the Company.

DIRECTORS' STATEMENT AS TO THE INFORMATION GIVEN TO THE AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

BY ORDER OF THE BOARD

Secretary
Nairobi
19 December 2018

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report sets out policy that has been applied by the Company to remunerate Executive and Non-Executive Directors.

Remuneration policy

The Recruitment and Remuneration Committee considers the remuneration policy annually to ensure that it remains aligned to business needs and directors are fairly rewarded with regard to the responsibilities taken.

The committee makes its recommendation to the Main Board. The entire Board then collectively decides what is put to shareholders for approval. For the financial year ending 30 September 2019, the following is the recommended remuneration for Non-Executive Directors.

Annual basic retainer fee for company and subsidiaries

	Board Ksh
Main Board Chairman	114,824
Audit committee Chairman	103,342
Other Directors	91,860

Sitting allowance

	Board Ksh	Audit Committee Ksh	Recruitment and Remuneration Committee Ksh	Nominations Committee Ksh	Other Committee Ksh
Chairman	114,824	103,342	76,549	76,549	76,549
Other Directors	91,860	76,549	76,549	76,549	76,549

Executive Directors

The Executive Directors' remuneration is designed to attract talented persons with relevant skills and experience required for the job.

Non-Executive Directors

The company appoints as Non-executive Directors persons with wide range of strategic and operational experience gained in other businesses or organizations.

Non-Executive Directors earn an annual basic retainer fee and sitting allowance per meeting attended.

Insurance

The Company has taken a directors' and officers' liability insurance cover for all directors of the company.

Shareholding requirements

The remuneration of Directors is paid in cash. As per Memorandum and Articles of Association of the Company, there is no requirement for Directors to hold shares in the Company.

Terms of appointment and termination

The Executive Directors have a service contract with the Company and are in the Company's pension scheme.

The contract may be terminated by giving six months' notice.

The Non-Executive Directors do not have service contracts with the Company but are issued with letters of appointment. On exit from the company as a Director, a Non-Executive Director is only entitled to any accrued but unpaid Directors fees.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration

The remuneration of directors for the company is set out below (and includes subsidiaries).

	Salaries and benefits Sh'000'	Pension scheme Sh'000'	Directors fees Sh'000'	Total Sh'000'
30 September 2018				
Executive director				
Mr V V Gidoomal	16,940	182	-	17,122
Non - Executive director				
Mr N Ng'ang'a, EBS	-	-	1,260	1,260
Mr P Shah	-	-	2,084	2,084
Mr S P Gidoomal	-	-	1,948	1,948
Mr M Soundararajan	-	-	1,412	1,412
Mr C M Ngini	-	-	1,127	1,127
Ms G M Mboya	-	-	429	429
Total	16,940	182	8,260	25,382
30 September 2017				
Executive director				
Mr V V Gidoomal	15,850	182	-	16,032
Non - Executive director				
Mr N Ngángá, EBS	-	-	865	865
Mr P Shah	-	-	1,617	1,617
Mr S P Gidoomal	-	-	1,038	1,038
Mr M Soundararajan	-	-	985	985
Mr C M Ngini	-	-	80	80
Amb B Kiplagat	-	-	160	160
Total	15,850	182	4,745	20,777

BY ORDER OF THE BOARD

Secretary
Nairobi
19 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company and group (hereinafter, the "Group) as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the Group maintains proper accounting records that are sufficient to show and explain the transactions of the Group and to disclose, with reasonable accuracy, the financial position of the Group. The directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 19 December 2018 and signed on its behalf by:

N Ng'ang'a
Director

V V Gidoomal
Director

Deloitte.

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

Tel: +254 (0) 20 423 0000
Cell: +254 (0) 719 039 000
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Audit of the Financial Statements

Our opinion

We have audited the accompanying company financial statements of Car & General (Kenya) Plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 21 to 76, which comprise consolidated and company statements of financial position at 30 September 2018 and consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 30 September 2018 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which is consistent with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key Audit Matter

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated and company financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment properties and land and buildings included in property, plant and equipment in both the consolidated and company financial statements The carrying value of investment properties and land and buildings amounted to Sh 3.1 billion and Sh 1.2 billion respectively, (in total Sh 4.3 billion) and the net fair value adjustment recorded in the profit for the year in respect of investment properties and land and buildings was Sh 238 million and Sh 71 million respectively, (in total Sh 309 million).	We performed the following procedures, among others, to address the key audit matter: We assessed the competence, capabilities and objectivity of the group's independent valuers and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with International Financial Reporting Standards (IFRS) and industry norms.

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the Key audit matter
These properties are disclosed in notes 13, 14 and 15 to the financial statements. Significant judgment is required by the directors in determining the fair value of these fixed assets and, for the purposes of our audit, we identified the valuation of investment properties and land and buildings as representing a key audit matter due to the significance of the balance to the financial statements as well as the estimate uncertainty associated with determining their fair value. The group uses independent valuers to determine the fair values for all of the properties annually on an open market basis and considering their highest and best use. The inputs with the most significant impact on the valuations for buildings include future cash flows and market-related cash flows and discount rates while the inputs with the most significant impact for land include assumptions made in identifying properties that are similar to the group's land from recent sales of neighbouring properties.	We evaluated directors' assessment and the valuers' judgements in relation to the models used and the significant assumptions made. Our audit procedures also focused on reviewing the reasonableness of assumptions made and methodologies used to ensure that they are reasonable and appropriate given our understanding of similar valuations. We analysed the inputs with the most significant impact on the valuations for buildings which included future cash flows and market-related cash flows and discount rates. We audited the assumptions made in identifying properties that are similar to the group's land from recent sales of neighbouring properties. We found the valuers to be competent, capable and objective. We also found that the models used for the various property valuations were appropriate and the significant assumptions made and methodologies used to be reasonable and appropriate. We concluded that the disclosures in the company and consolidated financial statements for investment properties and property, plant and equipment were appropriate in line with applicable international accounting standards (IAS 40, Investment Property and IAS 16, Property, Plant and Equipment).

Other Information

The directors are responsible for the other information, which comprises the corporate information on pages 2 to 4, chairman's report on pages 5 to 7, corporate governance report on pages 10 to 11, report of the directors' on pages 12 to 13, directors remuneration report on pages 14 to 15 and statement of directors' responsibilities on page 16. The other information does not include the consolidated and company financial statements and our auditors' report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Report on the Audit of the Financial Statements (continued)

Responsibilities of Directors and those charged with governance for the consolidated and company financial statements

The directors are responsible for the preparation of the consolidated and company 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 consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and group to cease to continue as going concerns.

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

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain responsible for our audit opinion.

We communicate with the Board Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Matters Prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors report on pages 12 to 13 is consistent with the consolidated and company financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 14 to 15 has been prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA Fredrick Okwiri – P/No 1699.**

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

19 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 Sh '000	2017 Sh '000
REVENUE	4(b)	10,079,734	9,635,150
COST OF SALES		(8,513,513)	(8,184,936)
GROSS PROFIT		1,566,221	1,450,214
OTHER INCOME	5(ii)	89,531	257,508
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	339,513	229,496
SELLING AND DISTRIBUTION COSTS		(576,570)	(622,406)
ADMINISTRATIVE EXPENSES		(748,344)	(739,836)
FINANCE COSTS	6	(353,182)	(407,625)
NET FOREIGN EXCHANGE GAINS/(LOSSES)		4,361	(61,878)
SHARE OF PROFIT/(LOSS) IN AN ASSOCIATE	19	28,504	(1,221)
SHARE OF PROFIT/(LOSS) IN JOINT VENTURE	20	7,777	(5,947)
PROFIT BEFORE TAXATION	7	357,811	98,305
TAXATION CHARGE	9	(132,095)	(18,464)
PROFIT FOR THE YEAR		225,716	79,841
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property, net of deferred tax		70,902	52,326
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations net of tax		(26,397)	(12,899)
		44,505	39,427
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		270,221	119,268
PROFIT ATTRIBUTABLE TO:			
Owners of the parent		214,530	68,480
Non - controlling interests	10	11,186	11,361
Profit for year		225,716	79,841
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		259,035	107,907
Non - controlling interests	10	11,186	11,361
Total comprehensive income for the year		270,221	119,268
		Sh	**Sh**
EARNINGS PER SHARE - basic and diluted	11	5.35	1.71

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 Sh '000	2017 Sh '000
NET REVENUE	5(i)	112,517	85,807
OTHER INCOME		36,241	27,952
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	289,513	168,824
ADMINISTRATIVE EXPENSES		(113,591)	(132,730)
FINANCE COSTS		(176)	(2,902)
NET FOREIGN EXCHANGE LOSSES		(754)	(6,626)
PROFIT BEFORE TAXATION		323,750	140,325
TAXATION CHARGE	9	(104,122)	(59,321)
PROFIT FOR THE YEAR		219,628	81,004
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property, net of deferred tax		41,832	32,900
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations net of tax		(321)	(15,160)
		41,511	17,740
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		261,139	98,744

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	2018 Sh '000	2017 Sh '000
ASSETS			
Non-current assets			
Investment properties	13	3,115,525	2,778,042
Property, plant and equipment	14	1,507,052	1,408,213
Intangible assets	16	22,674	16,331
Education reference materials	17	4,633	-
Investment in associate	19	55,938	26,815
Investment in joint venture	20	310,824	222,442
Deferred tax asset	25(b)	127,615	135,951
		5,144,261	4,587,794
Current assets			
Inventories	21	3,070,281	2,898,840
Trade and other receivables	22	1,696,754	1,453,001
Due from related parties	23(b)	40,220	15,059
Corporate tax recoverable	9(c)	46,034	51,075
Cash and bank balances		175,957	261,775
		5,029,246	4,679,750
Total assets		10,173,507	9,267,544
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	200,516	200,516
Revaluation surplus		709,379	647,412
Retained earnings		2,548,536	2,349,133
Exchange translation reserve		(62,199)	(35,802)
Equity attributable to owners of the parent		3,396,232	3,161,259
Non-controlling interests	10	207,734	196,548
Total equity		3,603,966	3,357,807
Non-current liabilities			
Deferred tax liabilities	25(b)	904,759	779,478
Due to related parties	23(c) (ii)	159,205	159,205
Borrowings – non-current	26	427,015	426,993
		1,490,979	1,365,676
Current liabilities			
Borrowings - current	26	3,003,756	3,118,919
Trade and other payables	27	1,821,191	1,385,396
Due to related parties	23(c) (i)	247,713	39,604
Corporate tax payable	9(c)	5,902	142
		5,078,562	4,544,061
Total equity and liabilities		10,173,507	9,267,544

The financial statements on pages 21 to 76 were approved and authorised for issue by the board of directors on 19 December 2018 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 2018

	Note	2018 Sh '000	2017 Sh '000
ASSETS			
Non-current assets			
Investment properties	13	1,898,052	1,607,662
Property, plant and equipment	15	549,556	499,282
Intangible assets	16	1,905	2,381
Investment in subsidiaries	18	516,892	26,844
		2,966,405	2,136,169
Current assets			
Trade and other receivables	22	51,849	32,335
Due from subsidiaries	23(a)	432,697	805,325
Due from related parties	23(b)	257,652	132,463
Corporate tax recoverable	9(c)	8,671	17,261
Cash and bank balances		2,918	20,305
		753,787	1,007,689
Total assets		3,720,192	3,143,858
EQUITY AND LIABILTIES			
Capital and Reserves			
Share capital	24	200,516	200,516
Revaluation surplus		442,698	407,319
Retained earnings		1,338,268	1,136,249
Exchange translation reserve		3,008	3,329
Total equity		1,984,490	1,747,413
Non-current liabilities			
Deferred tax liability	25(a)	709,228	599,248
Borrowings – non-current	26	530	6,614
		709,758	605,862
Current liabilities			
Borrowings - current	26	150,641	101,585
Trade and other payables	27	39,766	46,251
Due to subsidiaries	23(d)	835,537	642,747
		1,025,944	790,583
Total equity and liabilities		3,720,192	3,143,858

The financial statements on pages 21 to 76 were approved and authorised for issue by the board of directors on 19 December 2018 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 2018

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Exchange translation Sh '000	Attributable to owners of the parent Sh '000	Non - controlling interest Sh '000	Total Sh '000
Year ended 30 September 2017							
At 1 October 2016	200,516	604,493	2,271,246	(22,903)	3,053,352	185,187	3,238,539
Profit for the year	-	-	68,480	-	68,480	11,361	79,841
Revaluation surplus on property net of deferred tax	-	52,326	-	-	52,326	-	52,326
Exchange difference arising on translation of foreign operations	-	-	-	(12,899)	(12,899)	-	(12,899)
Total comprehensive income for the year	-	52,326	68,480	(12,899)	107,907	11,361	119,268
Transfer of excess depreciation	-	(12,449)	12,449	-	-	-	-
Deferred tax on excess depreciation transfer	-	3,042	(3,042)	-	-	-	-
At 30 September 2017	200,516	647,412	2,349,133	(35,802)	3,161,259	196,548	3,357,807
Year ended 30 September 2018							
At 1 October 2017	200,516	647,412	2,349,133	(35,802)	3,161,259	196,548	3,357,807
Profit for the year	-	-	214,530	-	214,530	11,186	225,716
Revaluation surplus on property net of deferred tax	-	70,902	-	-	70,902	-	70,902
Exchange difference arising on translation of foreign operations	-	-	-	(26,397)	(26,397)	-	(26,397)
Total comprehensive income for the year	-	70,902	214,530	(26,397)	259,035	11,186	270,221
Transfer of excess depreciation	-	(11,701)	11,701	-	-		-
Deferred tax on excess depreciation transfer	-	2,766	(2,766)	-	-	-	-
Dividend paid - 2017	-	-	(24,062)	-	(24,062)		(24,062)
At 30 September 2018	200,516	709,379	2,548,536	(62,199)	3,396,232	207,734	3,603,966

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Share capital Sh' 000	Revaluation surplus Sh' 000	Retained earnings Sh' 000	Exchange translation Sh' 000	Total Sh' 000
Year ended 30 September 2017					
At 1 October 2016	200,516	380,340	1,049,324	18,489	1,648,669
Profit for the year	-		81,004	-	81,004
Revaluation surplus on property net of deferred tax	-	32,900	-	-	32,900
Exchange difference arising on translation of foreign branch	-	-	-	(15,160)	(15,160)
Total comprehensive income	-	32,900	81,004	(15,160)	98,744
Transfer of excess depreciation	-	(8,459)	8,459	-	-
Deferred tax on depreciation transfer	-	2,538	(2,538)	-	-
At 30 September 2017	200,516	407,319	1,136,249	3,329	1,747,413
Year ended 30 September 2018					
At 1 October 2017	200,516	407,319	1,136,249	3,329	1,747,413
Profit for the year	-	-	219,628	-	219,628
Revaluation surplus on property net of deferred tax	-	41,832	-	-	41,832
Exchange difference arising on translation of foreign branch	-	-	-	(321)	(321)
Total comprehensive income	-	41,832	219,628	(321)	261,139
Transfer of excess depreciation	-	(9,219)	9,219	-	-
Deferred tax on depreciation transfer	-	2,766	(2,766)	-	-
Dividend paid - 2017	-	-	(24,062)	-	(24,062)
At 30 September 2018	200,516	442,698	1,338,268	3,008	1,984,490

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 Sh '000	2017 Sh '000
Cash flows from operating activities			
Net cash generated from operations	28(a)	555,145	640,354
Corporation tax paid	9(c)	(16,513)	(40,613)
Net cash generated from operating activities		538,632	599,741
Cash flows from investing activities			
Additions to investment properties	13	(1,873)	-
Purchase of property, plant and equipment	14	(92,564)	(57,795)
Purchase of intangible assets	16	(10,331)	(13,731)
Purchase of education reference materials	17	(4,633)	-
Investment in an associate		(619)	(28,036)
Investment in joint venture		(80,605)	(228,389)
Proceeds on disposal of net assets to joint venture		-	187,144
Proceeds on disposal of property, plant and equipment		1,441	10,009
Net cash used in investing activities		(189,184)	(130,798)
Cash flows from financing activities			
Loans received	28(b)	6,482,838	5,107,571
Loans repaid	28(b)	(6,658,020)	(4,997,684)
Dividend paid		(24,062)	-
Interest paid	6	(353,182)	(407,625)
Hire - purchase finance		8,770	-
Net cash used in financing activities		(543,656)	(297,738)
Net (decrease)/increase in cash and cash equivalents		(194,208)	171,205
Cash and cash equivalents at the beginning of the year		258,353	88,919
Effects of exchange rate changes on the balance of cash held in foreign operations		(2,328)	(1,771)
Cash and cash equivalents at the end of the year	28(c)	61,817	258,353

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Note	2018 Sh '000	2017 Sh '000
Cash flows from operating activities			
Net cash (used in)/generated from operations	28(a)	(28,373)	506,253
Corporation tax paid	9(c)	(3,480)	(26,812)
Net cash (used in)/generated from operating activities		(31,853)	479,441
Cash flows from investing activities			
Additions to investment properties	13	(1,873)	-
Purchase of property, plant and equipment	15	(2,395)	(732)
		(4,268)	(732)
Cash flows from financing activities			
Loans received	28(b)	5,133	572,112
Loans repaid	28(b)	(8,090)	(989,378)
Dividend paid		(24,062)	-
Interest paid		(176)	(2,902)
Net cash used in financing activities		(27,195)	(420,168)
Net (decrease)/increase in cash and cash equivalents		(63,316)	58,541
Cash and cash equivalents at the beginning of the year		20,305	(38,236)
Cash and cash equivalents at the end of the year	28(c)	(43,011)	20,305

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 GENERAL INFORMATION

Car & General (Kenya) Plc is incorporated in Kenya under the Kenyan Companies Act. The group derives its revenue from rental income and management fees and dealing in supply of generators, motorbikes, tuktuks, laundry equipment, lawn mowers, scooters, marine engines, construction equipment and a wide range of power generation, automotive and engineering products.

The shares of the company are listed on the Nairobi Securities Exchange.

2 ACCOUNTING POLICIES

Statement of compliance

The consolidated and separate financial statements (hereafter referred to as financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

The accounting policies apply to both consolidated and company financial statements.

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2018

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 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments to IAS 12 Income Taxes clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments to the standard has had no impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2018 (continued)

Amendments to IAS 7 Disclosure Initiative	The amendments to IAS 7 Presentation of Financial Statements address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

(a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

(b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements;

(c) clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and

(d) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The amendments to the standard has had no impact on the Group's financial statements.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 September 2018

New standards and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 10 and IAS 28)	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2018.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2018. (continued)

IFRS 9 Financial Instruments (continued)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the company's financial assets and financial liabilities as at 30 September 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the company's consolidated financial statements as follows:

Classification and measurement

- Loans carried at amortised cost as disclosed in note 26: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 (see classification and measurement section above), finance lease receivables, amounts due from customer under construction contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. In relation to the amounts due from related parties (note 23), the directors have assessed that there has been a significant increase in the credit risk of the loans to related parties, from initial recognition to 30 September 2018. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2018. (continued)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors anticipate that the application of IFRS 15 in the future may not have a significant impact on amounts reported in respect of the consolidated financial statements because the group does not engage in complex revenue contracts.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2018. (continued)

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

IFRS 16

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The directors do not anticipate that the application of IFRS 16 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Transfers of Investment Property (Amendments to IAS 40)

This amends paragraph 57 of IAS 40 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The Directors do not anticipate that the application of the amendments in future will have an impact on the Group's financial statements as this is the accounting treatment in place.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2018. (continued)

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (continued)

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

  (i) the original liability is derecognised;
  (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
  (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. Specific transition provisions apply. The directors do not anticipate that the application of the amendments in the future will have a significant impact on the company's consolidated financial statements as the company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors anticipate that the application of these amendments may have an impact on the company's financial statements in future periods should such transactions arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

(iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2018. (continued)

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

(iii) Early adoption of relevant standards

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 2018.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on the accruals basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Revenue

Revenue is recognised upon the delivery of products to customers and the performance of services, and are stated net of Value Added Tax (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 accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 and recognised in profit or loss:

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.

Leasehold land is depreciated over the unexpired term of the lease on the straight-line basis.

Intangible assets

Intangible assets represent computer software stated at cost less amortisation. Amortisation is calculated to write off the cost of computer software using the straight-line method at an annual rate of 20% and is included under administrative expenses in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Impairment

At the end of each reporting period, 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 (higher of value in use and fair value less costs of disposal) 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 under administrative expenses in the statement of profit or loss and other comprehensive income. 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.

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 properties

Investment properties, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

Investments in associated companies

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the company's interest in that associate (which includes any long-term interests that, in substance, form part of the company's net investment in the associate) are not recognised, unless the company has incurred legal or constructive obligations or made payments on behalf of the associate.

Where the company transacts with an associate, profits and losses are eliminated to the extent of the company's interest in the relevant associate.

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 comprises poultry and is carried at fair value. The fair value of livestock is determined based on the prices of livestock existing in the market less estimated point of sale costs.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

Third party and related party 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 amortised cost.

Derecognition of financial liabilities

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

Employee entitlements

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of any outstanding bank overdrafts at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 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, rental 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's and Company'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 and Company'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 assessments

At the end of each reporting period, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Leasehold land

Critical judgement is made by the directors in determining classification of leasehold land either as prepaid operating lease rentals or as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the group. The directors consider that the titles to leasehold land held by the group constitute finance leases and that the properties should be classified as either property, plant and equipment in the case of owner occupied property, or investment properties in the case of non owner-occupied properties.

Deferred income tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Key sources of estimation 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. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values.

Fair value measurements and valuation processes

Some of the group's assets are measured at fair value for financial reporting purposes. The directors determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the group engages third party qualified valuers to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 13 and 14.

4 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.
- Investment properties– property rentals.
- Poultry – day old chick farming.

(b) *Segment revenues and results*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	Group sh '000
30 September 2018				
Revenue	9,837,266	98,857	143,611	10,079,734
Gain in fair value of investment property	-	339,513	-	339,513
Segment (loss)/profit before tax	(7,883)	362,215	3,479	357,811
30 September 2017				
Revenue	9,390,869	67,197	177,084	9,635,150
Gain in fair value of investment property	-	229,496	-	229,496
Segment (loss)/profit before tax	(96,790)	227,102	(32,007)	98,305

Revenue reported above represents revenue generated from external customers. The group has not disclosed revenues for each product or each group of similar products because the cost to develop this information would be excessive.

(c) *Segment assets and liabilities*

	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	Group sh '000
30 September 2018				
Assets	6,641,900	3,128,838	402,769	10,173,507
Liabilities	5,922,010	487,430	160,101	6,569,541
30 September 2017				
Assets	6,171,452	2,787,922	308,170	9,267,544
Liabilities	5,181,568	562,292	165,877	5,909,737

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(d) Other segment information

	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	Group sh '000
30 September 2018				
Cost of sales	8,443,508		70,005	8,513,513
Expenses - selling and administrative	1,232,333	10,530	82,051	1,324,914
Taxation (charge)/credit	25,399	108,665	(1,969)	132,095
Interest expenses	285,824	65,625	1,733	353,182
Depreciation/amortisation	61,147	-	4,590	65,737
Capital expenditure	104,121	-	5,280	109,401
30 September 2017				
Cost of sales	8,067,676	-	117,260	8,184,936
Expenses - selling and administrative	1,262,335	9,406	90,501	1,362,242
Taxation (charge)/credit	(70,164)	82,984	5,644	18,464
Interest expenses	347,376	60,249	-	407,625
Depreciation/amortisation	67,171	-	3,702	70,873
Capital expenditure	70,143	-	1,383	71,526

(e) Geographical information

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

	2018 Sh '000	2017 Sh '000
Kenya	6,935,569	7,080,350
Uganda	537,100	585,489
Tanzania	2,561,604	1,932,458
South Sudan	-	3,898
Rwanda	45,461	32,955
Total	10,079,734	9,635,150

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

	2018	2017
Non-current assets (excluding deferred tax assets)		
Kenya	4,145,188	3,581,410
Uganda	92,034	97,641
Tanzania	773,622	767,275
South Sudan	5,552	5,162
Rwanda	250	355
	5,016,646	4,451,843
Total assets		
Kenya	7,885,711	7,303,738
Uganda	462,939	537,588
Tanzania	1,776,997	1,390,327
South Sudan	6,187	5,897
Rwanda	41,673	29,994
	10,173,507	9,267,544

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

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

	2018 Sh '000	2017 Sh '000
Total liabilities		
Kenya	5,193,639	4,719,245
Uganda	189,245	160,862
Tanzania	1,183,214	1,028,447
Rwanda	3,443	1,183
	6,569,541	5,909,737

5 (i) REVENUE - COMPANY

	2018 Sh '000	2017 Sh '000
Gross revenue	112,517	89,796
Cost of sales	-	(3,989)
	112,517	85,807

Revenue during the year was derived solely from rental income. In the prior year, in addition to rental income, negligible sales were made by a branch of the company hence the cost of sales incurred and reflected above during the year ended 30 September 2017. The branch did not trade during the current financial year.

5 (ii) OTHER INCOME - GROUP

	2018 Sh '000	2017 Sh '000
Gain on disposal of net assets to joint venture	-	187,144
Loss on disposal of property, plant and equipment	(13)	(1,366)
Hire of property and equipment	52,899	43,206
Management fees	19,801	8,519
Interest income from loan to associate	4,516	59
Miscellaneous income	12,328	19,946
	89,531	257,508

6 INTEREST EXPENSE - GROUP

	2018 Sh '000	2017 Sh '000
Interest on borrowings	353,182	407,625

7 PROFIT BEFORE TAXATION - GROUP

	2018 Sh '000	2017 Sh '000
Employment costs (Note 8)	704,957	762,508
Directors remuneration - fees	5,372	4,745
- other emoluments	17,122	16,032
Auditors' remuneration	11,031	9,267

8 EMPLOYMENT COSTS

	2018 Sh '000	2017 Sh '000
GROUP:		
Salaries and wages	671,761	727,841
Retirement benefit costs:		
- Defined contribution scheme	11,487	12,599
- National Social Security Fund contribution	20,738	20,815
Leave pay provision charge	971	1,253
	704,957	762,508

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TAXATION

(a) Taxation charge

	2018 Sh '000	2017 Sh '000
GROUP		
Current tax	25,613	22,395
Deferred tax charge/(credit) - (Note 25)	104,867	(3,931)
Prior year under provision - deferred tax	1,615	-
Taxation charge	132,095	18,464
COMPANY		
Current tax	12,070	-
Deferred tax charge - (Note 25)	92,083	59,321
Prior year over provision	(31)	-
Taxation charge	104,122	59,321

The tax on the Group's profit (and Company profit) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

(b) Reconciliation of expected tax based on accounting profit to the taxation charge/(credit)

	2018 Sh '000	2017 Sh '000
GROUP		
Group profit before taxation	357,811	98,305
Tax calculated at the applicable rate of 30% (2017: 30%)	107,343	29,492
Tax effect of income not taxable	(10,884)	1,784
Deferred tax credit not recognised	3,209	26,920
Tax effect of expenses not deductible for tax	30,812	1,732
Prior year under provision - deferred tax	1,615	-
Adjustments attributable to capital gains tax rate	-	(46,786)
Alternate minimum tax	-	5,322
Taxation charge	132,095	18,464
COMPANY		
Company profit before taxation	323,750	140,325
Tax calculated at the applicable rate of 30% (2017: 30%)	97,125	42,098
Tax effect of expenses not deductible for tax	7,028	17,223
Prior year over provision – deferred tax	(31)	-
Taxation charge	104,122	59,321

NOTES TO THE FINANCIAL STATEMENTS (continued)

(c) Corporate tax movement

	2018 Sh '000	2017 Sh '000
GROUP		
At the beginning of the year - recoverable	50,933	43,997
Charge for the year	(25,613)	(22,395)
Paid in the year	16,513	40,613
Currency translation differences	(1,701)	(549)
Capital gains tax settled	-	(10,733)
At the end of the year - recoverable	40,132	50,933
This is analysed as:		
Corporate tax recoverable	46,034	51,075
Corporate tax payable	(5,902)	(142)
	40,132	50,933
COMPANY		
At the beginning of the year - recoverable	17,261	1,182
Charge for the year	(12,070)	-
Paid in the year	3,480	26,812
Capital gains tax settled	-	(10,733)
At the end of year - recoverable	8,671	17,261

10 NON-CONTROLLING INTERESTS

	2018 Sh '000	2017 Sh '000
At the beginning of the year	196,548	185,187
Share of profit for the year	11,186	11,361
At the end of the year	207,734	196,548

	2018 %	2017 %
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	34

The above entities are incorporated in Kenya

NOTES TO THE 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:

	2018 Sh '000	2017 Sh '000
Profit attributable to owners of the parent (Sh' 000)	214,530	68,480
Number of shares (note 24)	40,103,308	40,103,308
Basic and diluted earnings per share (Sh)	5.35	1.71

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 2018 of Sh 0.80 per share (2017 - Sh 0.60 per share) amounting to Sh 32,082,646 (2017 - Sh 24,061,985. The financial statements for the year ended 30 September 2018 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 September 2019.

13 INVESTMENT PROPERTIES - GROUP AND COMPANY

	GROUP Sh '000	COMPANY Sh '000
At 1 October 2016	2,555,412	1,445,092
Exchange rate adjustments	(6,866)	(6,254)
Fair value gains	229,496	168,824
At 30 September 2017	2,778,042	1,607,662
At 1 October 2017	2,778,042	1,607,662
Exchange rate adjustments	(3,903)	(996)
Additions	1,873	1,873
Fair value gains	339,513	289,513
At 30 September 2018	3,115,525	1,898,052

Investment properties comprise commercial properties not occupied by the Group.

A legal charge exists over investment properties with a net book value of Ksh 3,115,525,000 (2017: Sh 2,778,042,000) to secure borrowings granted to the Group.

These properties were valued by independent valuers R R Oswald & Company Limited, registered valuers in Kenya, Survesis Co Ltd, registered valuers in Uganda and Trace Associates Limited, registered valuers in Tanzania as at 30 September 2018 on an open market basis having regard to the highest and best use. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

The group earned rental income of Sh 98,857,000 from investment properties during the year (2017: Sh 67,197,000) while it incurred direct operating costs of Sh10,530,000 (2017: Sh 9,342,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTIES - GROUP AND COMPANY (continued)

ANALYSIS OF INVESTMENT PROPERTIES AT VALUATION:

	GROUP 2018 Sh '000	COMPANY 2018 Sh '000	GROUP 2017 Sh '000	COMPANY 2017 Sh '000
Leasehold over 50 years unexpired	1,748,052	598,052	1,707,662	607,662
Leasehold under 50 years unexpired	1,367,473	1,300,000	1,070,380	1,000,000
	3,115,525	1,898,052	2,778,042	1,607,662

14 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	Work in progress Sh '000	Total Sh '000
COST OR VALUATION							
At 1 October 2016	1,149,684	171,765	144,917	209,740	62,136	16,270	1,754,512
Exchange rate adjustments	(6,239)	(51)	(814)	(1,362)	(639)	(140)	(9,245)
Additions	36,475	7,016	6,762	5,768	1,774	-	57,795
Transfer from WIP	16,130	-	-	-	-	(16,130)	-
Disposals		(5,091)	(11,519)	(7,541)	(10,624)	-	(34,775)
Transfer to Joint Venture	-	(84,219)	(482)	(39,274)	(4,181)	-	(128,156)
Revaluation surplus	31,967	-	-	-	-	-	31,967
At 30 September 2017	1,228,017	89,420	138,864	167,331	48,466	-	1,672,098
At 1 October 2017	1,228,017	89,420	138,864	167,331	48,466	-	1,672,098
Exchange rate adjustments	(23,611)	(96)	(3,202)	(3,072)	131	-	(29,850)
Additions	2,457	43,832	23,716	14,617	7,105	837	92,564
Disposals	-	-	(1,465)	(3,531)	(209)		(5,205)
Revaluation surplus	74,813	-	-	-	-	-	74,813
At 30 September 2018	1,281,676	133,156	157,913	175,345	55,493	837	1,804,420
COMPRISING:							
At 30 September 2018							
At valuation 2018	1,281,676	-	-	-	-	-	1,281,676
At cost	-	133,156	157,913	175,345	55,493	837	522,744
	1,281,676	133,156	157,913	175,345	55,493	837	1,804,420
At 30 September 2017							
At valuation 2017	1,228,017	-	-	-	-	-	1,228,017
At cost	-	89,420	138,864	167,331	48,466	-	444,081
	1,228,017	89,420	138,864	167,331	48,466	-	1,672,098

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 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	Work in progress Sh '000	Total Sh '000
DEPRECIATION							
At 1 October 2016	23,734	80,625	70,603	119,086	42,850	-	336,898
Exchange rate adjustments	(587)	(26)	(452)	(899)	(209)	-	(2,173)
Charge for the year	18,726	15,485	9,043	21,088	5,734	-	70,076
Eliminated on disposals	-	(4,293)	(8,763)	(6,564)	(3,725)	-	(23,345)
Transfer to joint venture	-	(52,702)	(375)	(23,982)	(3,212)	-	(80,271)
Write back on revaluation	(37,300)	-	-	-	-	-	(37,300)
At 30 September 2017	4,573	39,089	70,056	108,729	41,438	-	263,885
At 1 October 2017	4,573	39,089	70,056	108,729	41,438	-	263,885
Exchange rate adjustments	(377)	(55)	(1,671)	(1,542)	(702)	-	(4,347)
Charge for the year	20,486	12,942	9,655	14,863	3,898	-	61,844
Eliminated on disposals	-	-	(950)	(2,740)	(147)	-	(3,837)
Write back on revaluation	(20,177)	-	-	-	-		(20,177)
At 30 September 2018	4,505	51,976	77,090	119,310	44,487	-	297,368
NET BOOK VALUE							
At 30 September 2018	1,277,171	81,180	80,823	56,035	11,006	837	1,507,052
At 30 September 2017	1,223,444	50,331	68,808	58,602	7,028	-	1,408,213
NET BOOK VALUE (COST BASIS)							
At 30 September 2018	316,857	81,180	80,823	56,035	11,006	837	546,738
At 30 September 2017	323,324	50,331	68,808	58,602	7,028	-	508,093

These properties were last valued by independent valuers R R Oswald & Company Limited, registered valuers in Kenya, Survesis Co Limited, registered valuers in Uganda, Byokusheka and Company, registered valuers in Uganda, Land Masters Combine Limited, registered valuers in Tanzania and Trace Associates Limited, registered valuers in Tanzania as at 30 September 2018. The basis of valuation has been open market value based on highest and best use. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations. A revaluation surplus of Sh 94,990,000 (2017 - Sh 69,267,000) that is not distributable and represents a cumulative surplus arising from revaluation of property, has been presented in other comprehensive income net of related deferred taxation of Sh 24,088,000 (2017 - Sh 16,941,000).

Motor vehicles with a carrying value of Sh 8,587,000 were acquired through finance lease arrangements.

	2018 Sh '000	2017 Sh '000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION		
Leasehold buildings over 50 years unexpired	299,630	295,006
Leasehold buildings under 50 years unexpired	982,046	933,011
	1,281,676	1,228,017

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

A debenture exists over the Group's assets with a net book value of Sh 1,507,052,000 (2017 – Sh 1,408,213,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT 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 2016	450,000	1,296	23,305	22,455	497,056
Exchange rate adjustments	-	-	(8)	(24)	(32)
Additions	-	-	447	285	732
Disposals	-	-	(3)	(5)	(8)
Revaluation surplus	38,000	-	-	-	38,000
At 30 September 2017	488,000	1,296	23,741	22,711	535,748
At 1 October 2017	488,000	1,296	23,741	22,711	535,748
Additions	-	-	1,229	1,166	2,395
Transfer to related parties	-	-	-	(70)	(70)
Revaluation surplus	50,000	-	-	-	50,000
At 30 September 2018	538,000	1,296	24,970	23,807	588,073
COMPRISING:					
At 30 September 2018					
At valuation 2018	538,000	-	-	-	538,000
At cost	-	1,296	24,970	23,807	50,073
	538,000	1,296	24,970	23,807	588,073
At 30 September 2017					
At valuation 2017	488,000	-	-	-	488,000
At cost	-	1,296	23,741	22,711	47,748
	488,000	1,296	23,741	22,711	535,748
DEPRECIATION					
At 1 October 2016	-	740	13,645	19,880	34,265
Exchange rate adjustments	-	-	(3)	(18)	(21)
Charge for the year	9,000	139	1,270	819	11,228
Eliminated on disposals	-	-	(1)	(5)	(6)
Written back on revaluation	(9,000)	-	-	-	(9,000)
At 30 September 2017	-	879	14,911	20,676	36,466
At 1 October 2017	-	879	14,911	20,676	36,466
Charge for the year	9,760	104	1,201	753	11,818
Eliminated on transfer to related parties	-	-	-	(7)	(7)
Written back on revaluation	(9,760)	-	-		(9,760)
At 30 September 2018	-	983	16,112	21,422	38,517
NET BOOK VALUE					
At 30 September 2018	538,000	313	8,858	2,385	549,556
At 30 September 2017	488,000	417	8,830	2,035	499,282

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT AND EQUIPMENT – COMPANY (continued)

	Land and buildings Sh '000	Motor vehicles Sh '000	Furniture, fittings & equipment Sh '000	Computers Sh '000	Total Sh '000
NET BOOK VALUE (COST BASIS)					
At 30 September 2018	25,990	313	8,858	2,385	37,546
At 30 September 2017	26,521	417	8,830	2,035	37,803

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Limited, independent professional valuers on 30 September 2018. The basis of valuation has been open market value based on highest and best use. The valuers have the relevant experience of valuing properties located in similar locations.

A revaluation surplus of Sh 59,760,000 (2017 - Sh 47,000,000) that is not distributable and represents a cumulative surplus from revaluation of property, has been presented in other comprehensive income net of related deferred taxation of Sh 17,928,000 (2017 - Sh 14,100,000).

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.

	2018 Sh '000	2017 Sh '000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION		
Leasehold buildings over 50 years unexpired	38,000	38,000
Leasehold buildings under 50 years unexpired	500,000	450,000
	538,000	488,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP Sh '000	COMPANY Sh '000
COST		
At 1 October 2016	12,343	10,251
Exchange rate adjustments	(23)	-
Additions	13,731	-
Disposals	(142)	-
Transfer to Joint Venture	(156)	-
At 30 September 2017	25,753	10,251
At 1 October 2017	25,753	10,251
Exchange rate adjustments	(94)	-
Additions	10,331	-
Disposals	(131)	-
At 30 September 2018	35,859	10,251
AMORTISATION		
At 1 October 2016	8,786	7,274
Exchange rate adjustments	(16)	-
Charge for the year	797	596
Eliminated on disposals	(129)	-
Transfer to Joint Venture	(16)	-
At 30 September 2017	9,422	7,870
At 1 October 2017	9,422	7,870
Exchange rate adjustments	(71)	-
Charge for the year	3,893	476
Eliminated on disposals	(59)	
At 30 September 2018	13,185	8,346
NET BOOK VALUE		
At 30 September 2018	22,674	1,905
At 30 September 2017	16,331	2,381

The Group and Company have intangible assets in the form of computer software. The carrying amounts reflected above will be fully amortised in 5 years (2017: 5 years).

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 EDUCATION REFERENCE MATERIALS

	GROUP Sh '000
COST	
At 30 September 2017 and 1 October 2017	-
Additions	4,633
At 30 September 2018	4,633
NET BOOK VALUES	
At 30September 2018	4,633
At 30 September 2017	-

Towards the end of the financial year, one of the subsidiaries acquired educational reference material. Depreciation charge was not booked because the potential amount was deemed to be immaterial.

18 INVESTMENT IN SUBSIDIARIES

The composition of the investment in subsidiaries is as follows:

	2018 Sh '000	2017 Sh '000
At the beginning of the year	26,844	26,844
Conversion of inter-company debt to equity	490,048	-
At the end of the year	516,892	26,844

During the year, there was a restructuring and capitalisation of related party balances leading to an increase in investment in subsidiary for Car & General Trading Limited- Tanzania and Kibo Poultry Products Limited. An amount due to the parent company by Car & General Trading Limited- Tanzania of Kshs. 233,598,792 was converted into 90,168,746 shares of Tsh 5 each at cost. For Kibo Poultry Products Limited, an amount due to the parent company, Kshs. 256,448, 910 was converted to increase the shareholding by 53,724 additional shares of Tsh 5,000 each at cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVESTMENT IN SUBSIDIARIES (continued)

Set out below is the summarised financial information in respect of the subsidiaries with non-controlling interests:

	Car & General (Marine) Limited		Progen Company Limited		Dewdrops Limited	
	2018	2017	2018	2017	2018	2017
	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000
Summarised statement of financial position						
Total assets	66,654	66,654	1,155,781	1,102,075	1,052,823	1,052,823
Total liabilities	18,489	18,377	1,114,725	1,094,009	430,559	430,523
Equity attributable to owners of the company	48,165	48,277	41,056	8,066	622,264	622,300
Non - controlling interests	16%	16%	34%	34%	34%	34%
Summarised statement of profit or loss						
Gain in fair value of investment property	-	-	50,000	50,000	-	-
Revenue	-	-	-	-	-	-
Expenses	(112)	(81)	(2,872)	(2,119)	(36)	(64)
Total comprehensive loss for the year	(112)	(81)	47,128	47,881	(36)	(64)
Summarised statement of cash flows						
Net cash used in operating activities	(108)	(80)	(6,730)	(751)	(36)	(64)
Net cash used in investing activities	-	-				
Funding from parent company	108	80	6,730	751	36	64
Cash and cash equivalents at the end of the year	-	-	-	-	-	-

19 INVESTMENT IN ASSOCIATE

The company holds 26.5% of the equity holding in Watu Credit Limited.

Details of the company's associate at the end of reporting period are as follows

Name of Associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			30/09/2018	30/09/2017
Watu Credit Limited	Microfinance services	Kenya	26.50%	26.00%

The above associate is accounted for using the equity method in these financial statements and taking into account the following factors:

- The financial year end date of Watu Credit Limited is 31 December. This is the reporting date established when the company was incorporated. For purposes of applying the equity method of accounting, the unaudited financial statements of Watu Credit Limited for the year ended 30 September 2018 have been used.

- The company holds over 20% of the equity shares of Watu Credit Limited and 26.5% of the voting rights at shareholder meetings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN AN ASSOCIATE (continued)

The company exercises significant influence by virtue of its contractual right to appoint two out of six directors to the board of directors of Watu Credit Limited.

Summarised financial information in respect of the company's associate is set out below. The summarised financial information below represents the amount shown in the associate's financial statements prepared in accordance with IFRSs.

Watu Credit Limited

	2018 Sh '000	2017 Sh '000
Current assets	725,064	198,897
Non-current assets	28,919	4,352
Non current liabilities	96,372	-
Current liabilities	441,292	189,358
The above amounts include the following:		
Cash and cash equivalents	73,190	11,557
Total revenue	545,082	31,315
Loss for the post acquisition period	-	4,698
Company's share of profit/(loss)	28,504	(1,221)
The above profit/(loss) for the year includes the following:		
Depreciation	6,834	435
Interest on income	296,207	16,517

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the financial statements.

	2018 Sh '000	2017 Sh '000
Carrying amount of the company's interest in associate	55,938	26,815
Loan - interest at 18%	40,220	15,059

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN AN ASSOCIATE (continued)

The carrying amount of the Car & General (Trading) Limited-Kenya's interest in Watu Credit Limited is summarised as follows:

	Sh '000
Investment in year 2017	28,036
Share of loss in year 2017	(1,221)
At 30 September 2017	26,815
At 1 October 2017	26,815
Purchase of 500 shares	619
Share of profit year 2018	28,504
At 30 September 2018	55,938

20 INVESTMENT IN JOINT VENTURE

The joint venture, Cummins C&G Holdings Limited, is jointly owned (50:50) by Cummins Africa Holdings BV and Car & General (Trading) Limited. Cummins C&G Limited carries on the business of distributing, selling and service of Cummins products.

Details of the company's joint venture at the reporting period is as follows:

Name of Joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held
Cummins C&G Holdings Limited	Holding company	Mauritius	50%

The above joint venture is accounted for using the equity method in these financial statements.

Summarised financial information in respect of the company's joint venture is set out below. The summarised financial information below represents the amount shown in the joint venture's financial statements prepared in accordance with IFRSs.

	2018 Sh '000	2017 Sh '000
Value of assets at beginning of the year		
Current assets	799,669	291,711
Non - current assets	66,429	48,027
Current liabilities	(424,215)	(117,029)
Net assets	441,883	222,709
Value of net assets at year end		
Current assets	1,465,269	817,821
Non - current assets	660,249	67,937
Current liabilities	903,048	433,845
Non - current liabilities	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT IN JOINT VENTURE (continued)

	2018 Sh '000	2017 Sh '000
The above amounts of assets and liabilities includes the followings:		
Cash and cash equivalents	44,016	4,439
Total revenue	1,584,052	545,108
Profit/(loss) for the year	15,555	(11,895)
Company share of profit/(loss)	7,777	(5,947)
The above profit/(loss) for the year includes the following:		
Depreciation	11,081	5,378
Interest on income	-	-
Income tax credit	1,220	7,033

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the financial statements.

	2,018 Sh '000	2017 Sh '000
Net assets of the joint venture	628,246	444,884
Proportion of the company's ownership interest in the Joint venture	50%	50%
Share of net assets in the joint venture	314,123	222,442
Effect of exchange rate adjustments	(3,299)	-
Carrying amount of the company's interest in the venture	310,824	222,442

The carrying amount of the company's interest in the venture is summarised as follows:

	Sh '000
Investment in year 2017	228,389
Share of loss in year 2017	(5,947)
At 30 September 2017	222,442
At 1 October 2017	222,442
Additional investment during the year	80,605
Share of profit year 2018	7,777
At 30 September 2018	310,824

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INVENTORIES

	Group		Company	
	2018 Sh '000	2017 Sh '000	2018 Sh '000	2017 Sh '000
Goods in transit and in bond	1,496,508	932,068	-	-
Finished products	848,250	1,225,717	-	-
Raw materials, spares and consumables	690,333	700,524	-	-
Work in progress	17,700	25,356	-	-
Other inventories	17,490	15,175	-	-
	3,070,281	2,898,840	-	-

The cost of inventories recognised as an expense during the year in respect of continuing operations was Sh 8,221,912,000 (2017 - Sh 7,853,892,000).

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 Sh '000	2017 Sh '000	2018 Sh '000	2017 Sh '000
Trade receivables	1,301,970	1,147,557	7,776	7,769
Other receivables	394,784	305,444	44,073	24,566
	1,696,754	1,453,001	51,849	32,335

The carrying amount of trade receivables is a reasonable approximation of fair value.

23 RELATED PARTIES BALANCES

	2018 Sh '000	2017 Sh '000
(a) Due from group companies (subsidiaries)		
Kibo Poultry Products Limited	29,988	256,449
Car & General (Automotive) Limited	19,197	19,969
NIIT C&G Training Limited	11,702	-
Car & General (Tanzania) Limited	1,371	1,371
Car & General (Trading) Limited - (Tanzania)	860	150,669
Car & General (Uganda) Limited	11,346	22,725
Progen Company Limited	41,271	37,501
Sovereign Holdings International Limited	9,947	9,864
Car & General (Marine) Limited	18,148	18,040
Car & General (Engineering) Limited	14,581	14,483
Dewdrops Limited	274,286	274,254
	432,697	805,325

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 RELATED PARTIES BALANCES (continued)

	Group 2018 Sh '000	Group 2017 Sh '000	Company 2018 Sh '000	Company 2017 Sh '000
(b) Due from related parties				
Cummins C&G Limited	-	-	257,652	132,463
Watu Credit Limited *	40,220	15,059	-	-
	40,220	15,059	257,652	132,463

* The loan to the associate is denominated in Kenya Shillings and attracts interest at the rate of 18% p.a.

The carrying amount of related party receivables is a reasonable approximation of fair value.

(c) (i) Due to related parties - current

	2018 Sh '000	2017 Sh '000	2018 Sh '000	2017 Sh '000
Cummins C&G Limited	247,713	39,604	-	-
(c) (ii) Due to related parties – non current				
Loan from a minority interest shareholder	159,205	159,205	-	-

The unsecured loan from a minority interest shareholder in a subsidiary is denominated in Kenya Shillings and is non-interest bearing. The loan is repayable beyond 12 months of the financial year.

(d) Due to group companies (subsidiaries)

	2018 Sh '000	2017 Sh '000
Car & General (Trading) Limited - (Kenya)	831,751	635,640
Car & General (Piaggio) Limited	-	3,222
Car & General (Industries) Limited	3,551	3,634
Car & General (Rwanda) Limited	235	251
	835,537	642,747

The current related party balances are non-interest bearing and have no fixed repayment terms.

24 SHARE CAPITAL - GROUP AND COMPANY

	2018 Sh '000	2017 Sh '000
Authorised:		
42,000,000 ordinary shares of Sh 5 each	210,000	210,000

The composition of authorised share capital is as follows:

	No of shares in thousands 2018	No of shares in thousands 2017	Par Value 2018 Sh 000	Par Value 2017 Sh 000
At the beginning and at the end of the year	42,000	42,000	210,000	210,000
The composition of issued share capital is as follows:				
At the beginning and at the end of the year	40,103	40,103	200,516	200,516
Issued and fully paid:				
40,103,308 ordinary shares of Sh 5 each			200,516	200,516

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAXATION

(a) Deferred tax is calculated in full on all temporary differences under the liability method using a principal tax rate of 30% (2017 : 30%). The gross movement on the deferred income tax account is as follows:

	2018 Sh '000	2017 Sh '000
GROUP		
At the beginning of the year	643,527	649,177
Exchange difference on translation	3,047	(7,927)
Charge/(credit) for the year - (note 9(a)	104,867	(3,931)
Property revaluation - other comprehensive income	24,088	16,941
Prior year under provision	1,615	-
Transferred to current taxation for settlement	-	(10,733)
At the end of the year – net liability	777,144	643,527
COMPANY		
At the beginning of the year	599,248	536,560
Charge for the year (note 9(a))	92,083	59,321
Property revaluation - other comprehensive income	17,928	14,100
Transferred to current taxation for settlement	-	(10,733)
Prior year over provision	(31)	-
At the end of the year – net liability	709,228	599,248

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

	2018 Sh '000	2017 Sh '000
Deferred tax assets	(127,615)	(135,951)
Deferred tax liabilities	904,759	779,478
	777,144	643,527

The unrecognised tax credits of Sh 3,209,000 (2017: Sh 26,920,000) do not have a specific expiry date based on the existing tax law. Deferred tax assets were assessed at the end of the reporting date and were recognised to the extent that it was probable that future taxable profit will allow the deferred tax asset to be recovered. The directors are confident that the group will have future taxable profits against which the unused tax losses can be utilized based on the group's budgets and forecasts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAX (continued)

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

	At 1 October 2017 Sh '000	Exchange adjustment and prior year adjustments Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2018 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	23,874	986	-	(704)	24,156
Revaluation surplus on land and buildings	227,237	892	24,088	-	252,217
Fair value gains on investment properties	547,877	763	-	101,854	650,494
Unrealised exchange differences	(26,041)	(404)	-	23,104	(3,341)
	772,947	2,237	24,088	124,254	923,526
Deferred tax assets					
Tax losses carried forward	(124,330)	2,604	-	(18,925)	(140,651)
Unrealised exchange differences	-	-	-	-	-
Leave pay provision	(1,843)	-	-	850	(993)
Bad debts provision	(3,247)	(139)	-	(896)	(4,282)
Stocks provision	-	(40)	-	(416)	(456)
	(129,420)	2,425	-	(19,387)	(146,382)
Net deferred tax liability	643,527	4,662	24,088	104,867	777,144
COMPANY					
Deferred tax liabilities					
Revaluation surplus	601,943	-	17,928	86,854	706,725
Deferred tax assets					
Accelerated capital allowances	477	-	-	911	1,388
Tax losses carried forward	(1,367)	-	-	1,367	-
Leave pay provision	(189)	-	-	96	(93)
Unrealised exchange differences	(1,616)	-	-	2,824	1,208
	(2,695)	-	-	5,198	2,503
Net deferred tax liability	599,248	-	17,928	92,052	709,228

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS

	2018 Sh '000	2017 Sh '000
GROUP		
Loans (secured):		
Loans in Kshs	170,814	157,464
Loans in USD	2,003,011	2,096,597
Hire purchase finance - Ksh	8,770	-
	2,182,595	2,254,061
Short term notes	1,134,036	1,288,429
Bank overdrafts (Secured and denominated in Ksh)	114,140	3,422
	3,430,771	3,545,912
Current - due within one year	(3,003,756)	(3,118,919)
Non-current	427,015	426,993
COMPANY		
Loans (secured)		
Loans in Kshs	105,242	108,199
Loans in USD	-	-
	105,242	108,199
Bank overdrafts (Secured and denominated in Ksh)	45,929	-
	151,171	108,199
Current	(150,641)	(101,585)
Non-current	530	6,614

MATURITY OF NON CURRENT BORROWINGS

	Group		Company	
	2018 Sh '000	2017 Sh '000	2018 Sh '000	2017 Sh '000
Between 1 and 2 years	410,269	410,356	530	6,614
Between 2 and 5 years	16,746	16,637	-	-
	427,015	426,993	530	6,614

The carrying amount of borrowings is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

INTEREST RATES

The effective interest rates at 30 September were as follows:

	2018	2017
Bank overdraft	13.00%	14.00%
Loans:		
Loans in Kshs	8.88%	14.00%
Loans in USD	6.90%	8.14%
Medium-term notes	14.00%	14.04%
Short-term notes	11.92%	12.48%

Details of security for group loans and overdrafts

The Standard Chartered Bank Kenya Limited loans and overdraft are secured by:

- A first legal charge for Sh 1,600,000,000 over land and buildings located on LR No. 37/273 collaterised to the debenture. The legal charge is shared in pari passu with I&M bank for Sh 510,000,000.
- Corporate cross guarantees for Sh 2,200,000,000 by Car & General (Trading) Limited, NITT C&G Training Limited and Car & General (Kenya) Plc.
- A legal charge for Sh 200,000,000 over land and buildings located on LR No. 209/8319, LR 209/8320 and LR 209/8321 Nairobi. The legal charge is held in pari passu with I&M bank for Sh 260,000,000.
- A legal charge for Sh 248,000,000 over land and buildings located on LR No. 209/6980. The legal charge is held in pari passu with I&M bank for Sh 260,000,000.
- All Assets Debenture over assets of Car & General (Kenya) Plc, Car & General (Trading) Ltd for Sh2,373,000,000 ranking pari passu with I&M Bank .

The I&M Bank Limited loans and overdraft are secured by:

- A debenture of Sh 510,000,000 over all assets of Car & General (Kenya) Plc, ranking pari passu with the debenture created in favour of Standard Chartered Bank Kenya Ltd.
- A legal charge for Sh 250,000,000 over land and buildings located on LR No. 209/8319, LR No. 209/8320 and LR No. 209/8321 ranking pari passu to the legal charge created in favour of Standard Chartered Bank Kenya Ltd.
- A first legal charge for Sh 63,000,000 over Kwale/Diani/Block 728-738 and land and building on KSM/MUN/Block 3/7 registered in the name of Car & General (Kenya) Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

(b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over assets of Car & General (Trading) Limited - Tanzania for Sh 425,020,000, a fixed charge on associated company's property and corporate guarantee by associated companies.

(e) The Standard Chartered Bank Uganda Ltd 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.

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

Undrawn facilities
At the end of the reporting period, the group had undrawn committed borrowing facilities amounting to Sh 653,804,209 (2017: Sh 305,130,643).

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	Sh '000	Sh '000	Sh '000	Sh '000
Trade payables	1,412,851	936,921	10,940	13,187
Other payables	408,340	448,475	28,826	33,064
	1,821,191	1,385,396	39,766	46,251

The carrying amount of trade payables is a reasonable approximation of fair value.

28 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operations.

	Group		Company	
	2018	2017	2018	2017
	Sh '000	Sh '000	Sh '000	Sh '000
Profit before taxation	357,811	98,305	323,750	140,325
Adjusted for:				
Depreciation	61,844	70,076	11,818	11,228
Amortisation	3,893	797	476	596
Fair value gains	(339,513)	(229,496)	(289,513)	(168,824)
Gain on disposal of net assets to joint venture	-	(187,144)	-	-
Loss on disposal of assets	13	1,366	-	2
Net book value of assets transferred	-	48,025	63	-
Interest expense	353,182	407,625	176	2,902
Exchange translation	10,094	(4,493)	675	(8,895)
Exchange rate adjustment on borrowings	(59,447)	27,815	-	11,309
Share of (profit)/loss from associate	(28,504)	1,221	-	-
Share of (profit)/loss from joint venture	(7,777)	5,947	-	-
Movements in working capital items:				
Inventories	(171,441)	699,544	-	15,171
Receivables	(243,753)	377,076	(19,514)	52,614
Related parties	182,948	(147,522)	(49,819)	488,599
Payables	435,795	(528,788)	(6,485)	(38,774)
Net cash generated from/(used in) operations	555,145	640,354	(28,373)	506,253

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 NOTES TO THE CASH FLOW STATEMENT (continued)

	Group		Company	
	2018 Sh '000	2017 Sh '000	2018 Sh '000	2017 Sh '000
(b) Analysis of changes in borrowings				
At the beginning of the year	3,542,490	3,404,788	108,199	514,156
Loans received	6,482,838	5,107,571	5,133	572,112
Repayments	(6,658,020)	(4,997,684)	(8,090)	(989,378)
Hire purchase facility (note 17(b))	8,770	-	-	-
Exchange rate adjustments	(59,447)	27,815	-	11,309
At the end of the year	3,316,631	3,542,490	105,242	108,199
Analysis of cash and cash equivalents				
Cash and bank balances	175,957	261,775	2,918	20,305
Bank overdrafts (note 26)	(114,140)	(3,422)	(45,929)	-
	61,817	258,353	(43,011)	20,305

The carrying amount of cash and cash equivalents recognised in the financial statements approximate their fair values.

29 CAPITAL COMMITMENTS

	2018 Sh '000	2017 Sh '000
Authorised and contracted for	30,599	26,245

In addition, the board of directors has approved capital expenditure of Sh 288 million (2017: Sh 93 million). This had not been contracted for as at the end of the year.

30 CONTINGENT LIABILITIES

	2018 Sh '000	2017 Sh '000
GROUP		
Sundry bank guarantees	13,687	27,338
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	3,629,938	3,747,662
Sundry bank guarantees	7,030	26,069
	3,636,968	3,773,731

Litigation: 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.

Tax assessment: The Tanzania Revenue Authority (TRA) issued an assessment against one of the subsidiaries, Car & General (Trading) Limited, for a liability of TZS 1.7 billion (Sh 81 million) in respect of corporate tax and Value Added Tax (VAT). The company has objected this assessment, paid a deposit of TZS 300,000,000 (Sh 13.6 million) as required by the tax laws and formally lodged the objection. In the opinion of the directors, no material liability is expected to crystallise. Consequently, no provision has been made in the financial statements for the amount assessed by TRA and the deposit accounted for as a receivable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

The Group as a lessor

At the reporting date, the Group had contracted with tenants for the following no-cancellable future minimum lease payments:

	2018 Sh '000	2017 Sh '000
Within one year	4,912	35,145
In the second to fifth year inclusive	12,925	21,857
	17,837	57,002

Operating leases relate to the investment properties owned by the Group with lease terms of between 1 to 5 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment property and direct operating expenses arising on the investment properties for the year are set out in note 13.

The Group as a lessee

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

	2018 Sh '000	2017 Sh '000
Within one year	50,076	68,945
In the second to fifth year inclusive	99,078	214,231
	149,154	283,176

Operating leases relate to leases of buildings with lease terms of between 1 and 5 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

32 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 23 to the financial statements.

During the year, the following transactions with regard to borrowings were carried out with related parties. The related parties involved were:

- I&M Bank Limited, which is not a member of Car & General (Kenya) Plc Group, but is related through certain common directors.
- Fincom Limited which is shareholder of Car and General (Kenya) Plc Group and is also related through common directors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 RELATED PARTY TRANSACTIONS (continued)

	GROUP 2018 Sh '000	GROUP 2017 Sh '000	COMPANY 2018 Sh '000	COMPANY 2017 Sh '000
Borrowings repaid	280,694	438,519	9,000	24,593
Borrowings received	361,077	429,555	-	11,235
Interest paid	50,440	23,054	910	5,815
Loan balance at year end	434,977	150,309	5,242	8,199
Overdraft balance at year end	78,298	3,422	45,929	-

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	2018 Sh '000	2017 Sh '000
Salaries and other benefits	292,319	322,766
Fees for services as directors	8,260	4,745
Other emoluments for executive directors (included in key management compensation above)	17,122	16,032
	25,382	20,777

33 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 Company consists of borrowings, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, revaluation reserves, revenue reserves and non-controlling interests.

Consistent with others in similar industry, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 CAPITAL MANAGEMENT

	2018 Sh'000'	2017 Sh'000'
Equity	3,603,966	3,357,807
Total borrowings	3,430,771	3,545,912
Less: cash and bank balances	(175,957)	(261,775)
Net debt	3,254,814	3,284,137
Gearing Ratio	90%	98%

The directors are aware of the adverse gearing ratio due to import financing in form of letters of credit and short term notes obligations arising from the purchase of inventory. Management is working on initiatives to expand volumes and improve margins. The directors are therefore of the view that as the company's profitability continues to improve, the adverse gearing ratio will reverse.

34 FINANCIAL RISK MANAGEMENT

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 represents the Company's maximum exposure to credit risk as at 30 September 2018 is made up as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	656,018	645,952	144,555	1,446,525
Due from related parties	40,220	-	-	40,220
Cash and bank balances	175,957	-	-	175,957
	872,195	645,952	144,555	1,662,702

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2017 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	592,508	555,049	135,886	1,283,443
Due from related parties	15,059	-	-	15,059
Cash and bank balances	261,775	-	-	261,775
	869,342	555,049	135,886	1,560,277

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. 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	Total Sh'000
At 30 September 2018					
Liabilities					
Trade payables	518,994	760,085	133,772	-	1,412,851
Borrowings	416,958	1,580,222	1,006,576	427,015	3,430,771
Due to related parties	-	-	247,713	159,205	406,918
Total financial liabilities	935,952	2,340,307	1,388,061	586,220	5,250,540
At 30 September 2017					
Liabilities					
Trade payables	154,349	705,036	77,536	-	936,921
Borrowings	480,861	2,009,134	628,925	426,992	3,545,912
Due to related parties	-	-	39,604	159,205	198,809
Total financial liabilities	635,210	2,714,170	746,065	586,197	4,681,642

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

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	GBP Ksh'000	ZAR Ksh'000
2018							
Assets							
Bank and cash balances	234	-	-	162	-	-	-
Trade receivables	152,498	263	269	25,174	-	3,725	-
	152,732	263	269	25,336	-	3,725	-
Liabilities							
Trade payables	1,159,569	1,573	-	-	2,824	-	4,308
2017							
Assets							
Bank and cash balances	12,287	276	-	2,934	-	4	-
Trade receivables	150,305	250	7,633	-	-	3,632	-
	162,592	526	7,633	2,934	-	3,636	-
Liabilities							
Trade payables	1,159,569	1,573	-	-	2,824	-	4,408

Foreign currency sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis (continued)

	2018 Sh'000 Effect on profit	2017 Sh'000 Effect on profit
Currency - US Dollar (USD)		
+ 10 % KSh Movement	100,684	99,698
- 10 % KSh Movement	(100,684)	(99,698)
Currency - Euro (Euro)		
+ 10 % KSh Movement	131	105
- 10 % KSh Movement	(131)	(105)
Currency - South Sudan Pound (SSP)		
+ 10 % KSh Movement	(27)	(763)
- 10 % KSh Movement	27	763
Currency - Rwanda (RWF)		
+ 10 % KSh Movement	(2,534)	(293)
- 10 % KSh Movement	2,534	293
Currency - Japanese Yen (JPY)		
+ 10 % KSh Movement	282	282
- 10 % KSh Movement	(282)	(282)
Currency - British Pound (GBP)		
+ 10 % KSh Movement	(372)	(364)
- 10 % KSh Movement	372	364
Currency - South Africa Rand (ZAR)		
+ 10 % KSh Movement	431	441
- 10 % KSh Movement	(431)	(441)

(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 to 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.

At 30 September 2018	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
Financial assets						
Cash and bank balances	175,957	-	-	-	-	175,957
Liabilities						
Total financial liabilities	(416,958)	(1,580,222)	(1,006,576)	(427,015)	-	(3,430,771)
Interest sensitivity gap	(241,001)	(1,580,222)	(1,006,576)	(427,015)	-	(3,254,814)

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (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 2017						
Financial assets						
Cash and bank balances	261,775	-	-	-	-	261,775
Liabilities						
Total financial liabilities	(480,861)	(2,009,134)	(628,925)	(426,992)	-	(3,545,912)
Interest sensitivity gap	(219,086)	(2,009,134)	(628,925)	(426,992)	-	(3,284,137)

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.

	2018 Sh'000 Effect on profit	2017 Sh'000 Effect on profit
+ 1% Movement	(32,548)	(32,841)
-1 % Movement	32,548	32,841

(iii) Price risk

As at 30 September 2018, the group did not hold financial instruments that are subject to price fluctuations.

35 FAIR VALUE OF INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT (Land and Buildings)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

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

This note provides information about how the company determines fair values of investment properties.
Fair value of the company's investment properties that are measured at fair value on a recurrent basis.

The Group's investment properties are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these are determined (in particular, the valuation technique(s) and inputs used).

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 FAIR VALUE OF INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT (Land and Buildings) (continued)

Fair value of the Group's investment properties and property, plant & equipment (land and buildings) that is measured at fair value on a recurrent basis

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant un-observable inputs	Relation-ship of un-observable inputs to fair value
	30/9/18 Sh'000	30/9/17 Sh'000				
Investment properties (Group)	3,115,525	2,778,042	Level 2	Open Market valuation on investment basis	N/A	N/A
Investment properties (Company)	1,898,052	1,607,662	Level 2	Open Market valuation on investment basis	N/A	N/A
Property, plant and equipment (Group) (Land and Buildings)	1,277,171	1,223,444	Level 2	Open Market valuation on investment basis	N/A	N/A
Property, plant and equipment (Company) (Land and Buildings)	538,000	488,000	Level 2	Open Market valuation on investment basis	N/A	N/A

The fair values of the investment properties and land and buildings were determined based on the open market comparable approach that reflects recent transaction prices for similar properties and considering highest and best use.

There were no transfers between Level 1, 2 or 3 during the year.

36 EVENTS AFTER THE REPORTING PERIOD

No material events or circumstances have arisen between the reporting date and the date of this report.

37 INCORPORATION

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Companies Act.

38 CURRENCY

The financial statements are presented in Kenya Shillings as rounded to the nearest thousand (Sh '000). The Kenya Shilling is the functional currency for the Group and reflects the economic environment where majority of the business transactions are conducted.

PROXY

I/We………

of………being

a Member(s) of CAR & GENERAL (KENYA) PLC 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 in Palm Room, Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Monday, 25th March 2019 at 11.00 a.m., and at any adjournment thereof.

Dated this ………………………………………… day of ……………………………………………2019

Signature ……………………………………………………………………………………………………

NOTES:

1 A member may appoint a proxy of his own choice. A proxy need not be a member of the Company.

2 If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized in their behalf.

3 In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.

4 To be valid, this form must be completed and deposited at the Registered Office of the Company, New Cargen House, Lusaka Road, Nairobi not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.

5 ***Registration of members and proxies attending the Annual General Meeting on 25th March 2019, will commence at 10.00 a.m. Production of a National Identity Card/passport, a current Central Depository Statement of Account or Share Certificates for shares held in the Company will be required for registration.***