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Company Information

DIRECTORS
M L Somen
D K Shah
A J Nathwani
K S Somaia
J K Chande
I U Hukkawala
H P Makhecha
G W Nyuguto
J A Grayland

SECRETARY
J K Kamau

REGISTERED OFFICE
4th Floor, House of Vanguard
Chiromo/Crossway Road
Westlands
PO Box 39950
NAIROBI

BANKERS
Kenya Commercial Bank Limited
Moi Avenue Branch
PO Box 30081
NAIROBI

National Bank of Kenya Limited
Moi Avenue Branch
PO Box 72497
NAIROBI

AUDITORS
PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
PO Box 43963
NAIROBI

2007/0203

Chairman's Statement

The Kenyan economy suffered from continued withholding of donor funds, adverse weather conditions leading to severe power rationing, erratic exchange and interest rates, insecurity and erosion in the consumer purchasing power. Trading conditions were extremely difficult throughout the financial year under review.

As a result of the ongoing recession, volumes of new vehicle registration declined by a further 21% in the year to 31 March 2001, compared to the previous year. Monthly sales of new vehicles of all makes still average 500 units only. The continuing importation of used vehicles has been a major contributing factor but, unfortunately, the authorities do not seem to have found a way to ensure that used vehicle importers pay the appropriate duties and taxes.

Despite these difficult conditions I am pleased to report that your Company's market share, particularly in the medium salaon segment, has improved significantly. All the models in the Peugeot range have done extremely well. The new Peugeot Partner Van and Combi versions have also been very well received in the market even though this is a new concept in the commercial segment which is dominated by pick-ups.

The performance of the Heavy Commercial Vehicle Division has also improved and, as mentioned in my previous report, the newly introduced Tata 709 E has proved to be very successful.

The East and Southern African Regional Training School far Peugeot was relocated to our flagship premises on Mombasa Road. I am proud to say that it is the most modern and well equipped training school in the whole region. It has fully computerised diagnostic machines linked via telephone lines, not only to all our workshops throughout the country but also, to the Peugeot Advisory Centre in United Kingdam.

Associated Vehicle Assemblers Limited (AVA) also suffered due to declining volumes of local assembly. The placing of Lonrho Motors East Africa Limited in receivership exacerbated the problems. However, I am glad to report that Lonrho's shares in AVA have now been taken over by another assembler. A major restructuring of AVA has since been undertaken and this company has returned to profitability.

Most of you may have read in the lacal media that a third party has recently alleged part ownership of the contralling shareholding in the company. The Court appointed a manager in June 2001 but the order was immediately stayed and subsequently vacated. The day to day operations of your company is still vested with your Board and the current management. Your Board is of the opinian that this is a matter between shareholders and does not affect the operations of the company. However, as reported in the previous year's annual repart, an arrangement was entered into whereby long outstanding related party debts were being settled by the controlling sharehalder. Because of this dispute, the controlling shareholder has ceased making these repayments until the matter is resolved in the Courts. In view of this, the Directors have decided that it would be prudent to make full provision against these debts in the year under review. Full provision has also been made against the investment in Block Hotels Holdings Limited which is also the subject of a similar ownership dispute between the controlling shareholder and the third party. This has resulted in additional charge of Shs.312 million in the profit and loss account.

Chairman's Statement (continued)

Turnover in 2000/2001 was slightly lower by 1.4% compared to 1999/2000. Better margins were achieved due to favourable exchange rates and stringent control over costs. The gross profit increased by 13%. As a result of the restructuring and overhead reduction exercise undertaken over two years ago, administrative expenses have been substantially reduced and it is most gratifying to note that after two years of operating losses, the company made an operating profit before financial cost of Shs.66 million. Regrettably, after providing for interest charges and the diminution in the value of assets mentioned above, the company once again returned a substantial loss. This will again preclude us from declaring any dividends to the ordinary shareholders. The preference shareholders will be paid their 7% dividend amounting to Shs.35,000/= for the whole year.

In order to reflect a more realistic value of the company's assets, it was decided to revalue the land and buildings as at 31st March 2001 and incorporate this revaluation in the financial statements. The basis of revaluation is market value for existing use and has resulted in a surplus of Shs.407 million which has been credited to the revaluation reserves account. Our strategy of disposing off surplus and non-productive assets will continue and proceeds will be applied to reduce the company's debt.

With the current state of the economy and, more recently, the terrorist attacks in United States on 11th September 2001, we see no likelihood of any dramatic improvement in the Kenyan economy. The new vehicle market is expected to continue at between 5800 and 6100 units per annum. We expect to improve our market share with the introduction of new models and aggressive marketing, but overall volumes still remain low.

My sincere thanks go to each and every one of our staff for their hard work and dedication and I am confident that they will continue to support the company in the same spirit. I must also express my gratitude to my fellow Directors, our customers, suppliers, financiers and most importantly you our shareholders for your understanding and perseverance.

M L Somen
CHAIRMAN

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 March 2001 which disclose the state of affairs of the Company.

INCORPORATION

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is the assembly and marketing of Peugeot and Tata vehicles and related services. The Company holds the franchise for MAN trucks and buses which has been assigned to it by a related Company.

RESULTS AND DIVIDEND

The net loss for the year of Shs 308,673,000 (2000: Shs 104,235,000) has been deducted from retained earnings.

In view of the loss made during the year, the Directors do not propose the payment of a dividend on the ordinary shares.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the limited options available in Kenya to hedge against such risks.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

DIRECTORS

The Directors who held office during the year and to the date of this report were:

M L Somen
D K Shah
A J Nathwani
K S Somaia
J K Chande
I U Hukkawala
H P Makhecha
G W Nyuguto
J A Grayland

AUDITORS

The Company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

By order of the Board

J K Kamau
SECRETARY

23 October 2001

Report of the Auditors

TO THE MEMBERS OF MARSHALLS (EAST AFRICA) LIMITED

We have audited the financial statements set out on pages 7 to 23. 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. The financial statements are in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and its profit or loss. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. 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 financial statements.

OPINION

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the Company's financial affairs at 31 March 2001 and of its loss and cash flows for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

23 October 2001

Profit and Loss Account

	Notes	2001 Shs'000	2000 Shs'000
Sales	2	1,485,722	1,506,952
Cost of sales		(1,048,828)	(1,121,224)
Gross profit		436,894	385,728
Other operating income		5,593	27,375
Administrative expenses		(328,498)	(380,326)
Other operating expenses		(47,845)	(46,933)
Operating profit/(loss)	3	66,144	(14,156)
Provision for diminution in value of assets	5	(312,045)	-
Finance costs	6	(110,165)	(89,872)
Loss before tax		(356,066)	(104,028)
Tax credit/(charge)	7	47,393	(207)
Net loss		(308,673)	(104,235)
Basic loss per share	8	21.45	7.25
Diluted loss per share	8	21.45	7.25

Balance Sheet

	Notes	2001 Shs'000	2000 Shs'000
CAPITAL EMPLOYED			
Share capital	9	72,466	72,466
Reserves	10	278,786	227,866
Shareholders' funds		351,252	300,332
Non-current liabilities			
Borrowings	11	44,068	43,558
		395,320	343,890
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12	534,018	135,908
Investments	13	53,703	223,084
Dividend receivable		15,776	15,776
Receivables from related parties	15	-	167,012
		603,497	541,780
Current assets			
Inventories	14	409,291	394,892
Trade and other receivables	15	238,219	297,115
Tax recoverable		18	3,097
Cash and cash equivalents	16	4,255	2,002
		651,783	697,106
Current liabilities			
Trade and other payables	17	400,361	362,074
Dividends payable		173	176
Borrowings	11	459,426	532,746
		859,960	894,996
Net current liabilities		(208,177)	(197,890)
		395,320	343,890

The financial statements on pages 7 to 23 were approved by the Board of Directors on 23 October 2001 for issue, and signed on its behalf by:

M L Samen
DIRECTOR

A J Nathwani
DIRECTOR

Statement of Changes in Equity

	Notes	Share capital Shs'000	Retained earnings/ (Accumulated losses) Shs'000	Revaluation Reserve Shs'000	Total Shs'000
Year ended 31 March 2000					
At start of year		72,466	332,136	-	404,602
Net loss		-	(104,235)	-	(104,235)
Dividends on preference shares		-	(35)	-	(35)
At end of year	10	72,466	227,866	-	300,332
Year ended 31 March 2001					
At start of year		72,466	227,866	-	300,332
Revaluation surplus	10	-	-	407,021	407,021
Deferred tax on revaluation	10	-	-	(47,393)	(47,393)
Net gains not recognised in the income statement		-	-	359,628	359,628
Net loss		-	(308,673)	-	(308,673)
Dividends on preference shares		-	(35)	-	(35)
At end of year	10	72,466	(80,842)	359,628	351,252

Cash Flow Statement

	Notes	2001 Shs'000	2000 Shs'000
Operating activities			
Cash generated from operations	20	192,947	95,010
Interest received		695	54,465
Interest paid		(111,220)	(144,852)
Tax refund		3,299	12,417
Tax paid		(220)	-
Net cash from operating activities		85,501	17,040
Investing activities			
Purchase of property, plant and equipment	12	(17,750)	(36,463)
Proceeds from disposal of investment		1,350	6,244
Proceeds from disposals of property, plant and equipment		6,000	35,256
Net cash (used in)/ from investing activities		(10,400)	5,037
Financing activities			
Proceeds from borrowings		-	150,000
Payments on borrowings		(41,017)	(75,396)
Dividends paid		(38)	(1,286)
Net cash (used in)/from financing activities		(41,055)	73,318
Increase in cash and cash equivalents		34,046	95,395
Movement in cash and cash equivalents			
At start of year	16	(475,259)	(570,654)
Increase		34,046	95,395
At end of year	16	(441,213)	(475,259)

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya Shillings (Shs) and prepared under the historical cost convention, as modified by the revaluation of certain property.

(B) REVENUE RECOGNITION

Sales are recognised upon delivery of products and acceptance by customers or performance of services, and are stated net of VAT, returns and discounts.

Interest income is recognised as it accrues, unless collectibility is in doubt.

(C) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies 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.

(D) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on regular valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated to write down the cost or the revalued amount of each asset, to its residual value over its estimated useful life 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
Motor vehicles	25% on reducing balance
Plant, machinery, fixtures and fittings	15% on straight line

Freehold land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings/(accumulated losses).

Accounting Policies (continued)

(E) INVESTMENTS

The investment in the associated company is stated at cost in the financial statements of the Company.

Non current investments are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(F) ACCOUNTING FOR LEASES

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(G) INVENTORIES

Inventories consisting mainly of built up units, completely knocked down kits (CKDs) and spare parts are stated at the lower of cost and net realisable value. Cost of built up units and completely knocked down kits is determined by the first-in, first-out (FIFO) method. Spare parts are valued on the weighted average cost basis. All inventories include the cost of importation and delivery. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

(H) TRADE RECEIVABLES

Trade receivables are carried at original invoiced amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

(I) EMPLOYEE ENTITLEMENTS

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(J) DEFERRED TAX

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 substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilised.

Accounting Policies (continued)

(K) RETIREMENT BENEFIT OBLIGATIONS

The Company operates a defined contribution provident scheme for all its employees. The scheme is funded from contributions from both the Company and employees.

The Company's contributions to the defined contribution provident scheme are charged to the profit and loss account in the year to which they relate.

(L) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Notes Forming Part of the Financial Statements

1 Basis of Preparation of the Financial Statements - Going Concern

During the year the Company incurred a loss of Shs 308,673,000 and at the balance sheet date its current liabilities exceeded its current assets by Shs 208,177,000.

The financial statements have been prepared on a going concern basis which assumes continued availability of the Company's banking facilities. The Company's principal bankers have renewed its banking facilities for one year from September 2001. In the circumstances, the Directors are of the opinion that the going concern basis of preparing the financial statements is appropriate.

2 Sales

	2001 Shs'000	2000 Shs'000
Product sales - vehicles and spare parts	**1,302,362**	1,242,114
Workshop services	**183,360**	264,838
	1,485,722	1,506,952

3 Operating Profit/(Loss)

	2001	2000
The following items have been charged in arriving at operating profit/(loss):		
Auditors' remuneration	**3,018**	2,177
Staff costs (Note 4)	**163,428**	164,027
Depreciation on property, plant and equipment (Note 12)	**22,849**	21,704
Directors' remuneration - fees	**110**	112
- other remuneration	**9,466**	6,752
Operating lease rentals	**64,795**	63,498

The Company has contracted to receive management services from a related Company. The fees charged in respect of these agreements for the year amounts to Shs 10 million (2000: Shs 12 million).

4 Staff Costs

	2001 Shs'000	2000 Shs'000
The following items are included within staff costs:		
Provident fund costs - defined contribution plan	**8,746**	8,534

The number of persons employed by the Company at the year end was 400 (2000: 418).

Notes Forming Part of the Financial Statements (continued)

8 Loss per Share

Basic and diluted loss per share is calculated on the net loss for the year attributable to the shareholders of Shs 308,673,000 (2000: Shs 104,235,000) and on 14,393,106 ordinary shares in issue. There were no potentially dilutive shares outstanding at 31 March 2001 or 2000.

9 Share Capital

	Number of shares	Value Shs'000
Issued and fully paid up		
Ordinary shares of Shs 5 each	14,393,106	71,966
7% cumulative preference shares of Shs 20 each	25,000	500
Balance at 1 April 2000 and 31 March 2001		72,466

The total numbers of authorised shares are as follows:

- 15,000,000 ordinary shares with a par value of Shs 5 per share.
- 50,000, 7% cumulative preference shares with a par value of Shs 20 each.

10 Reserves

	2001 Shs'000	2000 Shs'000
(Accumulated losses)/retained earnings	**(80,842)**	227,866
Revaluation reserve	**359,628**	-
	278,786	227,866

The revaluation reserve arises solely from the revaluation of property (Note 12) and is non-distributable.

The movements in the reserves during the year are set out in the statement of changes in equity on page 9.

11 Borrowings

	2001 Shs'000	2000 Shs'000
Total borrowings	**503,494**	576,304
Less: Current portion	**(459,426)**	(532,746)
Non-current portion	**44,068**	43,558

11 Borrowings (continued)

	2001 Shs'000	2000 Shs'000
The borrowings are made up as follows:		
Non-current		
Non-bank loan	**44,068**	43,558
Current		
Bank overdraft (Note 16)	**445,468**	477,261
Bank borrowings	-	30,634
Non-bank loan	**13,958**	24,851
	459,426	532,746
Total borrowings	**503,494**	576,304

The bank borrowings and overdraft facilities are secured by:

- a first charge on the Company's land and buildings
- a floating debenture over the Company's assets
- guarantees from related parties.

The non-bank loan is secured by a charge over the Company's land.

	2001	2000
Weighted average effective interest rates at the year end were:		
- bank overdrafts	**19%**	24%
- bank loans	-	23%
- non-bank loan	**21%**	25.4%

In the opinion of the Directors, the carrying amounts of the borrowings approximate to their fair values. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that Directors expect would be available to the Company at the balance sheet date.

In the opinion of the Directors, it is impracticable to assign fair values to the Company's long term liabilities due to inability to forecast interest rate changes.

Notes Forming Part of the Financial Statements (continued)

12 Property, Plant and Equipment

	Freehold land and buildings Shs'000	Leasehold land and buildings Shs'000	Plant and machinery, motor vehicles, furniture, and equipment Shs'000	Total Shs'000
Cost or valuation				
At start of year	1,384	74,987	236,861	313,232
Additions	-	-	17,750	17,750
Disposals	-	-	(17,114)	(17,114)
Revaluation	45,514	350,744	-	396,258
At end of year	46,898	425,731	237,497	710,126
Depreciation				
At start of year	485	9,575	167,264	177,324
Charge for the year	15	921	21,913	22,849
On disposals	-	-	(13,302)	(13,302)
On revaluation	(500)	(10,263)	-	(10,763)
At end of year	-	233	175,875	176,108
Net book amount				
At 31 March 2001	46,898	425,498	61,622	534,018
At 31 March 2000	899	65,412	69,597	135,908

Land and buildings were last valued as at 31 March 2001 by HassConsult Limited, registered valuers on the basis of market value for existing use. The book values of the properties were adjusted to the revalued amounts and the resultant surplus, net of deferred tax, was credited to revaluation reserves in shareholders' equity (Note 10).

If property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

	2001 Shs'000	2000 Shs'000
Cost	**313,868**	313,232
Accumulated depreciation	**(186,871)**	(177,324)
	126,997	135,908

In the opinion of the Directors, there is no impairment of property, plant and equipment.

13 Non-current Investments

	2001 Shs'000	2000 Shs'000
At start of year	223,084	230,756
Disposals	-	(7,672)
Provision for diminution in value	(169,381)	-
At end of year	53,703	223,084
Comprising:		
Investment in associate undertaking:		
236,250 ordinary shares of Shs 20 each in Associated Vehicle Assemblers Limited (representing a holding of 43.75%)	53,703	53,703
Other non-quoted investment:		
322,731 ordinary shares of Shs 20 each in Block Hotels Holdings Limited (a related party)	-	169,381
	53,703	223,084

A full provision has been made for the diminution in value of investment in Block Hotels Holdings Limited (Note 5).

The investment in the associate undertaking is accounted for under the cost basis. The carrying value of the investment on the equity basis would be:

	2001 Shs'000	2000 Shs'000
Opening net book value	40,992	66,052
Disposals at cost	-	(8,256)
Share of results before tax	(30,319)	(13,890)
Share of tax	(6,908)	(2,914)
Closing net book value	3,765	40,992

The Company has been restructured and has now returned to profitability. In addition, the realisable value of its principal asset, land, is well in excess of its carrying value in the books. Therefore, the Directors do not consider that there is a permanent diminution in value of the investment in the associated company.

14 Inventories

	2001 Shs'000	2000 Shs'000
Finished goods	392,308	321,628
Completely knocked down kits (CKDs)	16,983	73,264
	409,291	394,892

Notes Forming Part of the Financial Statements (continued)

15 Trade and Other Receivables

	2001 Shs'000	2000 Shs'000
Trade receivables	**205,693**	194,249
Prepayments	**540**	8,790
Other receivables	**6,899**	16,785
Receivables from related parties (Note 21)	**25,087**	244,303
	238,219	464,127
Less: Non-current receivables from related parties	-	(167,012)
Current portion	**238,219**	297,115

16 Cash and Cash Equivalents

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	2001 Shs'000	2000 Shs'000
Cash at bank and in hand	**4,255**	2,002
Bank overdrafts (Note 11)	**(445,468)**	(477,261)
	(441,213)	(475,259)

17 Trade and Other Payables

Trade payables	**189,911**	165,888
Payables to related parties (Note 21)	**96,716**	39,633
VAT payable	**8,577**	4,367
Accrued expenses	**78,379**	111,648
Other payables	**26,778**	40,538
	400,361	362,074

18 Contingent Liabilities

The Company had outstanding guarantees in favour of third parties at 31 March 2001 amounting to Shs 80,969,550 (2000: Shs 48,046,589) and letters of credit outstanding of Shs 65,352,034 (2000: Shs 3,537,808). In addition, the Company had issued a debenture for Shs 180 million to its bankers to secure banking facilities granted to a fellow subsidiary. The debenture is secured by a floating charge over the Company's assets. 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 Commitments

Capital commitments

The Company had no capital commitments as at 31 March 2001 (2000: nil).

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2001 Shs'000	2000 Shs'000
Not later than 1 year	39,309	59,852
Later than 1 year and not later than 5 years	120,615	134,124
Later than 5 years	22,055	45,645
	181,979	239,621

20 Cash Generated from Operations

Reconciliation of (loss) before tax to cash generated from operations:

	2001 Shs'000	2000 Shs'000
Loss before tax	(356,066)	(104,028)
Adjustments for:		
Depreciation (Note 12)	22,849	21,704
(Profit)/loss on sale of investment	(1,349)	1,428
Provision for unquoted investments (Note 5)	169,381	-
Interest income (Note 6)	(695)	(54,465)
Interest expense (Note 6)	111,220	144,852
Profit on disposal of property, plant and equipment	(2,189)	(24,658)
Changes in working capital		
- (increase)/decrease in inventories	(14,399)	74,718
- decrease in trade and other receivables	225,908	79,342
- increase/(decrease) in trade and other payables	38,287	(43,883)
Cash generated from operations	192,947	95,010

Notes Forming Part of the Financial Statements (continued)

21 Related Party Transactions

The immediate holding Company is Marshalls Investments Limited incorporated in Kenya. The ultimate parent of the group is Driscoll Investments Limited incorporated in British Virgin Islands. There are various other companies which are related to Marshalls (East Africa) Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:	2001 Shs'000	2000 Shs'000
(i) Purchases of goods and services	190,889	269,968

The Company handles the product distribution of two fellow subsidiaries at agreed terms of trade.

	2001 Shs'000	2000 Shs'000
(ii) Interest charged on related party balances	-	54,465

Interest is charged on the overdue related party balances based on the prevailing bank interest rates.

(iii) Outstanding balances

	2001 Shs'000	2000 Shs'000
Amounts due from related parties	216,468	266,303
Less: provision for related party balances	(191,381)	(22,000)
Due from related parties (Note 15)	25,087	244,303
Due to related parties (Note 17)	96,716	39,633