Marshalls (East Africa) Limited
1987
Report and Accounts

1. Marshall: (E.A.) limited -- Automotive -- periodicals
2. Automobiles -- Kenya -- periodicals

Marshalls (East Africa) Limited
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Marshalls (East Africa) Limited
Chairman's Statement

I am pleased to report that at the end of 1987, your company has been able to register a group profit before taxation of £1,023,626 compared with £93,915 in 1986. After taxation of £533,685 and before deducting an extraordinary item of £140,125, the net profit due to ordinary shareholders is £488,191 equivalent to Shs. 3.05 per share compared with a loss of £49,979 equivalent to 0.31 per share in the previous financial year. This profit for 1987 has been achieved despite the loss of £504,069 on currency exchange due to variations in the value of the Kenya Shilling vis-a-vis the French Franc and Swedish Kroner.

The group turnover for 1987 has shown a substantial increase of 42.1% over 1986. Had the import licence situation been better, performance would have improved even further. All Peugeot models continued to be in high demand and the Company enjoyed a high level of commercial activity despite the delayed launch of the Peugeot 205. Demand for Volvo Trucks was also well in excess of supply which was again affected by import licence shortages. A large increase in turnover was recorded by our parts division and by our workshops. The 14 Marshalls branches continue to be tightly controlled and are running profitably.

The large increase in the group's turnover has caused some strain on the group's financial resources and the Board has decided to defer the question of an ordinary dividend for the time being. However, the group's financial position has continued to improve and we are confident of sustained progress for 1988 and beyond.

MARSHALLS (TANZANIA) LIMITED

Our business activities in Tanzania consisted of selling spare parts and workshop repairs through rented premises in Tanga, Moshi and Arusha.

Due to the high cost of rents, salaries and other overheads, combined with difficulties in obtaining import licences, our company had been making substantial trading losses over a period of years. The Board therefore decided to terminate its involvement in Tanzania.

In conclusion I would like to take this opportunity to thank our Management team and staff whose efforts have contributed so much to the improved state of affairs of our Company.

Sadrudin H. Alibhai
4 November 1988

Marshalls (East Africa) Limited
Notice of Meeting

NOTICE IS HEREBY GIVEN that the FORTY FIRST ANNUAL GENERAL MEETING of shareholders will be held at Marshall House, Harambee Avenue, Nairobi on Friday, 25th November, 1988 at 11.30 a.m.

1. To receive and consider the directors' and auditors' reports and the accounts for the twelve months ended 31st December 1987.

2. To confirm the payment of dividends to holders of 7 per cent cumulative preference shares in July 1987 and January 1988.

3. Election of directors:-

   Mr. Badruddin E. Shamji and Mr. M. Ward retire by rotation and being eligible offer themselves for re-election.

4. To transact such other business as may be transacted at an ordinary general meeting.

By order of the Board
D.H. AINLEY
Secretary

Nairobi
4 November 1988

Any member of the company entitled to attend and vote at the meeting (ordinary shareholders) may appoint one or more proxies (who need not be members) to attend and vote in his stead. Such proxies must be lodged at the registered office of the company not later than 48 hours before the time for holding the meeting. Proxy form on page 20.

Marshalls (East Africa) Limited
Company Information

Directors

S.H. Alibhai	– Chairman
Moyez S. Alibhai	– Deputy Chairman and Chief Executive
E. Balletto	– Managing Director
Maheboob Alibhai	
A.S. Jamal	
Badruddin E. Shamji	
Bahadurali E. Shamji	
M.D. Ward	

Secretary

D.H. Ainley, F.C.A., C.P.A.(K)

Registered Office

Marshall House
Harambee Avenue
P.O. Box 42317
Nairobi
Kenya

Bankers

Kenya Commercial Bank Limited
Moi Avenue
P.O. Box 30081
Nairobi
Kenya

Auditors

Price Waterhouse
Rattansi Educational Trust Building
Koinange Street
P.O. Box 41968
Nairobi
Kenya

Marshalls (East Africa) Limited
Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 December 1987, which disclose the state of affairs of the company and of the group.

Principal Activities
The principal activity of the group is the supply of Peugeot motor vehicles and related services.

Results

	K£
Group profit attributable to shareholders	349,816
Dividend	1,750
Profit retained for the year	348,066

Dividends
The directors recommend the approval of the preference dividend of 7% which was paid on 1 July 1987 and 4 January 1988.

The directors do not recommend the payment of a dividend to the ordinary shareholders.

Directors
The directors who held office during the year were:

S.H. Alibhai	(Chairman)
Moyez S. Alibhai	
Maheboob S. Alibhai	
E. Balletto	
S. Ghose	(appointed 3 September 1987 and resigned on 19 September 1988)
A.S. Jamal	
Badruddin E. Shamji	
Bahadurali E. Shamji	
M.D. Ward	

Auditors
Price Waterhouse were appointed auditors at the 1987 annual general meeting and continue in office in accordance with Section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

D.H. AINLEY

Secretary

P.O. Box 42317
Nairobi
4 November 1988

Marshalls (East Africa) Limited
Report of the Auditors

Auditors' report to the Members of Marshalls (East Africa) Limited

We have audited the accounts set on pages 7 to 19 and have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. The accounts of the company are in agreement with the books of account.

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of the financial affairs of the company and the group at 31 December 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act.

Price Waterhouse
Certified Public Accountants
Rattansi Educational Trust Building
Koinange Street
P.O. Box 41968
Nairobi.

19 September 1988

Marshalls (East Africa) Limited
Consolidated Profit and Loss Account for the year ended 31 December 1987

	Notes	1987 K£	1986 K£
TURNOVER		34,405,919	19,894,383
PROFIT BEFORE TAX	2	1,023,626	93,915
TAX	3	(533,685)	(142,144)
PROFIT/(LOSS) AFTER TAX		489,941	(48,229)
EXTRAORDINARY ITEM	4	(140,125)	–
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		349,816	(48,229)
DIVIDEND	5	(1,750)	(1,750)
PROFIT RETAINED/(LOSS) FOR THE YEAR	8	348,066	(49,979)
Earnings/(loss) per share	6	Shs. 3.05	(0.31)

Marshalls (East Africa) Limited
Consolidated Balance Sheet at 31 December 1987

	Note	1987 K£	1986 K£
CAPITAL EMPLOYED			
SHARE CAPITAL	7	**824,936**	824,936
CAPITAL RESERVE	8	**3,020,376**	2,361,705
REVENUE RESERVE	8	**241,397**	(63,171)
SHAREHOLDERS' INTEREST		**4,086,709**	3,123,470
LOAN	9	**1,219,500**	2,032,500
		5,306,209	5,155,970
REPRESENTED BY			
FIXED ASSETS	10	**3,869,663**	3,866,891
INVESTMENT IN ASSOCIATED COMPANY	12	**1,043,711**	435,691
CURRENT ASSETS			
Stock	13	**8,674,888**	8,548,881
Amounts due from group companies	14	**2,678,753**	2,638,185
Debtors	15	**5,816,208**	2,876,913
Bank balances and cash		**10,820**	234,494
		17,180,669	14,298,473
CURRENT LIABILITIES			
Bank overdraft (secured)	16	**7,205,467**	4,305,065
Current portion of loan	9	**813,000**	813,000
Creditors		**8,340,275**	8,259,381
Amounts due to group companies		–	66,764
Tax		**428,217**	–
Dividend payable		**875**	875
		16,787,834	13,445,085
NET CURRENT ASSETS		**392,835**	853,388
		5,306,209	5,155,970

Director **S.H. ALIBHAI** Director **E. BALLETTO**

- The accounts were approved by the board of directors on 4 November 1988.

Marshalls (East Africa) Limited
Company Balance Sheet
at 31 December 1987

CAPITAL EMPLOYED	Note	1987 K£	1986 K£
SHARE CAPITAL	7	824,936	824,936
CAPITAL RESERVE	8	2,361,705	2,361,705
REVENUE RESERVE	8	35,855	(415,296)
SHAREHOLDERS' INTEREST		3,222,496	2,771,345
LOAN	9	1,219,500	2,032,500
		4,441,996	4,803,845
REPRESENTED BY			
FIXED ASSETS	10	3,869,663	3,864,222
INVESTMENT IN SUBSIDIARY	11	–	20,000
INVESTMENT IN ASSOCIATED COMPANY	12	179,498	179,498
CURRENT ASSETS			
Stock	13	8,674,888	8,518,145
Amounts due from group companies	14	2,678,753	2,638,185
Debtors	15	5,816,208	2,846,622
Bank balances and cash		10,820	4,540
		17,180,669	14,007,492
CURRENT LIABILITIES			
Bank overdraft (secured)	16	7,205,467	4,305,064
Current portion of loan	9	813,000	813,000
Creditors		8,340,275	8,148,428
Tax		428,217	–
Dividend payable		875	875
		16,787,834	13,267,367
NET CURRENT ASSETS		392,835	740,125
		4,441,996	4,803,845

Marshalls (East Africa) Limited
Consolidated Statement of Source and Application of Funds for the year ended 31 December 1987

	1987 K£	1986 K£
SOURCE OF FUNDS		
Group profit before tax	1,023,626	93,915
Adjustment for items not involving the movement of funds:		
Group's share of profit of associated company	(208,286)	(205,758)
Profit on sale of fixed assets	(5,947)	–
Depreciation	204,710	233,950
FUNDS GENERATED FROM OPERATIONS	1,014,103	122,107
FUNDS FROM OTHER SOURCES		
Proceeds on sale of subsidiary	22,000	–
Dividend received from associated company	153,468	–
Proceeds on sale of fixed assets	27,180	–
	1,216,751	122,107
APPLICATION OF FUNDS		
Dividends paid	(1,750)	(1,750)
Loans repaid	(813,000)	(813,000)
Purchase of fixed assets	(228,714)	(61,004)
	(1,043,464)	(875,754)
	173,287	(753,647)
Exchange loss on translation of opening net investment in subsidiary company	(29,633)	(431,930)
DECREASE IN WORKING CAPITAL	143,654	(1,185,577)
ANALYSIS OF INCREASE IN WORKING CAPITAL		
Net assets of subsidiary at date of disposal	175,990	–
Stock	126,007	1,408,651
Debtors	2,939,295	539,730
Creditors	(80,894)	(1,816,794)
Group companies	107,332	633,430
Movement in net liquid funds	(3,124,076)	(1,950,594)
	143,654	(1,185,577)

Marshalls (East Africa) Limited
Notes to the Accounts
for the year ended 31 December 1987

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the computation of related depreciation.

(b) Basis of consolidation

The consolidated accounts comprise the accounts of the company and its wholly owned subsidiary to the date of disposal, and the share of results of its associated company.

(c) Turnover

Turnover represents the amounts receivable for goods and services rendered during the year net of returns.

(d) Fixed assets and depreciation

Freehold and leasehold land and buildings and certain plant and equipment are stated at 1984 valuation with subsequent additions at cost less depreciation. Plant and equipment which was not revalued in 1984 is stated at cost less depreciation.

Depreciation is calculated to write off the cost or valuation of fixed assets over their estimated useful lives at the following rates:

Freehold buildings	2% straight line
Leasehold land and buildings	Over the period of the lease
Plant and machinery	15% straight line
Fixtures, fittings and equipment	15% straight line
Motor vehicles	25% reducing balance

(e) Stock

Stock is stated at the lower of cost and net realisable value. Cost of complete assembly kits and spare parts is determined on the first in first out basis and includes cost of importation and delivery. A certain minimum level of assembly kits (robbed lots) are held as base stock by the company. These kits are valued at their historical cost at the time when respective motor vehicle models were first assembled.

Marshalls (East Africa) Limited
Notes to the Accounts (Continued)
for the year ended 31 December 1987

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Translation of foreign currencies

Transactions during the year are converted into Kenya shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

Exchange differences arising from the translation of the subsidiary's opening reserves are shown as a movement of group reserves.

(g) Deferred tax

Provision for deferred tax is made when income, expenditure or depreciation falls into different periods for accounting and for tax purposes. The provision is calculated at rates of tax current at the balance sheet date. Provision is only made when the directors consider that a tax benefit or charge is likely to crystallise in the foreseeable future.

2. PROFIT BEFORE TAX

(a) The consolidated profit before tax includes **K£208,286** (1986: K£298,368) being the group's share of profit of the associated company.

	1987 K£	1986 K£
(b) The consolidated profit before tax is arrived at after charging:		
Depreciation	**204,710**	233,950
Auditors' remuneration	**24,000**	30,130
Interest payable – loan	**344,341**	451,408
– other	**809,163**	566,113
Directors' emoluments;		
Fees for services as director	**130**	270
Other remuneration	**64,964**	62,806
Management fee to a company with common directors	**40,000**	–
Pension paid to former directors	**720**	720
Loss on exchange	**504,069**	512,445
and after crediting:		
Interest receivable	–	18,988

Marshalls (East Africa) Limited
Notes to the Accounts (Continued)
for the year ended 31 December 1987

3. TAX

	1987 K£	1986 K£
At 45% on the profit of the year as adjusted for tax purposes	**428,217**	–
Tax attributable to the share of profit of the associated company	**105,468**	142,144
	533,685	142,144

Tax assessments of the company have been agreed with the Income Tax Department up to and including the year ended 31 December 1986.

The deferred tax liability not recognised in these accounts amounts to **K£96,709** (1986: K£108,229).

4. EXTRAORDINARY ITEM

		1987 K£	1986 K£
Loss on sale of subsidiary	(Note 11)	**140,125**	–

5. DIVIDEND

7% cumulative preference dividend	**1,750**	1,750

Payment of the dividend is subject to withholding tax at the rate of 15%. The remittance of dividends to non-resident shareholders is subject to approval by the Central Bank of Kenya.

6. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on profit after tax and preference dividend but before extraordinary item, of **K£488,191** (1986: loss of K£49,979) and 3,199,744 ordinary shares in issue during the year ended 31 December 1987 and 1986.

7. SHARE CAPITAL

	1987 K£	1986 K£
Authorised:		
4,000,000 ordinary shares of Shs. 5 each	**1,000,000**	1,000,000
50,000 7% cumulative preference shares of Shs. 20 each	**50,000**	50,000
	1,050,000	1,050,000
Issued and fully paid:		
3,199,744 ordinary shares of Shs. 5 each	**799,936**	799,936
25,000 7% cumulative preference shares of Shs. 20 each	**25,000**	25,000
	824,936	824,936

8. RESERVES

	Capital K£	Revenue K£	Total K£
Group			
At 1 January 1987	2,361,705	(63,171)	2,298,534
Profit retained for the year	–	348,066	348,066
Exchange loss on translation of subsidiary company's opening reserves	–	(29,633)	(29,633)
Group share of pre-acquisition reserves released to profit and loss account on sale (Note 11)	–	(13,865)	(13,865)
Group share of surplus on revaluation of associate company's fixed assets	658,671	–	658,671
At 31 December 1987	3,020,376	241,397	3,261,773
Company			
At 1 January 1987	2,361,705	(415,296)	1,946,409
Profit for the year	–	451,151	451,151
At 31 December 1987	2,361,705	35,855	2,397,560

(a) Included in group revenue reserves is **K£205,542** (1986: K£163,582) representing the group's share of the post-acquisition reserves retained by the associated company.

Marshalls (East Africa) Limited
Notes to the Accounts (Continued)
for the year ended 31 December 1987

8. RESERVES (CONTINUED)

(b) During the year the land, buildings, plant and machinery of the associate company were professionally revalued by Messrs. Burn & Fawcett, Chartered Surveyors and Valuers, on the following bases:

Land – open market value for existing use
Other assets – depreciated replacement cost.

The group's share of the revaluation surplus is credited to the capital reserve.

(c) Included in profit/(loss) attributable to shareholders of **K£349,816** (1986: loss of K£ 48,229) is profit/(loss) dealt with in the accounts of the company of **K£ 452,901** (1986: loss of K£ 97,027).

9. LOAN

	1987 K£	**1986 K£**
Bank loan	**2,032,500**	2,845,500
Less: Repayable within 12 months included in current liabilities	**813,000**	813,000
	1,219,500	2,032,500

The loan carries interest at 14% per annum and is repayable in equal monthly instalments of **K£67,750.**

The loan is secured by a floating debenture over the company's assets. This debenture ranks pari passu with the debenture issued to secure the bank overdraft.

Marshalls (East Africa) Limited
Notes to the Accounts (Continued)
for the year ended 31 December 1987

10. FIXED ASSETS

GROUP	Freehold land and buildings K£	Leasehold land and buildings (including improvements) Long term K£	Leasehold land and buildings (including improvements) Short term K£	Other fixed assets K£	Total KE
Cost or valuation					
At 1 January 1987	199,917	2,954,755	525,888	1,491,146	5,171,706
Exchange adjustments	–	–	–	(2,834)	(2,834)
Transfers	(7,176)	–	–	7,176	–
Additions	–	–	–	228,714	228,714
Disposals	–	–	(2,101)	(57,560)	(59,661)
At 31 December 1987	192,741	2,954,755	523,787	1,666,642	5,337,925
Comprising:					
Cost	4,917	187,755	13,787	1,659,466	1,865,925
Valuation 1984	187,824	2,767,000	510,000	7,176	3,472,000
	192,741	2,954,755	523,787	1,666,642	5,337,925
Depreciation					
At 1 January 1987	–	87,623	33,842	1,183,350	1,304,815
Exchange adjustments	–	–	–	(2,454)	(2,454)
Charge for the year	2,313	44,602	24,856	132,939	204,710
Disposals	–	–	(2,101)	(36,708)	(38,809)
At 31 December 1987	2,313	132,225	56,597	1,277,127	1,468,262
Net book amount					
At 31 December 1987	**190,428**	**2,822,530**	**467,190**	**389,515**	**3,869,663**
At 31 December 1986	199,917	2,867,132	492,046	307,796	3,866,891

Marshalls (East Africa) Limited
Notes to the Accounts (Continued)
for the year ended 31 December 1987

10. FIXED ASSETS (CONTINUED)

COMPANY	Freehold land and buildings	Leasehold land and buildings (including improvements) Long term	Short term	Other fixed assets	Total
	K£	K£	K£	K£	K£
Cost or valuation					
At 1 January 1987	199,917	2,954,755	523,787	1,473,309	5,151,768
Transfers	(7,176)	–	–	7,176	–
Additions	–	–	–	228,714	228,714
Disposals	–	–	–	(42,557)	(42,557)
At 31 December 1987	192,741	2,954,755	523,787	1,666,642	5,337,925
Comprising:					
Cost	4,917	187,755	13,787	1,659,466	1,865,925
Valuation 1984	187,824	2,767,000	510,000	7,176	3,472,000
	192,741	2,954,755	523,787	1,666,642	5,337,925
Depreciation					
At 1 January 1987	–	87,623	31,741	1,168,182	1,287,546
Charge for the year	2,313	44,602	24,856	132,939	204,710
Disposals	–	–	–	(23,994)	(23,994)
At 31 December 1987	2,313	132,225	56,597	1,277,127	1,468,262
Net book amount					
At 31 December 1987	**190,428**	**2,822,530**	**467,190**	**389,515**	**3,869,663**
At 31 December 1986	199,917	2,867,132	492,046	305,127	3,864,222

Marshalls (East Africa) Limited
Notes to the Accounts (Continued)
for the year ended 31 December 1987

11. INVESTMENT IN SUBSIDIARY

	1987 K£	1986 K£
Shareholding in Marshalls (Tanzania) Limited at cost	–	20,000

On 1 September 1987 the wholly owned subsidiary was sold for £22,000 to a third party in which there are certain directors in common with the company. The sale of the subsidiary has been accounted for at the rate of exchange of KSh. 1 = TShs. 3.8, ruling at the date of disposal.

The group accounts include the results of Marshalls (Tanzania) Limited up to the date of disposal. The loss on sale of subsidiary is arrived at as follows:

	K£	K£
Sale proceeds		22,000
Less: Net assets of subsidiary at date of disposal	175,990	
Pre-acquisition reserves (Note 8)	13,865	162,125
Loss on sale (Note 4)		140,125

12. INVESTMENT IN ASSOCIATED COMPANY

	1987 K£	1986 K£
Associated Vehicle Assemblers Limited 132,300 ordinary shares of KShs. 20 each, representing a holding of 24.5%		
(a) Group		
Share of net assets of associated company at 30 June 1987	1,313,136	705,116
Less: Discount on acquisition	269,425	269,425
	1,043,711	435,691
(b) Company		
Investment at cost	179,498	179,498

The principal activity of the associated company, whose financial year end is 30 June, is the assembling of motor vehicles in Kenya. The group's share in the associated company's results from 1 July 1987 to 31 December 1987 has not been accounted for in these accounts.

Included in creditors is an amount of **K£612,756** (1986: K£426,880) payable to the associated company.

13. STOCK

The current cost of robbed lots (see note 1(e)) of assembly kits exceeds the base stock value by K£237,000.

14. AMOUNTS DUE FROM GROUP COMPANIES

	1987 K£	1986 K£
Immediate holding company	**352,179**	338,193
Ultimate holding company	**48,920**	–
Fellow subsidiaries	**2,277,654**	2,299,992
	2,678,753	2,638,185

15. DEBTORS

Included in debtors is an amount of **K£ 190,848** due from third parties which have certain directors in common with the company. Interest is charged at bank rate.

16. BANK OVERDRAFT

The bank overdraft is secured by a first charge on the company's freehold land and buildings to the extent of **K£ 8,160,000** and by a floating debenture over the company's assets of **K£ 12,050,000.**

17. CAPITAL COMMITMENTS

	1987 K£	1986 K£
Authorised but not contracted for	–	9,000

18. CONTINGENT LIABILITIES

The company has undertaken to provide such additional financial support as is necessary to enable two fellow subsidiaries to meet their obligations as and when they fall due. The directors consider that no liability will crystallise in respect of these undertakings.

19. INCORPORATION AND ULTIMATE HOLDING COMPANY

The company is incorporated in Kenya under the Companies Act.

The ultimate holding company is Marshalls Enterprises Limited, which is incorporated in Kenya.

20. CURRENCY

These accounts are presented in Kenya pounds **(K£)**. One Kenya pound represents twenty Kenya shillings.

ORDINARY SHAREHOLDERS
FORM OF PROXY
MARSHALLS (EAST AFRICA) LIMITED

I/We ....

of ....

being a member/members of the above named Company hereby

appoint ....

of ....

or failing him ....

.... of.....................................

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held on the 25th day of November, 1988 and at any adjournment thereof.

Signed .... day of..1988.

....

Any member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (who need not be members) to attend and vote in his stead. Such proxies must be lodged at the registered office of the Company not latter than 48 hours before the time for holding the meeting.