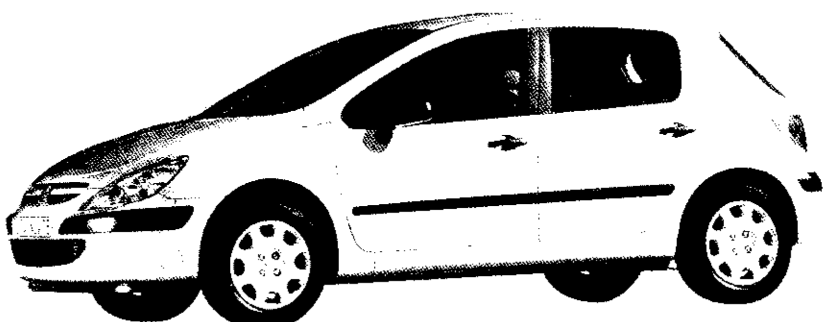
CONTENTS



COMPANY INFORMATION

DIRECTORS

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

SECRETARY

J K Kamau

REGISTERED OFFICE

Marshalls House
Harambee Avenue
PO Box 30366
00100 NAIROBI

BANKERS

Kenya Commercial Bank Limited
Moi Avenue Branch
PO Box 30081
00100 NAIROBI

National Bank of Kenya Limited
Moi Avenue Branch
PO Box 72497
00200 NAIROBI

AUDITORS

PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
PO Box 43963
00100 NAIROBI

2007/0205

Nothing gives the Chairman of a company more pleasure than to report some encouraging results after three years of painting a gloomy picture. I am therefore very pleased to inform you that your Company has made a profit after tax, of Shs.29 million for the year ended 31 March 2002.

In the year under review the total market for new vehicles improved by 7% to just over 6,400 units. However, the market for medium saloon vehicles declined slightly. Despite this, our sales of Peugeot vehicles increased by 11% in the same period, giving us a market share in this segment of 52%. I am sure, you will agree, that this is quite an achievement by our sales and support staff.

Automobiles Peugeot continue to produce some superb models which have been very popular both here in Kenya and in Europe. The latest Peugeot 307 which has been voted "Car of the Year 2002" was launched here in March this year. An evolutionary saloon encompassing space, dynamism, functionality and driving pleasure, the 307 has met with very encouraging demand.

The other models of Peugeot, namely the 504, 206, 306, 406 and the Partner Van and Combi all continue to be in demand and have contributed to increasing our market share.

Sadly, due to lack of support from the manufacturer, your Board decided that it was not viable to continue marketing the Honda motor cars and therefore decided to discontinue this franchise. However, we still continue to market the complete range of Honda motor cycles and power products.

In the commercial vehicle sector, the Tata marque, unfortunately, did not perform well. The competition, in this segment of the market, is severe particularly from Japanese makes. However, the Company has now introduced two new models, the Tata 509 and Tata 713, both of which have proved to be very successful. I am confident that this division's sales will increase significantly in the current year.

The declining vehicle market over the last few years, must inevitably affect the aftermarket side of the business. Predictably, the sales of parts and workshop services declined by 8%. The management, having foreseen this, has taken measures to ensure that the negative impact on the profitability of this division was minimal. Labour utilisation in all our workshops is constantly monitored and steps are taken to correct any adverse trends. This sector of the business is now also significantly affected by importation of second-hand and spurious parts. Special campaigns are launched regularly to promote the sale of genuine parts and these help to maintain revenues and profits.

During the year, our investment in Associated Vehicle Assemblers Limited (AVA) was increased to the previous level of 50%. This Company continues to trade profitably after a major restructuring exercise. The volume of vehicles being assembled has also increased considerably. Our representatives on the Board of Directors of AVA continue to actively monitor its affairs.

I mentioned in my last year's statement, that a third party had claimed part ownership of the controlling shareholding in the Company. There has been no further development on the matter which is in Court and the day to day operations of your Company is still vested with your Board and the current management.

Turnover in the year to 31 March 2002 declined by 4% compared to the previous year, and the gross profit by 7%. At the same time a reduction of 13% was achieved on overheads. Thus the operating profit increased from Shs.66 million to Shs.85 million. With stringent cash flow and working capital management, savings of Shs.27 million were achieved in the finance costs. This has resulted in a profit before tax of Shs.1.8 million in 2001/2002 compared with a loss of Shs.356 million in 2000/2001. This is a commendable achievement especially in this difficult and unpredictable economic environment. In view of the deficit on revenue reserves, your Board feels that it would not be prudent to recommend a dividend this year to the ordinary shareholders. The preference shareholders will of course be paid their 7% dividend which amounts to Shs.35,000/= for the year.

I am pleased to inform you that the sales in the first quarter of the current financial year are encouraging, both for Peugeot and Tata brands. If this trend continues I am hopeful that we will be able to report much improved results next year.

I offer my sincere gratitude to each and every one of our staff for achieving these results, and am confident that they will continue to support the Company with their dedication and hard work My thanks also go to my colleagues on the Board, our customers, suppliers, financiers and you our shareholders for your continued support.

I end with the hope that next year will bring better news for all the shareholders.

MICHAEL SOMEN
CHAIRMAN

The directors submit their report together with the audited financial statements for the year ended 31 March 2002, 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.

RESULTS AND DIVIDEND

The net profit for the year of Shs 29,251,000 (2001: loss of Shs 308,673,000) has been utilised in reducing accumulated losses.

The directors do not propose the payment of a dividend.

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 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 Makecha
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

JK Kamau
SECRETARY

20 June 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Accounting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the twelve months from the date of this statement.

M.L. Somen
Director

A.J. Nathwani
Director

20 June 2002

REPORT OF THE AUDITORS

TO THE MEMBERS OF MARSHALLS (EAST AFRICA) LIMITED

We have audited the financial statements set out on pages 8 to 23. We have obtained all the information and explanations that 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 as set out on page 6. Our responsibility is to express an independent opinion on the financial statements based on our audit.

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 2002 and of its profit and cash flows for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

20 June 2002

BALANCE SHEET

At 31st March 2002

	Notes	2002 Shs'000	2001 Shs'000
CAPITAL EMPLOYED			
Share capital	9	72,466	72,466
Reserves		280,550	278,786
Shareholders' funds		353,016	351,252
Non-current liabilities			
Borrowings	11	-	44,068
		353,016	395,320
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12	460,189	534,018
Investments	13	59,947	53,703
Dividend receivable		15,776	15,776
		535,912	603,497
Current assets			
Inventories	14	450,156	409,291
Receivables and prepayments	15	220,979	238,219
Tax recoverable		18	18
Cash at bank and in hand	16	172	4,255
		671,325	651,783
Current liabilities			
Payables, accrued expenses and deferred income	17	403,642	400,361
Dividends payable		175	173
Borrowings	11	450,404	459,426
		854,221	859,960
Net current liabilities		(182,896)	(208,177)
		353,016	395,320

The financial statements on pages 8 to 23 were approved for issue by the board of directors on 20 June 2002 and signed on its behalf by:

M.L. Somen
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 2001					
At start of year		72,466	227,866	-	300,332
Revaluation surplus	10	-	-	407,021	407,021
Deferred tax on revaluation		-	-	(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		72,466	(80,842)	359,628	351,252
Year ended 31 March 2002					
At start of year		72,466	(80,842)	359,628	351,252
Deferred tax on revaluation	7	-	-	(27,452)	(27,452)
Released on disposals		-	(6,277)	6,277	-
Transfer of excess depreciation		-	7,230	(7,230)	-
Deferred tax on transfer		-	(2,169)	2,169	-
Net losses not recognised in the income statement		-	(1,216)	(26,236)	(27,452)
Net profit		-	29,251	-	29,251
Dividends on preference shares		-	(35)	-	(35)
At end of year		72,466	(52,842)	333,392	353,016

CASH FLOW STATEMENT

	Notes	2002 Shs'000	2001 Shs'000
Operating activities			
Cash generated from operations	20	91,787	192,947
Interest received		453	695
Interest paid		(86,593)	(111,220)
Tax refund		-	3,299
Tax paid		-	(220)
Net cash from operating activities		5,647	85,501
Investing activities			
Purchase of property, plant and equipment	12	(7,108)	(17,750)
Proceeds from disposal of investment		-	1,350
Proceeds from disposals of property, plant and equipment		56,745	6,000
Purchase of investments	13	(6,244)	-
Net cash from/(used in) investing activities		43,393	(10,400)
Financing activities			
Payments on borrowings		(39,693)	(41,017)
Dividends paid		(33)	(38)
Net cash used in financing activities		(39,726)	(41,055)
Increase in cash and cash equivalents		9,314	34,046
Movement in cash and cash equivalents			
At start of year		(441,213)	(475,259)
Increase		9,314	34,046
At end of year	16	(431,899)	(441,213)

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 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
Computers	30% on straight line
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 or loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings/(accumulated losses).

(e) Investments

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.

The investment in the associated company (Note 13) is stated at cost less provision for impairment in the financial statements of the company.

(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 amortised 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.

(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.

1. **Basis of preparation of the financial statements - going concern**

The company's current liabilities exceeded its current assets by Shs 182,896,000 at the balance sheet date.

The financial statements have been prepared on a going concern basis which assumes continued availability of the company's banking facilities. The current facilities expire on 31 August 2002. The company's principal bankers have stated that they are not aware of any factors that would affect the renewal of the facilities. In the circumstances, the directors are of the opinion that the going concern basis of preparing the financial statements is appropriate.

2. **Segment information**

The directors consider the company to comprise one primary business segment, which is the sale of motor vehicles, supported by the after market workshop activities and one geographical segment.

Analysis of turnover is as follows:

	2002 Shs'000	2001 Shs'000
Vehicle sales	903,665	915,999
After market activities - workshop services and part sales	520,878	569,723
	1,424,543	1,485,722

3. **Operating profit**

The following items have been charged in arriving at operating profit:

Auditors' remuneration	2,205	3,018
Staff costs (Note 4)	156,116	172,894
Depreciation on property, plant and equipment (Note 12)	26,418	22,849
Operating lease rentals	39,847	61,657

There were no fees charged in respect of management services from a related company in the current year (2001: Shs 10 million was charged).

4. **Staff costs**	2002 Shs'000	2001 Shs'000
The following items are included within staff costs:		
Provident fund costs - defined contribution plan	9,316	8,746

The number of persons employed by the company at the year end was 385 (2001: 400).

5. Provision for diminution in value of assets	2002 Shs'000	2001 Shs'000
Write-down of debts	-	142,664
Provision for unquoted investments	-	169,381
	-	312,045

The provisions in prior year were in respect of related party balances and the investment in the shares of Block Hotels Holdings Limited.

6. Finance income/(costs)	2002 Shs'000	2001 Shs'000
Interest income	453	695
Net foreign exchange gains	2,816	360
Interest expense	(86,593)	(111,220)
Net finance costs	(83,324)	(110,165)

7. Tax

(a) Current tax

Current tax	-	-
Deferred tax (Note 7(b))	(27,452)	(47,393)
Tax credit	(27,452)	(47,393)

The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2002 Shs'000	2001 Shs'000
Profit/(loss) before tax	1,799	(356,066)
Tax calculated at a tax rate of 30 % (2001: 30 %)	540	(106,820)
Tax effect of:		
Income not subject to tax	(275)	-
Expenses not deductible for tax purposes	5,270	95,543
Deferred tax asset movement now recognised	(31,104)	(36,116)
Deferred tax on disposals not recognised	(1,883)	-
Tax credit	(27,452)	(47,393)

9. Share capital

	Number of shares	Share Capital 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 2001 and 31 March 2002		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. Revaluation reserves

The revaluation reserve relates to surpluses arising from the revaluation of property (Note 12) and is non-distributable.

11. Borrowings

	2002 Shs'000	2001 Shs'000
Total borrowings	450,404	503,494
Less: current portion	(450,404)	(459,426)
Non-current portion	-	44,068
The borrowings are made up as follows:		
Non-current		
Non-bank loan	-	44,068
Current		
Bank overdraft (Note 16)	432,071	445,468
Non-bank loan	18,333	13,958
	450,404	459,426
Total borrowings	450,404	503,494

11. Borrowings (continued)

The bank borrowings and overdraft facilities are secured by:
- a first charge on the company's land and buildings amounting to Shs 827,370,000
- a floating debenture over the company's assets amounting to Shs 1,052,000,000
- guarantees from related parties.

Weighted average effective interest rates at the year end were:	2002	2001
- bank overdrafts	16%	19%
- non-bank loan	21%	21%

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.

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	48,098	424,531	237,497	710,126
Additions	-	-	7,108	7,108
Disposals	-	(48,300)	(12,281)	(60,581)
At end of year	48,098	376,231	232,324	656,653
Depreciation				
At start of year	-	233	175,875	176,108
Charge for the year	576	8,102	17,740	26,418
On disposals	-	-	(6,062)	(6,062)
At end of year	576	8,335	187,553	196,464
Net book amount				
At 31 March 2002	47,522	367,896	44,771	460,189
At 31 March 2001	48,098	424,298	61,622	534,018

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).

12. Property, plant and equipment (continued)

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

	2002 Shs'000	2001 Shs'000
Cost	249,415	313,868
Accumulated depreciation	(195,294)	(186,871)
	54,121	126,997

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

13. Investments

	2002 Shs'000	2001 Shs'000
At start of year	53,703	223,084
Additions	6,244	-
Provision for diminution in value	-	(169,381)
At end of year	59,947	53,703
Comprising: Investment in associate undertaking:		
270,000 ordinary shares of Shs 20 each in Associated Vehicle Assemblers Limited (representing a holding of 50%)	59,947	53,703
Other non-quoted investment: 322,731 ordinary shares of Shs 20 each in Block Hotels Holdings Limited (a related party)	-	-
	59,947	53,703

A full provision was made in the prior year 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:

	2002 Shs'000	2001 Shs'000
Opening net book value	3,765	40,992
Share of results before tax	4,048	(30,319)
Share of tax	9,272	(6,908)
Closing net book value	17,085	3,765

13. Investments (continued)

The associated company has 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

	2002 Shs'000	2001 Shs'000
Vehicles - fully assembled	289,268	278,685
- completely knocked down kits (CKDs)	62,666	16,983
Parts	98,222	113,623
	450,156	409,291

15. Receivables and prepayments

	2002 Shs'000	2001 Shs'000
Trade receivables	284,613	294,475
Less : Provision for bad and doubtful debts	(83,096)	(88,782)
	201,517	205,693
Prepayments	3,073	540
Other receivables	6,945	6,899
Amounts due from related parties (Note 21)	9,444	25,087
	220,979	238,219

16. 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.

The year-end cash and cash equivalents comprise the following:

	2002 Shs'000	2001 Shs'000
Cash at bank and in hand	172	4,255
Bank overdraft (Note 11)	(432,071)	(445,468)
	(431,899)	(441,213)

17. Payables, accrued expenses and deferred income

	2002 Shs'000	2001 Shs'000
Trade payables	244,845	182,318
Amounts due to related companies (Note 21)	41,224	96,716
VAT payable	7,649	8,577
Accrued expenses	68,336	78,379
Deferred income	16,064	7,593
Other payables	25,524	26,778
	403,642	400,361

18. Contingent liabilities

The company had outstanding guarantees in favour of third parties at 31 March 2002 amounting to Shs 80,352,360 (2001: Shs 80,969,550) and letters of credit outstanding of Shs 95,998,271 (2001: Shs 65,352,034). 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 2002 (2001: nil).

Operating lease commitments

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

	2002 Shs'000	2001 Shs'000
Not later than 1 year	35,068	39,137
Later than 1 year and not later than 5 years	163,560	157,815
Later than 5 years	5,012	45,826
	203,640	242,778

20. Cash generated from operations

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

	2002 Shs'000	2001 Shs'000
Profit/(loss) before tax	1,799	(356,066)
Adjustments for:		
Depreciation (Note 12)	26,418	22,849
Profit on sale of investment	-	(1,349)
Provision for unquoted investments (Note 5)	-	169,381
Interest income (Note 6)	(453)	(695)
Interest expense (Note 6)	86,593	111,220
Profit on disposal of property plant and equipment	(2,226)	(2,189)
Changes in working capital		
- in inventories	(40,865)	(14,399)
- receivables and prepayments	17,240	225,908
- payables, accrued expenses and deferred income	3,281	38,287
Cash generated from operations	91,787	192,947

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:

	2002 Shs'000	2001 Shs'000
(i) Purchases of goods and services	91,618	190,889

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

	2002 Shs'000	2001 Shs'000
(ii) Interest charged by a related party	5,216	12,108

Interest was charged by a related party on the overdue amount on the basis of the prevailing bank rates.

21. Related party transactions (continued)

(iii) Outstanding balances	**2002 Shs'000**	**2001 Shs'000**
Amounts due from related parties	173,562	189,751
Less: provision for related party balances	(164,118)	(164,664)
Due from related parties (Note 15)	9,444	25,087
Due to related parties (Note 17)	41,224	96,716

(iv) Directors' remuneration

Directors' remuneration - fees	107	110
- other remuneration	9,720	9,466