02	Company information
03	Chairman's statement
05	Directors' report
06	Statement on corporate governance
07	Statement of directors' responsibilities
08	Report of the independent auditors
09	Profit and loss account
10	Balance sheet
11	Statement of changes in equ
12	Cash flow statement
13	Accounting policies
16	Notes forming part of the financial statements

1. Marshalls (E.A) Limited – [illegible]
2. Automobiles – [illegible]

DIRECTORS

M L Somen
D K Shah
A J Nathwani
J K Chande
G W Nyuguto
K S Somaia (retired 12 September 2003)
H P Makecha (resigned 2 April 2004)
J A Grayland (resigned 30 March 2004)

SECRETARY

J K Kamau

REGISTERED OFFICE

Marshall House
Harambee Avenue
P O Box 30366
00100 NAIROBI

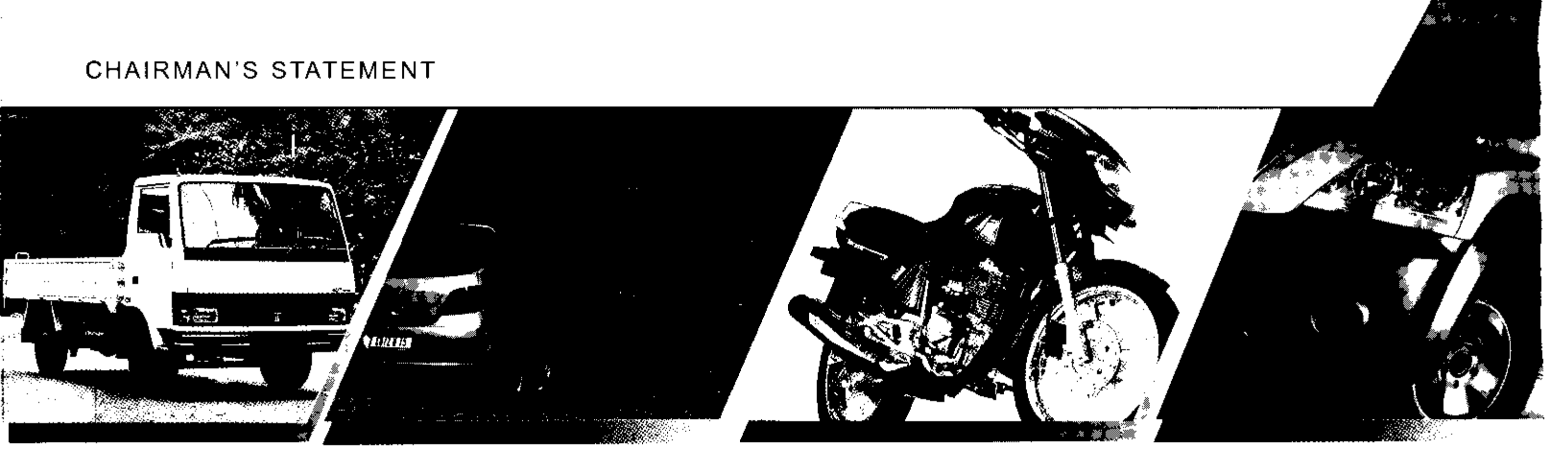
BANKERS

Kenya Commercial Bank Limited
Moi Avenue Branch
P O Box 30081
00100 NAIROBI

AUDITORS

PricewaterhouseCoopers
The Rahimtulla Tower
Upper Hill Road
P O Box 43963
00100 NAIROBI

2007/0210



Our ongoing cost reduction exercise has helped to contain the overheads and we managed to achieve savings of 11% whilst finance cost decreased by 8%. Overall, your Company managed to maintain the profit level of 2003 which given the significant decline in sales is a satisfactory achievement.

I mentioned in my last year's report that the Company had embarked on the installation of a new computer system. I am pleased to inform you that the project was successfully implemented and on time. The new system went on-line on 1st July 2003 and the final cost was well within the approved budget. It is a much faster and easier system with enhanced security features, giving authorized users ability to obtain data and make decisions on-line. The system continues to improve effeciencies in our operations.

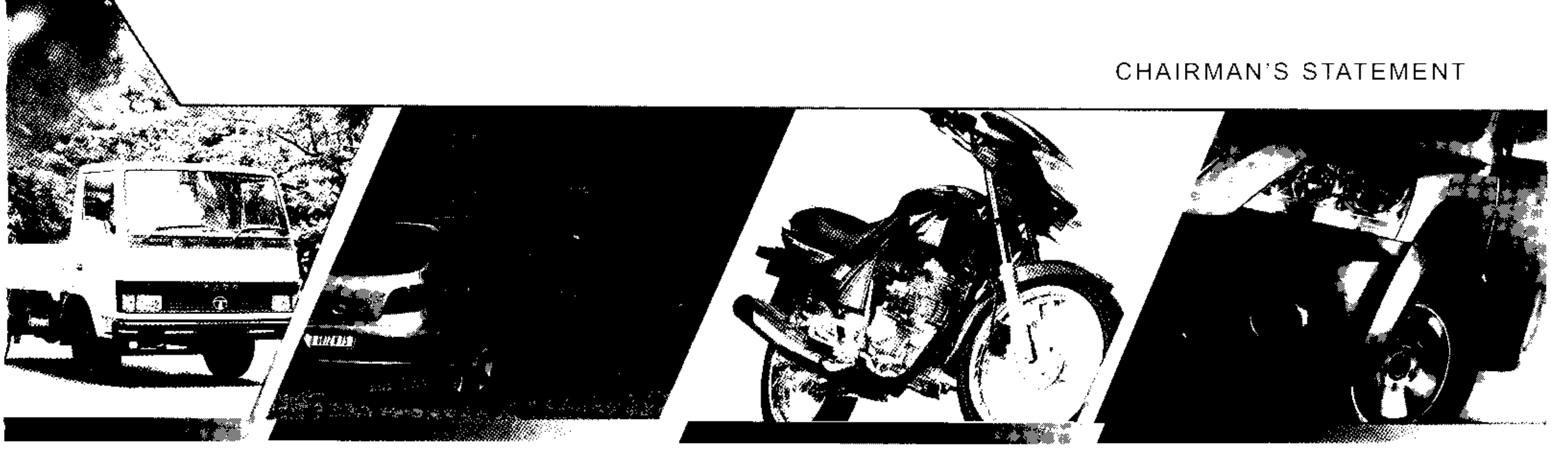
Much as your Board would like to recommend a dividend, I regret that in view of the deficit on revenue reserves, we are once again unable to recommend any dividend to the ordinary shareholders. The preference shareholders will be paid their 7% dividend amounting to Shs 35,000/-.

There is nothing to report regarding the claims by a third party for the ownership of the controlling shareholding in the Company, as there has been no further development on the legal front.

The outlook for the current financial year looks reasonably optimistic. Although the passenger vehicle segment continues to decline, the commercial vehicle side of the business has improved. We expect that with the Tata and Kia ranges we will be able to capture an increased share of the market and be able to deliver better results.

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 colleagues on the Board, our customers, suppliers, financiers and most importantly you, our shareholders, for your continued support.

M L SOMEN
CHAIRMAN
18 June 2004



Regrettably the Kenyan economy did not get the boost that was predicted following the appointment of the new Government in January 2003. Perhaps the expectations were too high and unrealistic. A worrying security situation and poor infrastructure, coupled with uncertainty surrounding the Constitutional Review and donor funding all added to the poor performance of the economy.

The total motor vehicle market grew from 7,168 units to 8,293 units, an increase of 16%. However, the growth was mainly in the commercial vehicle segment. In fact, the passenger saloon car market declined by 5.2%.

Our Tata range of products has continued to do very well and I am happy to report that we have now made significant inroads in the medium and large passenger bus segment as well. We will shortly be introducing the Tata one tonne pick-up in both single and double cab version as well as four-wheel drive.

I am pleased to inform you that your Company has acquired the sole distributorship for Kia Motors of Korea, in Kenya. We launched the marque in January this year and have met with considerable success. Kia allows us to market high quality vehicles at affordable prices and offers a complete range from the basic saloons to luxury four-wheel drives, including a one tonne pick-up. Kia is the seventh largest motor company in the world and is expanding dramatically. Their new range of vehicles, particularly the four wheel drive, Sorento, is very popular in both Europe and USA. Kia will enable us to increase our market share of the passenger vehicle segment and gain an entry into the four-wheel drive sector in which we have never been present.

Marshalls' share of the passenger car market in the medium saloon segment declined mainly due to the end of the 504 range. As you are aware, this was the biggest seller for both Marshalls and Peugeot in Kenya. The strength of the Euro has also contributed to the decline in Peugeot volumes.

Associated Vehicles Assemblers Limited (AVA) in which your Company has a 50% shareholding has improved its performance over the last two years and become very profitable. The volume of vehicles assembled has increased considerably and it is expected to continue to do well. A major refurbishment exercise is being carried out to rehabilitate the plant in order to cope with increased volume and also meet the stringent quality requirements of its customers.

Turnover for the year to March 2004 declined to Shs 1.3 billion compared to Shs 1.6 billion in 2003.

The directors submit their report together with the audited financial statements for the year ended 31 March 2004, 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 to sell and sevice motor vehicles.

RESULTS AND DIVIDEND

The net profit for the year of Shs 22,256,000 has been deducted from accumulated losses. The directors do not recommend the payment of a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES, STRATEGIES 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.

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 date of this report were :

M L Somen
D K Shah
A J Nathwani
J K Chande
G W Nyuguto
K S Somaia (retired 12 September 2003)
H P Makecha (resigned 2 April 2004)
J A Grayland (resigned 30 March 2004)

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
18 June 2004

The Company is committed to maintaining the standards of Corporate Governance which deal with the way in which business affairs of companies are run and managed. The Board of Directors of your company is responsible for the Corporate Governance and is accountable to the shareholders. It ensures that the company supports the highest standards of business ethics.

THE BOARD OF DIRECTORS

The Board meets a minimum of four times a year and also on other occasions to deal with any specific matters when they arise. There are two executive and four non-executive directors. All the non-executive directors are independent of management and free of any business or other relationships which could materially interfere with the exercise of their independent judgement.

The Board provides overall direction, takes major policy decisions, gives guidance and reviews the performance of the company. Responsibility for implementing Board decisions and day to day conduct of the business is delegated to the Managing Director and the top management team.

The Board is responsible for the overall systems of internal control and reviewing their effectiveness.

Mr K S Somaia was not re-elected at the last annual general meeting.
Messrs H P Makecha and J A Grayland resigned due to other commitments.

The Board represents the interests of all the shareholders.

BOARD COMMITTEES

The Audit Committee comprises of four non-executive directors and meets at least four times a year. It meets with senior management, internal and external audit teams as and when necessary. Its responsibilities include review of the company's performance, strategic planning, reviewing effectiveness of internal controls and compliance with accounting standards and policies. The committee ensures independence of the auditors is maintained.

The Nomination Committee is in place and meets as and when required.

DIRECTORS' BENEFITS AND LOANS

The directors' remuneration is disclosed on page 24. There were no loans to the directors during the year.

DISTRIBUTION OF SHAREHOLDERS AT 31 MARCH 2004

Share range	Number of shareholders	Shares held	% held
Less than 500	60	12,769	0.09
500 - 5,000	168	303,806	2.11
5,001 - 10,000	24	182,526	1.27
10,001 - 100,000	56	1,261,227	8.76
100,001 - 1,000,000	5	1,271,345	8.83
Above 1,000,000	2	11,361,433	78.94

TOP TEN SHAREHOLDERS AT 31 MARCH 2004

Name	Shares held	% held
Marshalls Investments Ltd	9,438,048	65.57
Woodside Ltd	1,923,385	13.36
Jubilee Insurance Company Ltd	430,708	2.99
Marshalls (EA) Ltd - Staff Provident Fund	282,217	1.96
Agile (Kenya) Ltd	266,812	1.85
Mrs S V R Shah	156,606	1.09
Estate of late H H Marshall	135,002	0.94
Mr M D Patel	75,732	0.53
Mrs G M Laxton	72,747	0.51
Mr S V Shah	48,316	0.34

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state 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 Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statetments 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 twelve months from the date of this statement.

M L SOMEN
Director
18 June 2004

A J NATHWANI
Director

We have audited the financial statements of Marshalls (East Africa) Limited for the year ended 31 March 2004, set out on pages 9 to 24.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of the financial statements as set on page 7. 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.

We obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

OPINION

In our opinion proper books of account have been kept and the financial statements, which are in agreement with the company's books of account, give a true and fair view of the state of the company's financial affairs at 31 March 2004 and of its profit and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi
18 June 2004

	Notes	2004 Shs 000	2003 Shs 000
Sales	2	1,273,874	1,652,221
Cost of sales		(928,692)	(1,220,125)
Gross profit		345,182	432,096
Other operating income		42,400	627
Administrative expenses		(289,018)	(318,657)
Other operating expenses		(33,577)	(45,415)
Operating profit	3	64,987	68,651
Finance costs	5	(42,731)	(46,606)
Profit before tax		22,256	22,045
Tax	6	-	-
Net profit		22,256	22,045
		Shs	Shs
Basic and diluted earnings per share	7	1.55	1.53

	Notes	2004 Shs 000	2003 Shs 000
CAPITAL EMPLOYED			
Share capital	9	71,966	71,966
Revaluation reserves	10	171,356	174,678
Accumulated losses		(18,687)	(44,265)
Shareholders funds		224,635	202,379
Non - current liabilities			
Preference shares	11	500	500
		225,135	202,879
REPRESENTED BY			
Non - current assets			
Property, plant and equipment	12	279,497	276,938
Prepaid operating lease rentals	13	2,222	2,565
Investments	14	59,947	59,947
Dividend receivable		15,776	15,776
		357,442	355,226
Current assets			
Inventories	15	417,582	407,824
Receivables and prepayments	16	177,889	206,912
Tax recoverable		18	18
Cash and bank balances		5,187	569
		600,676	615,323
Current Liabilities			
Payables and accrued expenses	17	280,918	381,933
Dividends payable		200	196
Borrowings	18	451,865	385,541
		732,983	767,670
Net current liabilities		(132,307)	(152,347)
		225,135	202,879

The financial statements on pages 9 to 24 were approved for issue by the board of directors on 18 June 2004 and signed on its behalf by :

M L SOMEN
Director

A J NATHWANI
Director

	Share capital Shs 000	Accumulated losses Shs 000	Revaluation reserve Shs 000	Total Shs 000
Year ended 31 March 2003				
At start of year	71,966	(69,566)	177,934	180,334
Transfer of excess depreciation	-	4,651	(4,651)	-
Deferred tax on transfer	-	(1,395)	1,395	-
Net gains / (losses) not recognised in the income statement	-	3,256	(3,256)	-
Net profit	-	22,045	-	22,045
At end of year	71,966	(44,265)	174,678	202,379
Year ended 31 March 2004				
At start of year	71,966	(44,265)	174,678	202,379
Transfer of excess depreciation	-	4,745	(4,745)	-
Deferred tax on transfer	-	(1,423)	1,423	-
Net gains / (losses) not recognised in the income statement	-	3,322	(3,322)	-
Net profit	-	22,256	-	22,256
At end of year	71,966	(18,687)	171,356	224,635

	Notes	2004 Shs 000	2003 Shs 000
Operating activities			
Cash (absorbed by) / generated from operations	19	(23,817)	139,939
Interest received		445	1,102
Interest paid		(51,049)	(62,930)
Payment of dividend on cumulative preference shares		(31)	(14)
Net cash (used in) / from operating activities		(74,452)	78,097
Investing activities			
Purchase of property, plant and equipment	12	(29,680)	(14,144)
Proceeds from disposals of property, plant and equipment and prepaid operating lease rentals		42,426	1,307
Net cash from / (used in) investing activities		12,746	(12,837)
Financing activities			
Payments on borrowings		-	(18,333)
Net cash used in financing activities		-	(18,333)
(Decrease) / increase in cash and cash equivalents		(61,706)	46,927
Movement in cash and cash equivalents			
At start of year		(384,972)	(431,899)
(Decrease) / increase		(61,706)	46,927
At end of year	20	(446,678)	(384,972)

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 Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Revenue recognition

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

(c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenyan 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 Kenyan 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 categories of property, plant and equipment are initially recorded at cost. Freehold 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 are stated at historical cost less depreciation.

Increase 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. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated to write down the cost of each asset, or revalued amount, to its residual value over its estimated useful life as follows :

Buildings on leasehold land	over the remaining life of the lease
Buildings on freehold land	2% on straight line
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 useful life.

(d) Property, plant and equipment (continued)

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than 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 references 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 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 is stated at cost less provision for impairment in the financial statements of the company.

(f) Accounting for leases

Leases where a significant portion of the risks and rewards of ownership are 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 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 invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. 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 liabiltiy 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 scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the company and employees.

The company's contribution to the defined contribution scheme is charged to the profit and loss account in the year to which they relate.

(l) Share capital

Ordinary shares are classified as equity. Other shares, including cumulative preference shares are classified as liabilities.

(m) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.
Proposed dividends are shown as a separate component of equity until declared.

Dividends accruing on preference shares are included in finance costs in the profit and loss account for the year.

(n) Comparatives

Where necesssary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1 Basis of preparation of the financial statements - going concern

The company's current liabilities exceeded its current assets by Shs 132,307,000 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 to meet its obligations as they fall due. The current facilities expire on 31 March 2005. The company's principal bankers have confirmed 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 company operates in one geographical segment and has one primary business segment, which is the sale of motor vehicles, supported by the after sales workshop services.

The analysis of turnover is as follows :

	2004 Shs 000	2003 Shs 000
Sale of vehicles, motorcycles and power products	841,369	1,133,219
Sale of spare parts and workshop services	432,505	519,002
	1,273,874	1,652,221

3 Operating profit

The following items have been charged / (credited) in arriving at operating profit :

	2004 Shs 000	2003 Shs 000
Depreciation on property, plant and equipment (Note 12)	25,175	21,509
Repairs and maintenance expenditure on property, plant and equipment.	4,449	3,985
Profit on disposal of property, plant and equipment	(40,187)	(225)
Operating lease rentals		
- leasehold land (Note 13)	50	57
- buildings	40,285	39,212
Trade receivables-impairment charge for bad and doubtful debts	202	12,045
Staff costs (Note 4)	159,994	177,708
Auditor's remuneration	1,729	2,740

4 Staff costs

	2004 Shs 000	2003 Shs 000
The following items are included within staff costs :		
Retirement benefits costs - defined contributuion scheme	9,259	10,377

The number of persons employed by the company at year-end was 388 (2003 : 383)

5 Finance income/(costs)

	2004 Shs 000	2003 Shs 000
Interest income	445	1,102
Interest expense	(51,049)	(62,930)
Net foreign exchange gain	7,908	15,257
Dividend on preference shares	(35)	(35)
	(42,731)	(46,606)

6 Tax

There is no tax charge arising in the period as the company has accumulated losses. The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows :

	2004 Shs 000	2003 Shs 000
Profit before tax	22,256	22,045
Tax calculated at the statutory income tax rate of 30% (2003 : 30%)	6,677	6,614
Tax effect of :		
- Income not subject to tax	(11,688)	-
- expenses not deductable for tax purposes	2,510	5,746
Unrecognised net deferred tax asset (Note 8)	2,501	(12,360)
	-	-

7 Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2004	2003
Profit attributable to shareholders (Shs '000)	22,256	22,045
Weighted average number of ordinary shares (thousands)	14,393	14,393
Basic earnings per share	1.55	1.53

There were no potentially dilutive shares outstanding at either year-end.

8 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2003 : 30%)

Deferred tax assets are recognised only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilised. As at 31 March 2004, the company had an unrecognised deferred tax asset of Shs 35,152,000 (2003 : Shs 32,651,000) comprising :

	1 April 2003 Shs 000	Charged / (credited) to P/L Shs 000	31 March 2004 Shs 000
Deferred tax liabilities			
Property, plant and equipment :			
- on historical cost basis	(6,857)	(355)	(7,212)
- on revaluation surpluses	58,570	(1,423)	57,147
Unrealised exchange gains	364	(364)	-
	52,077	(2,142)	49,935
Deferred tax assets			
Provisions	(1,696)	(746)	(2,442)
Unrealised exchange losses	-	(270)	(270)
Tax losses carried forward	(83,032)	657	(82,375)
	(84,728)	(359)	(85,087)
Net deferred tax asset	(32,651)	(2,501)	(35,152)
Less : amount not recognised	32,651	2,501	35,152
	-	-	-

Deferred tax of Shs 1,423,000 (2003 : Shs 1,395,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

9 Share capital

	Number of shares	Share Capital Shs 000
Ordinary shares of Shs 5 each :		
Balance at 1 April 2003 and 31 March 2004	14,393,106	71,966

The total number of authorised ordinary shares is 15,000,000 with a par value of Shs 5 per share. All issued shares are fully paid for.

10 Revaluation reserves

The revaluation reserve relates to surpluses arising from the revaluation of freehold land and buildings and is non-distributable.

11 Preference shares

	Number of shares	Share capital Shs 000
7% Cumulative preference shares :		
Balance at 1 April 2003 and 31 March 2004	25,000	500

The authorised preference share capital is 50,000 shares of Shs 20 each. All issued shares are fully paid for.

12 Property, plant and equipment

	Freehold land and buildings Shs 000	Buildings on leasehold land Shs 000	Plant and machinery, motor vehicles, furniture, and equipment Shs 000	Total Shs 000
Cost or valuation				
At start of year	48,098	197,400	243,243	488,741
Additions	-	-	29,680	29,680
Disposals	-	-	(12,027)	(12,027)
At end of year	48,098	197,400	260,896	506,394
Depreciation				
At start of year	1,152	8,614	202,037	211,803
Charge for the year	576	4,402	20,197	25,175
On disposals	-	-	(10,081)	(10,081)
At end of year	1,728	13,016	212,153	226,897
Net book amount				
At 31 March 2004	46,370	184,384	48,743	279,497
At 31 March 2003	46,946	188,786	41,206	276,938

12 Property, plant and equipment (continued)

Freehold land and buildings were last valued in 2001 by HassConsult Limited, independent valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus, net of deferred tax, was credited to revaluation reserves in shareholders' equity.

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

	2004 Shs 000	2003 Shs 000
Cost	273,628	255,975
Accumulated depreciation	(220,127)	(209,778)
	53,501	46,197

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

13 Prepaid operating lease rentals

	2004 Shs 000	2003 Shs 000
At start of year	2,565	2,622
Disposals	(293)	-
Amortisation charge for the year	(50)	(57)
At end of year	2,222	2,565

If the leasehold land were stated at valuation based on a valuation carried out in 2001 by HassConsult Limited, the amounts would be as follows :

	2004 Shs 000	2003 Shs 000
Valuation	146,594	178,600
Accumulated amortisation	(9,326)	(7,592)
	137,268	171,008

14 Investments

	2004 Shs 000	2003 Shs 000
Investment in associate :		
270,000 ordinary shares of Shs 20 each in Associated Vehicle Assemblers Limited (representing a holding of 50%)	59,947	59,947
Other non - quoted investment :		
322,731 ordinary shares of Shs 20 each in Block Hotels Holdings Limited	-	-
	59,947	59,947

The investment in the associate is carried at cost. The carrying value of the investment on the equity basis, based on the associate's financial statements for the year ended 30 September 2003, would be as follows:

	2004 Shs 000	2003 Shs 000
At start of year	32,430	17,085
Share of results before tax	31,938	23,208
Share of tax	(10,484)	(7,863)
At end of year	53,884	32,430

The directors believe that there is no impairment of the value of the investment in the associate company.

15 Inventories

	2004 Shs 000	2003 Shs 000
Vehicles	364,[illegible]28	342,247
Spare parts and consumables	5[illegible],[illegible]54	65,577
	417,582	407,824

16 Receivables and prepayments

	2004 Shs 000	2003 Shs 000
Trade receivables	238,630	274,950
Less : Provision for impairment	(82,889)	(83,064)
	155,741	191,886
Prepayments	1,192	3,707
Other receivables	17,144	8,886
Amounts due from related parties (Note 23)	3,812	2,433
	177,889	206,912

17 Payables and accrued expenses

	2004 Shs 000	2003 Shs 000
Trade payables	156,119	256,999
Amounts due to related parties (Note 23)	40,663	47,328
Other payables and accrued expenses	84,136	77,606
	280,918	381,933

18 Borrowings

	2004 Shs 000	2003 Shs 000
Bank overdraft (Note 20)	451,865	385,541

The overdraft facilities are secured by a first charge on the company's land and buildings, a floating debenture over the company's assets and a debenture over the assets of related parties.

The weighted average interest rate on the bank overdraft at the year-end was 10% (2003 : 14%)

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.

19 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2004 Shs 000	2003 Shs 000
Profit before tax	22,256	22,045
Adjustments for :		
Depreciation of property, plant and equipment (Note 12)	25,175	21,509
Amortisation of prepaid operating lease rentals (Note 13)	50	57
Interest income (Note 5)	(445)	(1,102)
Interest expense (Note 5)	51,049	62,930
Dividend on preference shares (Note 5)	35	35
Profit on disposal of property, plant and equipment	(40,187)	(225)
Changes in working capital		
- inventories	(9,758)	42,332
- receivables and prepayments	29,023	14,067
- payables and accrued expenses	(101,015)	(21,709)
Cash (absorbed by) / generated from operations	(23,817)	139,939

20 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 at bank and in hand comprise the following:

	2004 Shs 000	2003 Shs 000
Cash at bank and in hand	5,187	569
Bank overdraft (Note 18)	(451,865)	(385,541)
	(446,678)	(384,972)

21 Contingent liabilities

At 31 March 2004, the company had issued a debenture for Shs 180 million and a legal charge on its land and buildings 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.

22 Commitments

Operating lease commitments.

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

	2004 Shs 000	2003 Shs 000
Not later than 1 year	40,614	37,383
Later than 1 year and not later than 5 years	90,574	131,189
	131,188	168,572

23 Related party transactions

The company is a subsidiary of 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.

23 Related party transactions (continued)

The following transactions were carried out with related parties:

		2004 Shs 000	2003 Shs 000
(i)	Purchases of goods and services	37,694	54,968
(ii)	Outstanding balances		
	Due from related parties	167,990	178,080
	Less : provision for impairment	(164,178)	(175,647)
		3,812	2,433
	Due to related parties	40,663	47,328
(iii)	Directors' remuneration		
	- fees	450	450
	- other	10,313	9,988