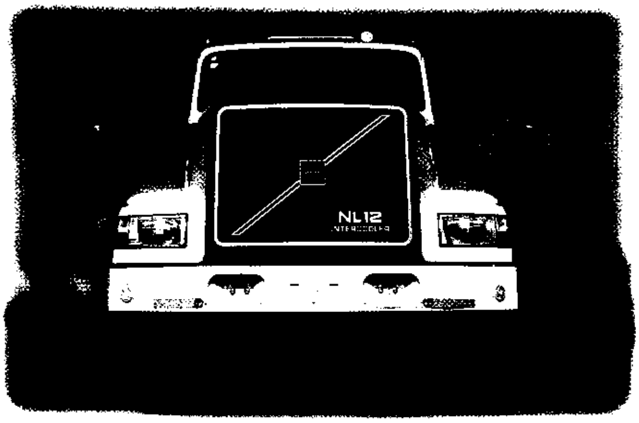

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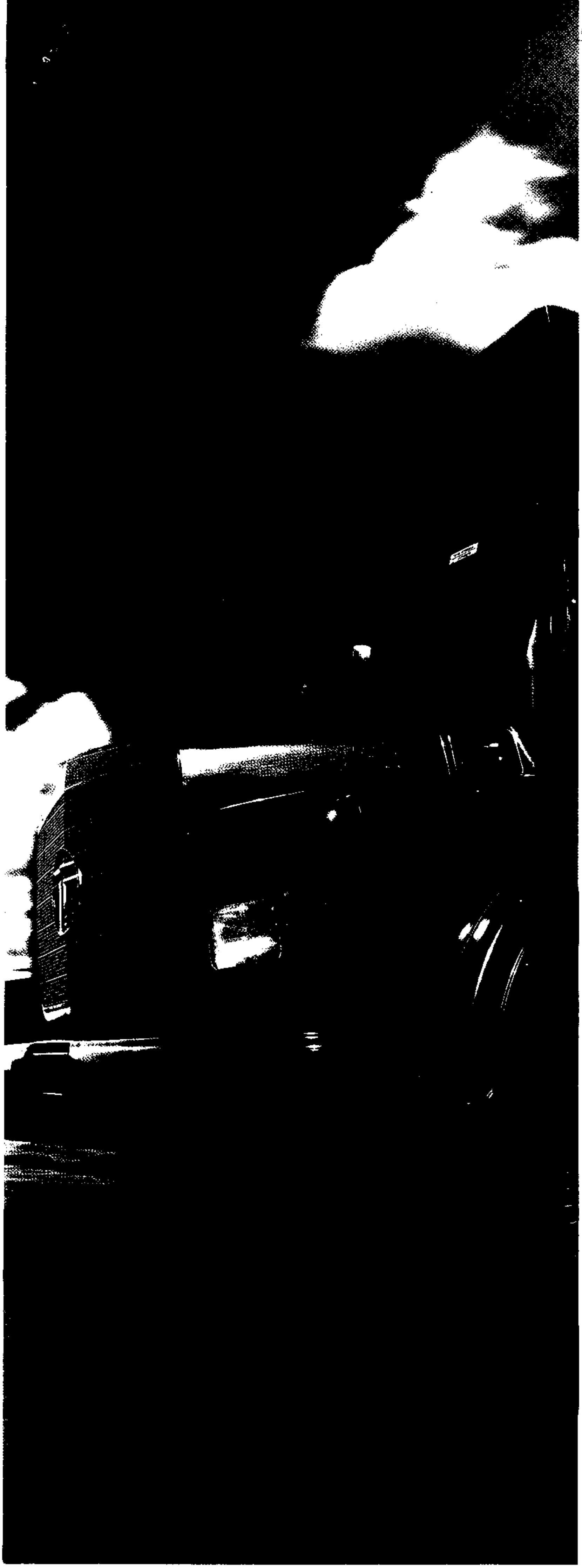


COMPANY INFORMATION

Directors
ML Somen - Chairman
DK Shah
E Balletto
KS Somaia
MKR Shah
AJ Nathwani
K Bandopadhyay
JK Chande

Secretary
J Kamau

Registered Office
20th Floor
View Park Towers
Monrovia Street
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

CHAIRMAN'S STATEMENT

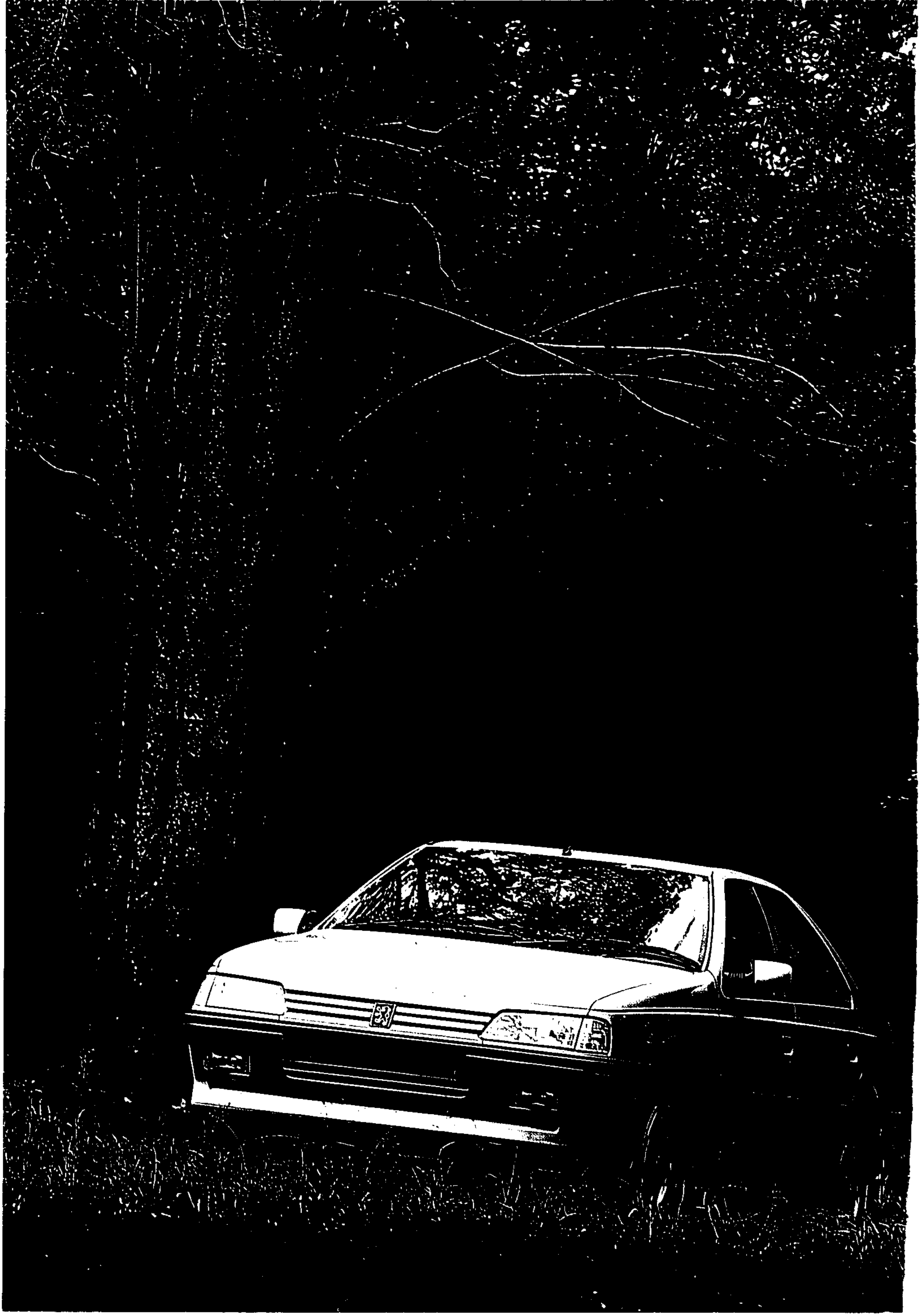
I mentioned in my last year's statement that I hoped to be able to present gratifying results for 1995/96. I am pleased to say that we have once again been able to achieve our predictions in a market which has seen the number of franchises and independent operators more than double.

1995/96 saw some hard hitting marketing campaigns by the Peugeot Division particularly the very successful Peugeot 405 Style campaign. The special edition of 400 units combined with an attractive part exchange programme was very well received by the market. This was followed by the launch of the Lion Used Car scheme which provides customers with a selection of quality used cars backed by a Marshalls six months warranty. This move has had a strong impact on the market particularly among the secondhand car dealers. The result is that volumes of new Peugeots registered during 1995/96 increased by 34% and the Lion Used Car Vehicle Division is already recording impressive sales volumes after only three months operations.

The Heavy Commercial Vehicles Division faced increasing competition, especially in the under 6 tonne segment from very low cost makes from China and Korea. In the 10 tonne and over 30 tonne segment, both Tata and Volvo marques held their share of the market. New model ranges for both Tata and Volvo are planned for the coming year and this will enable us to enter these segments of the market where we have not previously been represented.

The totally integrated computerised system has now been fully implemented and I am proud to say that every branch of Marshalls is now linked on-line to the central computer in Nairobi. New modules are now being tested and put into operation to further increase efficiency and plans are underway to take advantage of the latest technology available to speed up the communications network.

During 1995, management embarked on a human resource exercise to review the calibre and staffing levels throughout the company. The result was that your company was able to reduce its work force by over 20%. The reductions were achieved as a result of restructuring job responsibilities following the successful implementation of our new computer system and a detailed review of the business processes and procedures. Subsequent months have seen significant increases in productivity and efficiency in all areas of the business.



The programme to refurbish and improve our branches continues especially in equipping our workshops with the special tools required for the modern and more sophisticated vehicle models. This together with the regular staff training programmes to enhance skills levels has seen a notable increase in workshop productivity and revenues.

The concept of Branch Dperating Standards introduced last year is now fully operational and has resulted in enhanced levels of service and greatly improved the image of your company to our customers.

Turnover for 1995/96 of Shs. 2,677 million showed a pro-rata increase of 23% over the previous 15 month period, while profit before tax of Shs. 144 million was up by 39%. The profit before tax is stated after charging Shs. 30.5 million for staff retrenchment costs. The year on year increase in volumes, turnover and profitability demonstrates the strength of your company in terms of its marketing initiatives.

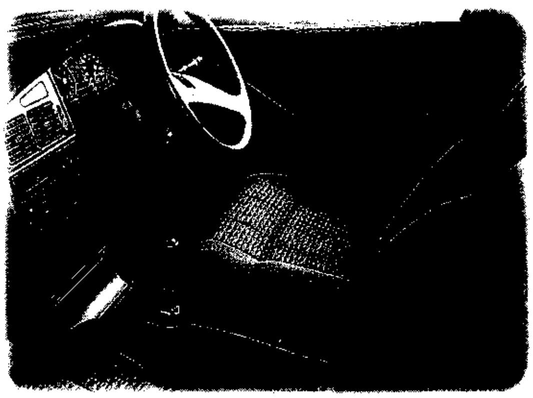
In view of gratifying results for the year, your Board is proposing a dividend of Shs. 4.00 per Ordinary Share which is an increase of 33% compared with the previous period and gives you our shareholders a return of 80%.

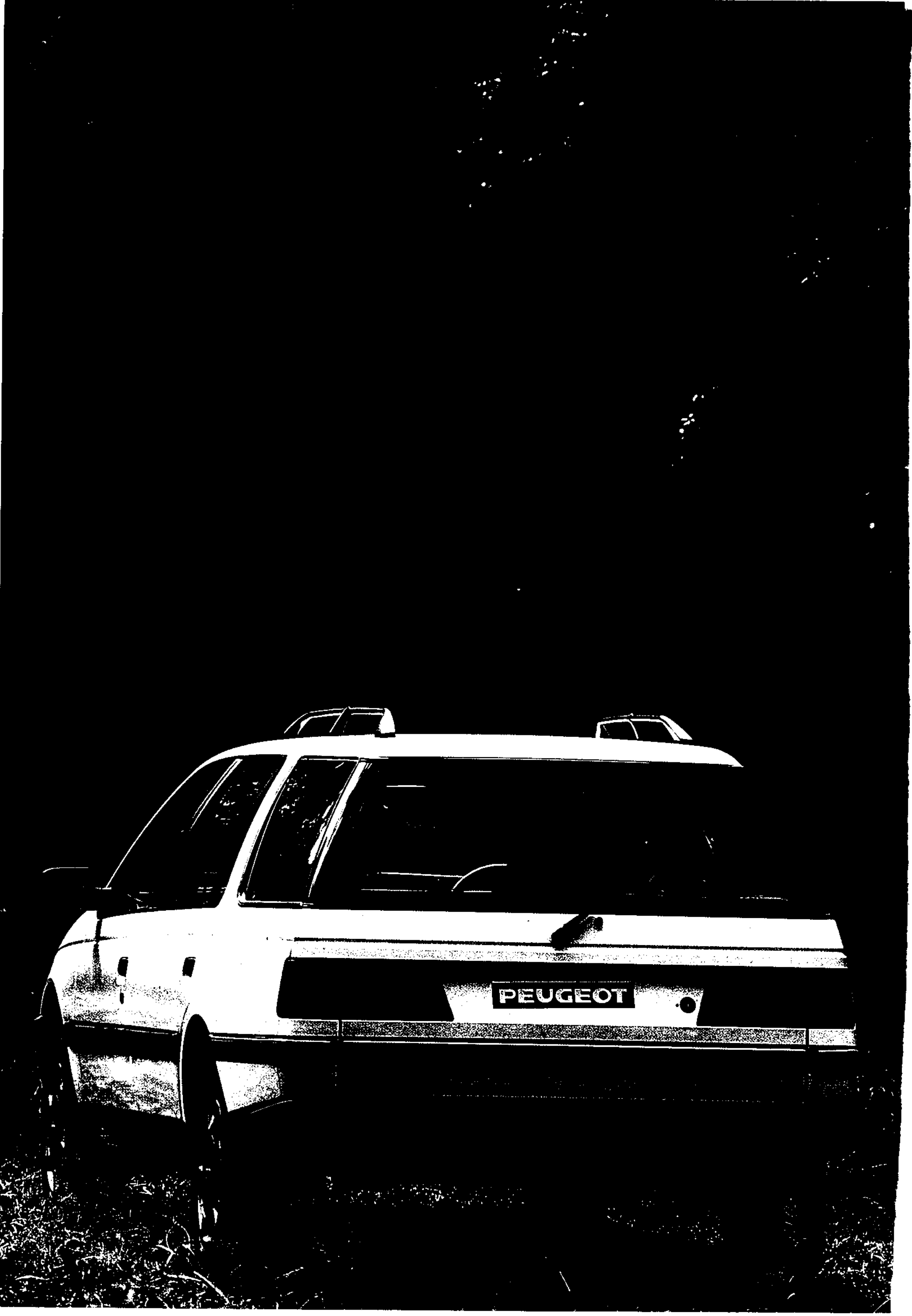
Our targets for 1996/97 are even higher, reflecting the continuing growth in the Kenyan economy. Continued liberalisation will inevitably result in increased competition and both our volumes and margins will be under pressure. I am, however confident that given the stability and liberalisation in the economy your company will meet these challenges with even greater determination through new and innovative marketing initiatives, and improved productivity and service levels.

In July, we bid farewell to Ettore Balletto our Managing Director, who has retired after ten years at the helm. His dedication and loyalty has made Marshalls what it is today, a company with a solid base and firm prospects for the future. We wish him every success in his new venture overseas.

Finally I express my sincere gratitude to our employees, my colleagues on the Board, to you our shareholders, our customers, our suppliers and our associates without whom we could not have achieved these impressive results.

M.L. Somen
Chairman




PEUGEOT

The directors submit their report together with the audited accounts for the year ended 31 March 1996 which disclose the state of affairs of the company and of the group.

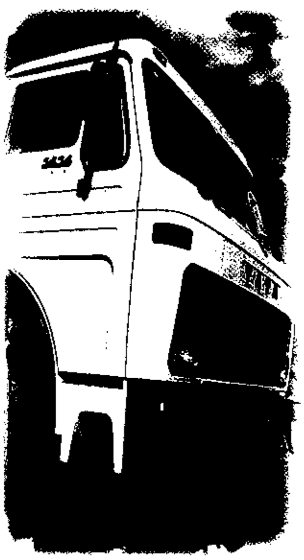
PRINCIPAL ACTIVITIES

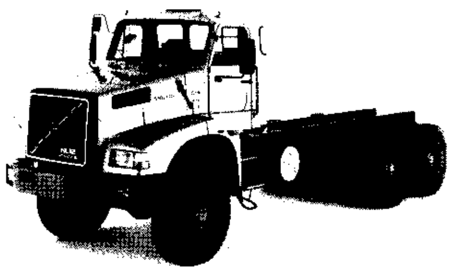
The principal activity of the group is the assembly and marketing of Peugeot, Tata and Volvo vehicles and related services. The company also holds the franchise for Volvo earth moving equipment.

RESULTS AND RESERVES	**Shs'000**
Retained profit at 1 April 1995	466,478
Group profit attributable to shareholders	79,758
	546,236
Dividend	(38,417)
Retained profit at 31 March 1996	507,819

DIVIDENDS

The directors propose a final dividend of Shs 4.00 per ordinary share for the year ended 31 March 1996.





DIRECTORS

The directors who held office during the year were:

ML Somen (Chairman)

DK Shah

E Balletto

KS Somaia

MKR Shah

AJ Nathwani

K Bandopadhyay

JK Chande (Appointed 23 January 1996)

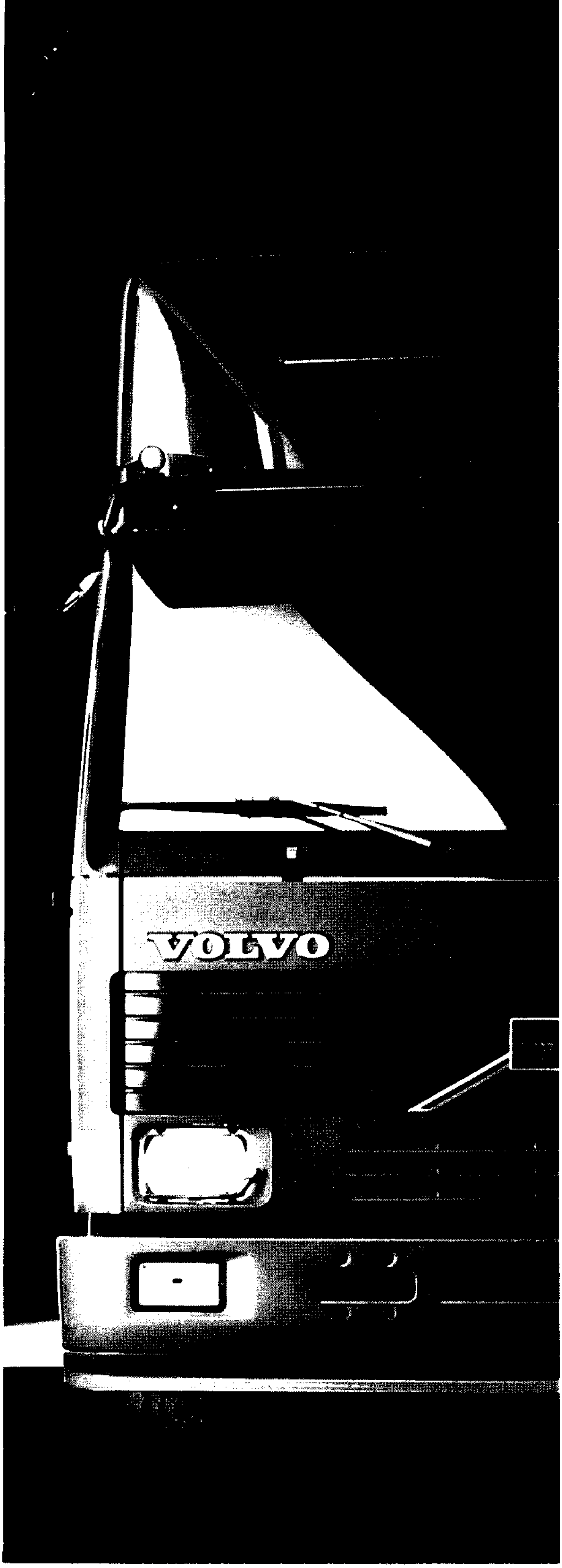
AUDITORS

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

By order of the Board

J Kamau
Secretary

1 July 1996



AUDITORS' REPORT

To the members of Marshalls (East Africa) Limited

We have audited the accounts set out on pages 9 to 19 which have been prepared on the basis of the accounting policies set out in Note 2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and to provide a reasonable basis for our opinion. The accounts of the company are in agreement with its books of account.

The directors are responsible for the preparation of accounts which give a true and fair view of the state of financial affairs and operating results of the company and the group. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

We conducted our audit in accordance with Kenyan Auditing Standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors as well as an evaluation of the overall presentation of the accounts.

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of financial affairs of the company and of the group at 31 March 1996 and of the profit and cash flows of the group for the year then ended in accordance with Kenyan Accounting Standards and comply with the Companies Act.

Price Waterhouse
Certified Public Accountants
1 July 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1996

	Notes	**1996**	15 months ended 31 March 1995
		Shs'000	Shs'000
TURNOVER	2	**2,677,281**	2,724,498
PROFIT BEFORE TAX	3	**144,260**	129,727
TAX	4	**(64,502)**	(56,356)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS of which Shs 78,725,000 (1995:Shs 72,770,000) has been dealt with in the accounts of the company		**79,758**	73,371
DIVIDEND	5	**(38,417)**	(28,821)
RETAINED PROFIT FOR THE YEAR	10	**41,341**	44,550
EARNINGS PER ORDINARY SHARE	6	**8.30**	7.64

CONSOLIDATED BALANCE SHEET

31 MARCH 1996

CAPITAL EMPLOYED	Notes	**1996**	1995
		Shs'000	Shs'000
SHARE CAPITAL	7	**48,477**	48,477
SHARE PREMIUM	8	**12,212**	12,212
CAPITAL RESERVE	9	**668,789**	261,634
REVENUE RESERVES	10	**507,819**	466,478
SHAREHOLDERS' INTEREST		**1,237,297**	788,801
BANK LOANS	11	**17,946**	5,200
DEFERRED CREDITORS	12	**57,581**	-
		1,312,824	794,001
REPRESENTED BY			
FIXED ASSETS	13	**785,055**	374,048
INVESTMENT IN ASSOCIATED COMPANY	14	**16,131**	15,098
INVESTMENT IN UNQUOTED SHARES	15	**145,392**	-
CURRENT ASSETS			
Stock		**1,267,609**	661,378
Due from group companies	16	**43,170**	32,775
Debtors		**214,145**	285,029
Dividends receivable from associated company		**12,420**	11,652
Bank balances and cash		**5,674**	56,888
		1,543,018	1,047,722
CURRENT LIABILITIES			
Bank overdrafts	17	**492,519**	107,964
Bank loans	11	**13,152**	7,200
Creditors	12	**618,047**	461,828
Tax		**13,150**	45,981
Dividends payable	5	**39,651**	19,641
Due to group companies	16	**253**	253
		1,176,772	642,867
NET CURRENT ASSETS		**366,246**	404,855
		1,312,824	794,001

DIRECTOR: M L Somen DIRECTOR: E Balletto

The accounts were approved by the board of directors on 1 July 1996.

COMPANY BALANCE SHEET

31 MARCH 1996

CAPITAL EMPLOYED	Notes	1996	1995
		Shs'000	Shs'000
SHARE CAPITAL	7	**48,477**	48,477
SHARE PREMIUM	8	**12,212**	12,212
CAPITAL RESERVE	9	**655,616**	248,461
REVENUE RESERVES	10	**506,178**	465,870
SHAREHOLDERS' INTEREST		**1,222,483**	775,020
BANK LOANS	11	**17,946**	5,200
DEFERRED CREDITORS	12	**57,581**	-
		1,298,010	780,220
REPRESENTED BY			
FIXED ASSETS	13	**785,055**	374,048
INVESTMENT IN ASSDCIATED COMPANY	14	**1,317**	1,317
INVESTMENT IN UNQUOTED SHARES	15	**145,392**	-
CURRENT ASSETS			
Stock		**1,267,609**	661,378
Due from group companies	16	**43,170**	32,775
Debtors		**214,145**	285,029
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		1,298,010	780,220

DIRECTOR: M L Somen DIRECTOR: E Balletto

The accounts were approved by the board of directors on 1 July 1996.

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 1996

	1996 Shs'000	15 months ended 31 March 1995 Shs'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	**144,260**	129,727
Adjustments for items not involving movement of cash:		
Excess depreciation on revalued assets	**(11,226)**	(14,033)
Depreciation	**31,245**	38,263
Group's share of profit of associated company	**(5,144)**	(3,250)
Profit on sale of fixed assets	**(384)**	(1,564)
Interest income	**(26,564)**	(56,339)
Depreciation write back on revaluation of fixed assets	**(1,663)**	-
Interest expense	**131,852**	128,151
Operating profit before working capital changes	**262,376**	220,955
(Increase) in stock	**(606,231)**	(243,936)
Decrease/(increase) in debtors	**70,884**	(130,592)
Increase in creditors	**213,800**	269,264
(Increase)/decrease in group companies' balances	**(10,395)**	76,195
Cash generated from operations	**(69,566)**	191,886
Income tax paid	**(94,783)**	(14,029)
Net cash flow from operating activities	**(164,349)**	177,857
RETURN ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	**(131,852)**	(128,151)
Interest received	**26,564**	56,339
Dividends received	**793**	-
Dividends paid	**(18,407)**	(23,342)
Net cash flow from investments and servicing of finance	**(122,902)**	(95,154)
CASH FLOW FRDM INVESTING ACTIVITIES		
Purchase of fixed assets	**(22,351)**	(84,559)
Sale of fixed assets	**527**	2,670
Purchase of unquoted shares	**(145,392)**	-
Net cash flow from investing activities	**(167,216)**	(81,889)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans received	**28,400**	-
Loans repaid	**(9,702)**	(14,000)
Net cash flow from financing activities	**18,698**	(14,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(435,769)**	(13,186)
CASH AND CASH EQUIVALENTS AT 1 APRIL	**(51,076)**	(37,890)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**(486,845)**	(51,076)

1 CHANGE OF ACCOUNTING PERIOD

The company changed its accounting period end from 31 December to 31 March during the previous financial year. Therefore the comparative figures are for 15 months ended 31 March 1995.

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 year, 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 1996 valuation. Dther 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 year 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3 PROFIT BEFORE TAX

	1996 KShs'000	15 months ended 31 March 1995 KShs'000
Profit before tax is stated after charging:		
Directors' emoluments:		
Fees	**12,100**	11,125
Other remuneration	**6,465**	4,418
Depreciation	**31,245**	38,263
Auditors' remuneration:	**2,760**	2,675
Interest payable:		
Loan	**20,395**	6,958
other	**84,893**	64,854
Staff retrenchment costs	**30,495**	-
And after crediting:		
Group share of profit before tax of associated company	**5,144**	3,250
Excess depreciation on revaluation surplus over cost met by transfer from revaluation reserve (Note 9)	**11,226**	14,033
Depreciation write-back on fixed assets revaluation	**1,663**	-

The company has contracted to receive management services from another company. The fees paid in respect of this agreement for the year amount to Shs 34.3 million (1995: Shs 42.8 million)

4 TAX

	1996 Shs'000	15 months ended 31 March 1995 Shs'000
At 35% (1995: 37.5%) on the taxable profits	**54,675**	54,500
Underprovision in previous years	**7,277**	-
Group's share of associated company's tax	**2,550**	1,856
	64,502	56,356

4 TAX(Continued)

The effective tax rate is in excess of the statutory rate of 35% primarily because of 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 DIVIDENDS PAYABLE

	1996	1995
	Shs'000	Shs'000
7% cumulative preference dividend	**35**	35
Drdinary dividend proposed for the year	**38,382**	28,786
	38,417	28,821
Interim ordinary dividend paid	**-**	(9,187)
Drdinary/preference dividend payable relating to prior years	**1,234**	7
	39,651	19,641

6 EARNINGS PER DRDINARY SHARE

The calculation of earnings per ordinary share is based on profit after tax and preference dividend of Shs 79,723,000 (1995 - Shs 73,336,000) and 9,595,404 ordinary shares in issue at 31 March 1996 and 1995.

7 SHARE CAPITAL

	1996	1995
	Shs'000	Shs'000
Authorised:		
10,000,000 ordinary shares of Shs 5 each	**50,000**	50,000
50,000 7% preference shares of Shs 20 each	**1,000**	1,000
	51,000	51,000
Issued and fully paid:		
9,595,404 ordinary shares of Shs 5 each	**47,977**	47,977
25,000 7% cumulative preference shares of Shs 20 each	**500**	500
	48,477	48,477

8 SHARE PREMIUM

The share premium relates to the 1993 rights issue of 1,827,700 ordinary shares of Shs 5 at a premium of Shs 6.75 less the costs related to the issue of Shs 124,960.

9 CAPITAL RESERVE

	Group		Company	
	1996	1995	**1996**	1995
	Shs'000	Shs'000	**Shs'000**	Shs'000
At 1 April 1995/1 January 1994	**261,634**	275,667	**248,461**	262,494
Transfer to the profit and loss account of excess depreciation on revalued assets	**(11,226)**	(14,033)	**(11,226)**	(14,033)
Revaluation surplus	**418,381**	-	**418,381**	-
At 31 March	**668,789**	261,634	**655,616**	248,461

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

10 REVENUE RESERVES

	Group		Company	
	1996	1995	**1996**	1995
	Shs'000	Shs'000	**Shs'000**	Shs'000
At 1 April 1995/1 January 1994	**466,478**	437,920	**465,870**	437,913
Retained profit for the year	**41,341**	44,550	**40,308**	43,949
Issue of bonus shares	-	(15,992)	-	(15,992)
At 31 March	**507,819**	466,478	**506,178**	465,870

11 BANK LOANS

	1996	1995
	Shs'000	Shs'000
Total outstanding loans	**31,098**	12,400
Less: payable within 12 months	**(13,152)**	(7,200)
	17,946	5,200

The loans attract interest at market rates and are repayable over the next 30 months. An amount of Shs 5.2 miillion is unsecured while the remaining portion is secured on the same basis as the overdrafts (See note 17).

12 CREDITORS

	1996	1995
	Shs'000	Shs'000
Trade and other creditors	**579,660**	461,828
Secured creditors	**95,968**	-
Less: Secured creditors payable after 12 months	**(57,581)**	-
	618,047	461,828

The amounts due to secured creditors are secured by a portion of the investment in unquoted shares. They are payable in quarterly instalments over the next 30 months.

13 FIXED ASSETS

	Freehold land and buildings Shs'000	Leasehold land and buildings Shs'000	Other fixed assets Shs'000	Total Shs'000
Cost or valuation				
At 1 April 1995	24,298	335,648	143,727	503,673
Additions	-	920	21,431	22,351
Disposals	-	-	(1,435)	(1,435)
Revaluation surplus	36,000	334,669	-	370,669
At 31 March 1996	60,298	671,237	163,723	895,258
Comprising:				
Cost	98	65,187	163,723	229,008
Valuation - 1996	60,200	606,050	-	666,250
	60,298	671,237	163,723	895,258
Depreciation				
At 1 April 1995	953	38,345	90,327	129,625
Charge for the year	292	12,079	18,874	31,245
On disposals	-	-	(1,292)	(1,292)
On revaluation	(1,234)	(48,141)	-	(49,375)
At 31 March 1996	11	2,283	107,909	110,203
Net book amount				
At 31 March 1996	**60,287**	**668,954**	**55,814**	**785,055**
At 31 March 1995	23,345	297,303	53,400	374,048

Certain of the company's properties were revalued at 31 March 1996 by Milligan and Company Limited, registered valuers, on depreciated replacement cost and open market value bases.

The surplus arising on revaluation has been credited to the capital reserve. The accumulated depreciation on the properties previously charged to the capital reserve has been credited to the capital reserve. The balance has been written back to profit and loss account.

14 INVESTMENT IN ASSOCIATED COMPANY

	1996	1995
	Shs'000	Shs'000
132,300 ordinary shares of Shs 20 each in Associated Vehicle Assemblers Limited (AVA) representing a holding of 24.5%		
Group		
Share of net assets of associated company	**21,519**	20,486
Less: Discount on acquisition	**(5,388)**	(5,388)
	16,131	15,098
Company		
Investment at cost	**3,590**	3,590
Less: Proportion of dividend payable which is attributable to pre-acquisition profits	**(2,273)**	(2,273)
	1,317	1,317

The principal activity of AVA is the assembly of motor vehicles. Creditors at 31 March 1996 include an amount of Shs 34.4 million (1995: Shs 36.1 million) payable to AVA.

15 INVESTMENT IN UNQUOTED SHARES

	1996	1995
	Shs'000	Shs'000
319,896 ordinary shares of Shs 20 each in United Touring Group Kenya Limited representing a 25.7% interest at cost	**145,392**	-

The company operates in the Hotel and Tourism industry in Kenya.

16 GROUP AND RELATED COMPANIES

	1996	1995
Due from fellow subsidiaries	**43,170**	32,775
Due to ultimate holding company	**253**	253

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.

The company trades with group companies. The terms of trade are those that would be expected for major customers and suppliers. The amounts due from and due to group and related companies represent outstanding obligations in respect of transactions arising in the normal course of business.

17 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.

18 CONTINGENT LIABILITY

The company had outstanding guarantees totalling Shs 12,234,000 in favour of third parties at 31 March 1996. It has also 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 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

20 CURRENCY

These accounts are presented in Kenya shillings.