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COMPANY INFORMATION

Directors

ML Somen - Chairman
E Balletto - Managing Director
KS Somaia
MKR Shah
DK Shah
AJ Nathwani
K Bandopadhyay

Secretary

J Kamau

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

National Bank of Kenya Limited
Moi Avenue
P O Box 72497
Nairobi
Kenya

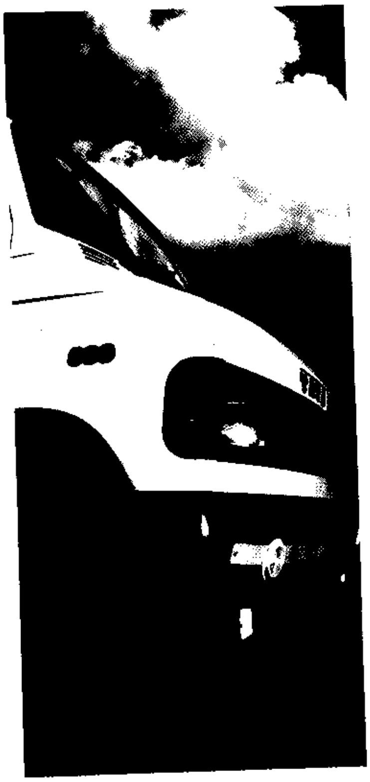
Auditors

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

2007/0193

CHAIRMAN'S STATEMENT

I predicted in my last year's statement that 1994 would be a very successful year for the Company, and as you can see from the 1994/95 Accounts the results have fully justified that prediction.



During 1994, the motor vehicle market continued to be affected by growing imports of secondhand passenger cars and commercial vehicles. Unfortunately for the buyers, many of these vehicles are not tropicalised and are therefore not suited to Kenyan conditions.

Despite this strong competition your Company has continued to respond to the challenge of the liberalised market, and has consolidated and improved its position in the important passenger car and light commercial vehicle segments. Significant and increasing sales were also registered in the resurgent heavy commercial vehicle and construction equipment markets.

In a new vehicle market which expanded by approximately 20% in 1994, the sales of Marshalls increased by a very healthy 95%, with the model mix moving towards the larger and more profitable commercial vehicles.

To meet growing customer demand for professionally managed vehicle fleet operations, your Company, towards the end of 1994, launched a marketing activity to handle this section of the market. I am pleased to report that the results to date are very encouraging.

During the course of the year, many of our Peugeot branches have been refurbished. Strong emphasis continues to be placed on staff training together with regular investment in special tools and sophisticated equipment.

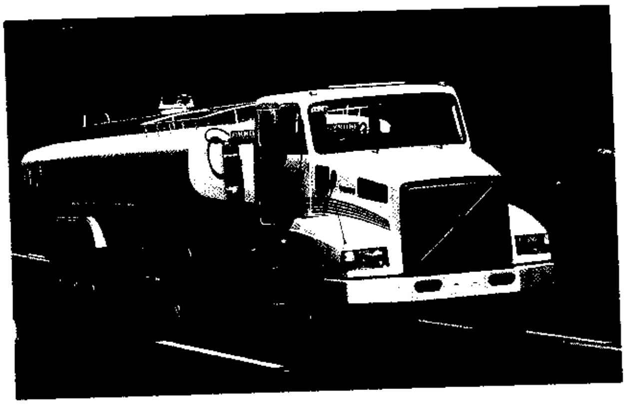
Consistent with your Board's declared policy of improving quality and service standards we have introduced the concept of Branch Operating Standards to enhance higher levels of service excellence. The number and geographical spread of our branches throughout Kenya continue to make an increasing contribution to the image and profitability of your Company.

Our Heavy Commercial Vehicles division made a number of important dealer appointments, and we now have a complete and professional dealer network that provides cover in nine of Kenya's major business centres. This policy will continue.

The totally integrated computer system, to which I referred in my last report to you, is coming on line, as planned, in more and more of our branches. The consequential reduction in lead times, the improvement in the quality of information and the speed of reaction at the point of sale are already apparent. I am confident that your Company will derive even more benefit from the system in 1995 and beyond.

In the 15-month period ended on the 31st March, 1995, our turnover has increased to K. £136.2 million, which, pro-rated, represents an increase of 83% over the previous year. This has been achieved as a result of an improvement in and the liberalisation of Kenya's economy, the increasing impact of the Tata franchise, your Company's ability to compete in a market affected by reconditioned cars and cheaper imports struggling for a foothold in the market, and focused and sales orientated management.

The profit before tax has increased from just over K£1 million to just under K£ 6.5 million, and the earnings per share have increased four and half times. The Board is proposing a dividend of Shs. 2.00 per Ordinary Share, which, together with the interim dividend of Shs. 1.00 paid on 22nd December, 1994 gives our shareholders, a return of 60%.



Our targets and vision for 1995 and 1996 are ambitious. We are not resting on our laurels, and your Board is determined to continue to direct Marshalls as a lean, focused and aggressive Company flexible and ready to meet the challenges that lie ahead. Given these factors and continued economic growth and political stability, I am optimistic that I will be able to present next year's Report and Accounts as gratifying as those for 1994/95.

None of these results could have been achieved without the professionalism and devotion of our Management and Staff. I thank them and I express my gratitude also to my colleagues on the Board and to you our shareholders for your continued loyalty and support to Marshalls.

M L Somen
Chairman

The directors submit their report together with the audited accounts for the 15 months ended 31 March 1995 which disclose the state of affairs of the company and the group.

PRINCIPAL ACTIVITIES

The principal activity of the group is the assembly and marketing of Peugeot, Tata and Volvo vehicles and related services. The company also holds the franchise for Volvo earth moving equipment.

RESULTS AND RESERVES

	K£
Retained profit at 1 January 1994	21,896,033
Group profit attributable to shareholders	3,668,520
	25,564,553
Dividend	(1,441,061)
Bonus issue	(799,617)
Retained profit at 31 March 1995	23,323,875

DIVIDENDS

An interim dividend of Shs 1.00 per ordinary share was declared and paid on 22 December 1994. The directors propose a final dividend of Shs 2.00 per ordinary share for the 15 months ended 31 March 1995.

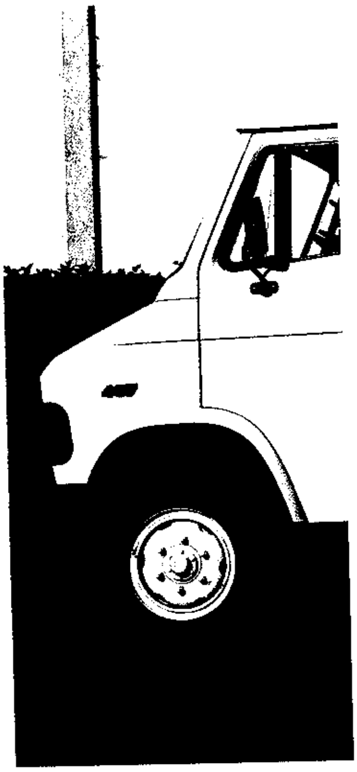
SHARE CAPITAL

During the period bonus shares amounting to K£ 799,617 were issued to the existing shareholders by capitalising reserves.

DIRECTORS

The directors who held office during the year were:

ML Somen	(Chairman)
E Balletto	(Managing Director)
KS Somaia	
MKR Shah	
DK Shah	
AJ Nathwani	(appointed 16 March 1995)
K Bandopadhyay	(appointed 16 March 1995)
CM Mistry	(resigned 16 March 1995)
MS Malik	(resigned 16 March 1995)



AUDITORS

Price Waterhouse continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

J Kamau

Secretary

27 June 1995

AUDITORS' REPORT

to the members of Marshalls (East Africa) Limited

We have audited the accounts set out on pages 9 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 of the group at 31 March 1995 and of the profit and source and application of funds of the group for the period then ended and comply with the Companies Act.

Price Waterhouse
Certified Public Accountants
27 June 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

15 months ended 31 March 1995

	Notes	1995 K£	Year ended 31 December 1993 K£
TURNOVER	2	**136,224,887**	59,494,269
PROFIT BEFORE TAX AND EXTRAORDINARY ITEM	3	**6,486,333**	1,034,388
TAX	4	**(2,817,813)**	(229,112)
PROFIT AFTER TAX AND BEFORE EXTRAORDINARY ITEM		**3,668,520**	805,276
EXTRAORDINARY ITEM	5	–	16,703,003
PROFIT ATTRIBUTABLE TO SHAREHOLDERS of which K£ 3,638,520 (1993: K£ 17,884,273) has been dealt with in the accounts of the company		**3,668,520**	17,508,279
DIVIDEND	6	**(1,441,061)**	(641,444)
RETAINED PROFIT FOR THE PERIOD	11	**2,227,459**	16,866,835
EARNINGS PER ORDINARY SHARE	7	**Shs 7.64**	Shs 1.67

CONSOLIDATED BALANCE SHEET

31 March 1995

	Notes	1995	31 December 1993
CAPITAL EMPLOYED		**K£**	K£
SHARE CAPITAL	8	**2,423,851**	1,624,234
SHARE PREMIUM	9	**610,601**	610,601
CAPITAL RESERVE	10	**13,081,723**	13,783,367
REVENUE RESERVES	11	**23,323,875**	21,896,033
SHAREHOLDERS' INTEREST		**39,440,050**	37,914,235
LOAN	12	**260,000**	960,000
		39,700,050	38,874,235
REPRESENTED BY			
FIXED ASSETS	13	**18,702,375**	16,442,876
INVESTMENT IN ASSOCIATED COMPANY	14	**754,891**	724,891
CURRENT ASSETS			
Stock		**33,068,896**	20,872,114
Amounts due from group companies	15a	**1,638,741**	5,435,855
Debtors		**14,251,463**	7,721,870
Dividend receivable from associated company		**582,610**	542,920
Bank balances and cash		**2,844,404**	12,759,219
		52,386,114	47,331,978
CURRENT LIABILITIES			
Bank overdrafts	16	**5,398,197**	14,653,737
Loan	12	**360,000**	360,000
Creditors		**23,091,419**	9,628,228
Tax		**2,299,047**	275,473
Dividends payable		**982,039**	708,072
Amounts due to group companies	15b	**12,628**	–
		32,143,330	25,625,510
NET CURRENT ASSETS		**20,242,784**	21,706,468
		39,700,050	38,874,235

Director: M L Somen　　Director: F Balletto

The accounts were approved by the board of directors on 27 June 1995.

COMPANY BALANCE SHEET

31 March 1995

	Notes	1995	31 December 1993
CAPITAL EMPLOYED		**K£**	K£
SHARE CAPITAL	8	**2,423,851**	1,624,234
SHARE PREMIUM	9	**610,601**	610,601
CAPITAL RESERVE	10	**12,423,052**	13,124,696
REVENUE RESERVES	11	**23,293,512**	21,895,670
SHAREHOLDERS' INTEREST		**38,751,016**	37,255,201
LOAN	12	**260,000**	960,000
		39,011,016	38,215,201
REPRESENTED BY			
FIXED ASSETS	13	**18,702,375**	16,442,876
INVESTMENT IN ASSOCIATED COMPANY	14	**65,857**	65,857
CURRENT ASSETS			
Stock		**33,068,896**	20,872,114
Amounts due from group companies	15a	**1,638,741**	5,435,855
Debtors		**14,251,463**	7,721,870
Dividend receivable from associated company		**582,610**	542,920
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		39,011,016	38,215,201

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Director: M L Somen Director: E Balletto

The accounts were approved by the board of directors on 27 June 1995.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

15 months ended 31 March 1995

	1995	Year ended 31 December 1993
SOURCE OF FUNDS	**K£**	K£
Profit before tax and extraordinary item	**6,486,333**	1,034,388
Adjustment for items not involving the movement of funds:		
Excess depreciation on revalued assets	**(701,644)**	(561,315)
Group's share of profit of associated company	**(162,503)**	(4,477)
Profit on sale of fixed assets	**(78,204)**	(118,548)
Depreciation	**1,913,130**	1,257,156
FUNDS GENERATED FROM OPERATIONS	**7,457,112**	1,607,204
FUNDS FROM OTHER SOURCES		
Net proceeds from rights issue	**–**	1,067,526
Loan received	**–**	1,500,000
Net proceeds on sale of fixed assets	**133,500**	17,374,023
	7,590,612	21,548,753
APPLICATION OF FUNDS		
Tax paid	**(701,426)**	(254,485)
Dividends paid	**(1,167,094)**	(1,191,039)
Loan repayments	**(700,000)**	(2,180,000)
Purchase of fixed assets	**(4,227,925)**	(1,082,764)
	(6,796,445)	(4,708,288)
INCREASE IN WORKING CAPITAL	**794,167**	16,840,465
ANALYSIS OF INCREASE IN WORKING CAPITAL		
Stock	**12,196,782**	(709,075)
Debtors	**6,529,593**	2,641,311
Creditors	**(13,463,191)**	7,786,008
Group companies	**(3,809,742)**	(463,486)
Movement in net liquid funds	**(659,275)**	7,585,707
	794,167	16,840,465

1 **CHANGE OF ACCOUNTING PERIOD**

The company has changed its accounting period end from 31 December to 31 March and therefore the comparative figures are for the year ended 31 December 1993.

2 **SIGNIFICANT ACCOUNTING POLICIES**

Accounting convention

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

Basis of consolidation

The consolidated accounts comprise the accounts of the company and its share of the results of the associated company.

Turnover

Turnover, which represents the amounts receivable for goods and services supplied during the period, net of returns, is accounted for on the accruals basis.

Fixed assets and depreciation

Certain freehold and leasehold land and buildings are stated at the 1991 valuation, less depreciation. Other fixed assets are 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 annual rates:

Land and buildings:	
Freehold	2% straight line on buildings only
Leasehold	straight line over the remaining period of the lease
Plant and machinery	15% straight line
Fixtures, fittings and equipment	15% straight line
Motor vehicles	25% reducing balance

Excess depreciation provided on the surplus over cost of assets carried at valuation is met by an annual transfer from the revaluation reserve.

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 the weighted average basis respectively and includes cost of importation and delivery.

Translation of foreign currencies

Transactions during the period are converted into Kenya shillings at rates ruling at the transaction dates or at rates at which forward contracts for purchases of foreign currencies have been entered into. 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 or at forward contract rates. The resulting differences from conversion and translation are dealt with in the profit and loss account in the period in which they arise.

Deferred tax

Provision for deferred tax is made only when the directors consider that a tax benefit or charge is likely to crystallise in the foreseeable future.

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3 PROFIT BEFORE TAX AND EXTRAORDINARY ITEM

	1995 K£	Year ended 31 December 1993 K£
Profit before tax is stated after charging:		
Directors' emoluments:		
Fees	**556,250**	5,000
Other remuneration	**220,925**	71,711
Depreciation	**1,913,130**	1,257,156
Auditors' remuneration:		
current period	**133,750**	100,000
prior year	-	12,740
Interest payable:		
loan	**347,881**	1,986,477
other	**3,242,739**	1,990,481
And after crediting:		
Group share of profit before tax of associated company	**162,503**	4,477
Excess depreciation on revaluation surplus over cost met by transfer from revaluation reserve (Note 10)	**701,644**	561,315

The company has contracted to receive management services from another company. The fees paid in respect of this agreement for the period amount to K£ 2,142,857. By mutual agreement the fees for the year ended 31 December 1993 were restricted to K£ 300,000.

4 TAX

	1995 K£	Year ended 31 December 1993 K£
At 37.5% (1993 35%) on the taxable profits	**2,725,000**	480,556
Overprovision in previous years	–	(255,556)
Group's share of associated company's tax	**92,813**	4,112
	2,817,813	229,112

The effective tax rate is in excess of the statutory rate of 37.5% primarily due to the depreciation relating to land and buildings and certain other expenses which are not allowable for deduction against taxable income.

Tax assessments of the company have been agreed with the Income Tax Department up to and including the year ended 31 December 1991. Subsequent to that date, tax returns are, and have been submitted on a self assessment basis.

5 **EXTRAORDINARY ITEM**

The extraordinary item in 1993 relates to the sale of a leasehold building and includes the surplus of the net proceeds over book value and the release of the related surplus on revaluation.

6 **DIVIDENDS PAYABLE**	**1995**	31 December 1993
	K£	K£
7% cumulative preference dividend	**1,750**	1,750
Ordinary dividend proposed for the period	**1,439,311**	639,694
	1,441,061	641,444
Interim ordinary dividend paid	**(459,329)**	-
Preference dividend for 1992 and 1993 paid during the period	**(1,671)**	(1,671)
Ordinary/preference dividend payable relating to prior year	**1,978**	68,299
	982,039	708,072

7 **EARNINGS PER ORDINARY SHARE**

The calculation of earnings per ordinary share is based on profit after tax and preference dividend of K£ 3,666,770 and on 9,595,404 shares in issue at 31 March 1995. The comparative for 1993 is based on profit after tax and preference dividend but before extraordinary item of K£ 803,526 and has been adjusted to reflect the bonus issue of shares (See note 8).

8 **SHARE CAPITAL**	**1995**	31 December 1993
	K£	K£
Authorised:		
10,000,000 ordinary shares of Shs 5 each	**2,500,000**	2,500,000
50,000 7% preference shares of Shs 20 each	**50,000**	50,000
	2,550,000	2,550,000
Issued and fully paid:		
9,595,404 (1993: 6,396,936) ordinary shares of Shs 5 each	**2,398,851**	1,599,234
25,000 7% cumulative preference shares of Shs 20 each	**25,000**	25,000
	2,423,851	1,624,234

At the Annual General Meeting held on 31 August 1994, it was resolved that a bonus issue of one ordinary share for every two ordinary shares held at 9 September 1994 be made. 3,198,468 bonus shares amounting to K£ 799,617 were issued to the existing shareholders by capitalising K£ 799,617 out of retained reserves.

9 **SHARE PREMIUM**

The share premium at 31 March 1995 and 31 December 1993 relates to the rights issue of 1,827,700 ordinary shares of Shs 5 at a premium of Shs 6.75 in 1993 less the costs related to the issue of K£ 6,248.

10 CAPITAL RESERVE

	Group 1995 K£	Group 1993 K£	Company 1995 K£	Company 1993 K£
At 1 January 1994	**13,783,367**	21,929,757	**13,124,696**	21,271,086
Release of surplus on revaluation following the disposal of a leasehold building (See Note 5)	**-**	(7,585,075)	**-**	(7,585,075)
Transfer to the profit and loss account of excess depreciation on revalued assets	**(701,644)**	(561,315)	**(701,644)**	(561,315)
At 31 March 1995/31 December 1993	**13,081,723**	13,783,367	**12,423,052**	13,124,696

The capital reserve represents surpluses arising on revaluation of properties owned by the company and by the associated company.

11 REVENUE RESERVES

	Group 1995 K£	Group 1993 K£	Company 1995 K£	Company 1993 K£
At 1 January 1994	**21,896,033**	5,029,198	**21,895,670**	4,652,841
Profit for the period	**2,227,459**	16,866,835	**2,197,459**	17,242,829
Bonus issue (see note 8)	**(799,617)**	-	**(799,617)**	-
At 31 March 1995/31 December 1993	**23,323,875**	21,896,033	**23,293,512**	21,895,670

12 LOAN

	1995 K£	31 December 1993 K£
Unsecured, repayable by monthly instalments	**620,000**	1,320,000
Less amount due within one year	**(360,000)**	(360,000)
	260,000	960,000

Interest on the loan is payable at variable rates.

13 **FIXED ASSETS**

	Freehold land and buildings K£	Leasehold land and buildings K£	Other fixed assets K£	Total K£
Cost or valuation				
At 1 January 1994	1,214,917	14,081,925	5,839,297	21,136,139
Additions	–	2,700,464	1,527,461	4,227,925
Disposals	–	–	(180,416)	(180,416)
At 31 March 1995	1,214,917	16,782,389	7,186,342	25,183,648
Comprising:				
Cost	4,917	2,827,389	7,186,342	10,018,648
Valuation - 1991	1,210,000	13,955,000	–	15,165,000
	1,214,917	16,782,389	7,186,342	25,183,648
Depreciation				
At 1 January 1994	29,461	1,156,793	3,507,009	4,693,263
Charge for the period	18,216	760,453	1,134,461	1,913,130
On disposals	–	–	(125,120)	(125,120)
At 31 March 1995	47,677	1,917,246	4,516,350	6,481,273
Net book amount				
At 31 March 1995	**1,167,240**	**14,865,143**	**2,669,992**	**18,702,375**
At 31 December 1993	1,185,456	12,925,132	2,332,288	16,442,876

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14 INVESTMENT IN ASSOCIATED COMPANY

132,300 ordinary shares of Shs 20 each in Associated Vehicle Assemblers Limited representing a holding of 24.5%

	1995 K£	31 December 1993 K£
a) Group		
Share of net assets of associated company	**1,024,316**	994,316
Less: Discount on acquisition	**(269,425)**	(269,425)
	754,891	724,891
b) Company		
Investment at cost	**179,498**	179,498
Less: Proportion of dividend payable which is attributable to pre-acquisition profits	**(113,641)**	(113,641)
	65,857	65,857

The principal activity of the associated company is the assembly of motor vehicles. Creditors include K£ 1,803,922 (1993 K£ 270,010) payable to the associated company.

15 AMOUNTS DUE FROM/TO GROUP COMPANIES

	1995 K£	31 December 1993 K£
a) Amounts due from		
Immediate holding company	–	191,410
Ultimate holding company	–	2,539
Fellow subsidiaries	**1,638,741**	5,241,906
	1,638,741	5,435,855
b) Amount due to		
Ultimate holding company	**12,628**	–

The company trades with its fellow subsidiaries. The terms of trade are those that would be expected for major customers and suppliers.

16 BANK OVERDRAFTS

The bank overdrafts are secured by:

- a first charge on the company's freehold land and buildings
- a floating debenture over the company's assets
- a guarantee from a related party.

17 **CAPITAL COMMITMENTS**

	1995 K£	31 December 1993 K£
Authorised but not contracted for	**395,334**	155,504

18 **CONTINGENT LIABILITY**

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 do not anticipate that any liability will crystallise in respect of these undertakings.

19 **GROUP COMPANIES AND RELATED PARTIES**

Group companies include fellow subsidiaries, the holding company and the ultimate holding company. Related parties for the purpose of these accounts are defined as companies which have directors in common with the company.

20 **INCORPORATION**

The company is incorporated in Kenya under the Companies Act.

21 **CURRENCY**

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