DIRECTORS

ML Somen
AJ Nathwani
JK Chande (resigned 1 January 2006)
GW Nyuguto
J Muiruri
N Kiuna

SECRETARY

JK Kamau

REGISTERED OFFICE

Marshall House
Harambee Avenue
PO Box 30366
00100 Nairobi

BANKERS

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

AUDITORS

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


SORENTO
KIA
SORENT

The Kenya motor industry declined marginally last year to 9,532 units. This can be attributed to the continued dumping of used vehicles and the introduction of a flat rate excise duty of 20% on all types of passenger vehicles which has triggered an influx of high end used vehicles at a lower cost. The 20% decline in sales in the passenger car segment we represent did not help the situation either. Your company has responded to this development by focusing on the commercial vehicle category where the market is growing steadily.

The difficult trading conditions as stated above notwithstanding, I am pleased to report that your company posted better sales and profit after income tax of Kshs 44.7m. I am particularly happy to announce that your Board is recommending a first and final dividend of Kshs 1/= per share. You have waited a long time for this and I hope this year is the first of many in which we pay dividends.

Consistent with last year, I am pleased to inform you that our growth in the commercial vehicles segment has shown improved results.

Unit sales in Tata division grew to 243 and delivered much better margins as a result of favorable exchange rates and better product mix. This result was achieved despite numerous supply chain challenges.

We have maintained our Peugeot sales position at last year's levels despite harsh market conditions. The market responses to our newly launched models are encouraging and a major marketing campaign is underway to consolidate our position.

On the KIA side, the situation with the supply chain has not improved because of the heavy demand of this product in the US and Asian markets. This dampened our efforts to increase our volumes and presence in the market. We have, however, been informed now that the regional office has been moved from Middle East to Africa and this will result in improved communications and supply chain. I am hopeful that there will be significant improvement in volume sales for this brand in the near future.

Since the end of the financial year, the Tata Group has informed us that in accordance with their worldwide policy, they will undertake the distribution of Tata products through a new company, Tata Kenya. I am, however, confident that Tata Kenya will award Marshalls the prime dealership for Nairobi and elsewhere. In this context I report that Mr. Naresh Leekha who has served Marshalls with distinction for 15 years will be leaving us to become General Manager of Tata Kenya. In thanking him for his loyal and devoted service to Marshalls, I wish him a long and successful return to Tata.

Finally, I would like to thank each and every one of our staff and my colleagues on the board for their hard work and dedication in what has been a very challenging year. I also express our thanks and gratitude to our customers, principals, financiers and above all to you, our shareholders for your continued support.

ML SOMEN
Chairman
26 June 2006

The directors submit their report together with the audited financial statements for the year ended 31 March 2006, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activity of the company and its associate is to assemble, sell and service motor vehicles.

RESULTS AND DIVIDEND

The profit for the year of Shs 44,700,000 has been added to retained earnings. The directors recommend the approval of a first and final dividend of Shs 14,393,000 (2004: Shs Nil) payable to ordinary shareholders.

DIRECTORS

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

ML Somen
AJ Nathwani
JK Chande (resigned 1 January 2006)
GW Nyuguto
J Muiruri
N Kiuna

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

26 June 2006

The Board of Directors at Marshalls (East Africa) Limited is committed to the principles of good corporate governance which deal with the way in which business affairs of companies are run and managed. It is accountable to the shareholders in ensuring that the company complies with the highest standards of business ethics in accordance with generally accepted corporate practices.

BOARD OF DIRECTORS

The Board comprises of one executive and five non-executive directors. The Board has delegated authority for the conduct of day to day business of the company to the Managing Director and the top management team. The non-executive directors are given regular information to enable them to maintain effective control over the company's strategic, financial and operational issues.

The Board meets a minimum of four times a year and also on other occasions to deal with any specific matters when they arise. It is responsible for the overall system of internal control and reviews its effectiveness.

All the non-executive directors are independent of management and free of any business or other relationship which could materially interfere with the exercise of their independent judgement. They represent the interest of all the shareholders.

BOARD COMMITTEES

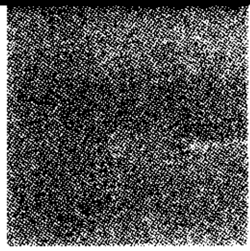
In accordance with the guidelines issued by the Capital Markets Authority, the Board has established an Audit Committee under the chairmanship of a non-executive director. It meets at least four times a year. Its responsibilities include review of the company's performance, strategic planning, reviewing effectiveness of internal control procedures and compliance with accounting standards and policies. The audit committee meets with senior management, internal and external audit teams as and when necessary.
The nominal committee is in place and meets as and when required.

DIRECTORS BENEFITS AND LOANS

The director's remuneration is disclosed in Note 27 to the financial statements. There were no loans to the directors during the year.

DISTRIBUTION OF SHAREHOLDERS AT 31 MARCH 2006

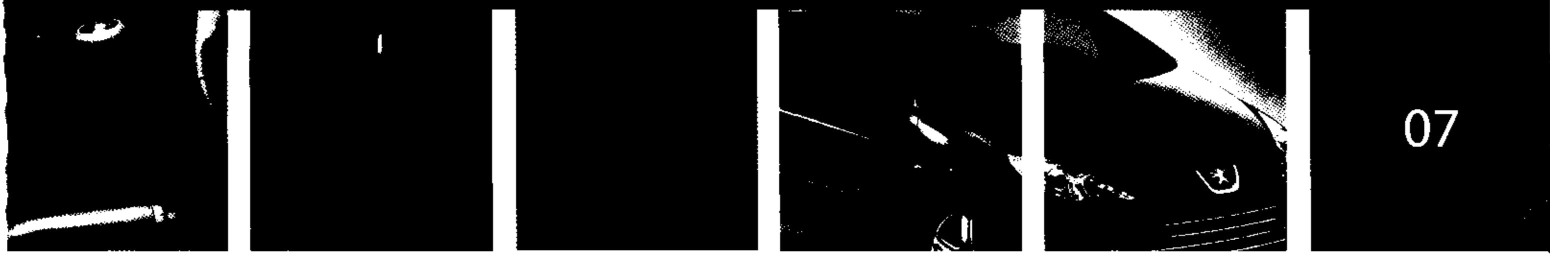
Shareholding	No. of Shares	No. of Shareholders	% Shares Held
Less than 500	16,609	79	0.12
500 - 5,000	356,556	198	2.48
5,001 - 10,000	216,198	29	1.50
10,001 - 100,000	1,377,116	56	9.57
100,991 - 1,000,000	1,065,194	5	7.40
Above 1,000,000	11,361,433	2	78.94
Total	14,393,106	369	100.00



TOP TEN SHAREHOLDERS AT 31 MARCH 2006

Name	Shares Held	% Held
Marshalls Investments Limited	9,438,048	65.57
Woodside Limited	1,923,385	13.36
Mr Kirtesh Premchand Shah	472,354	3.28
Mrs S V R Shah	156,606	1.09
The Jubilee Insurance Co Limited	153,108	1.06
Mr Alimohamed Adam	148,124	1.03
Estate of late H H Marshall	135,002	0.94
Mahendra Dahyabhai Patel	75,732	0.53
Mrs Gwynaeth Mary Laxton	72,747	0.51
Cannon Assurance (Kenya) Limited	65,500	0.46

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.

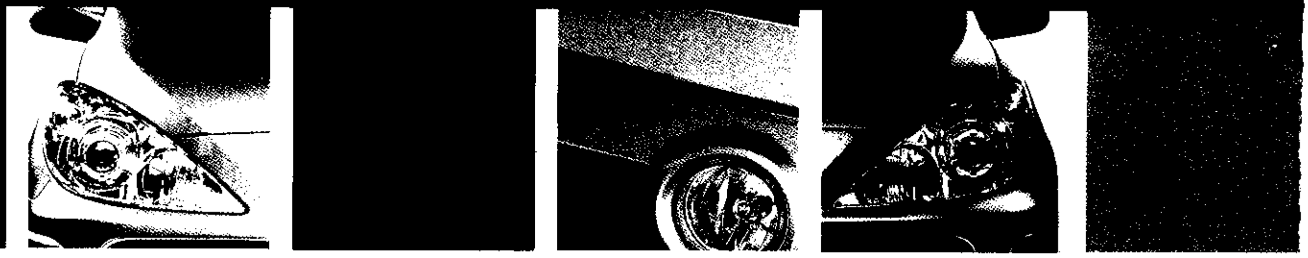
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. 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 or loss. 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.

A J Nathwani
Director

G W Nyuguto
Director

26 June 2006



TO THE MEMBERS OF MARSHALLS (EAST AFRICA) LIMITED

We have audited the financial statements of Marshalls (East Africa) Limited for the year ended 31 March 2006 set out on pages 9 to 28.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements, as described 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 have 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.

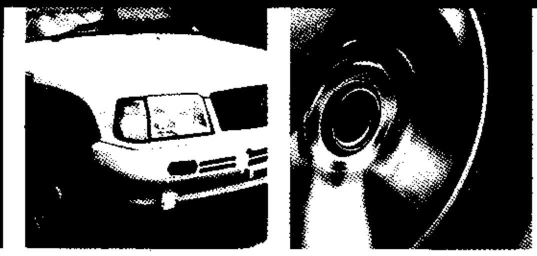
Opinion

In our opinion proper books of account have been kept and the financial statements, which are in agreement with the books of account, give a true and fair view of the state of the financial affairs of the company at 31 March 2006 and of the company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

26 June 2006



	Notes	2006 Shs'000	2005 Shs'000
Sales	6	1,304,988	1,261,640
Cost of sales		(946,595)	(915,656)
Gross profit		358,393	345,984
Other operating income		222	702
Profit on disposal of property and equipment		6,679	13
Administrative expenses		(262,856)	(280,068)
Other operating expenses		(45,043)	(31,291)
Operating profit	7	57,395	35,340
Share of results of associates	19	29,632	63,663
Finance costs	9	(33,542)	(37,153)
Profit before income tax		53,485	61,850
Income tax expense	10	(8,785)	(19,352)
Profit for the year		44,700	42,498
		Shs	Shs
Earnings per share	11	3.11	2.95
Dividends per share	11	1.00	-

AT 31 MARCH 2006

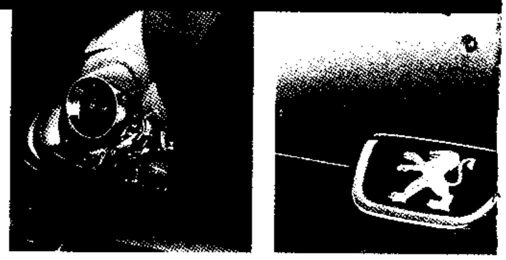
CAPITAL EMPLOYED			
Share capital	12	71,966	71,966
Revaluation surplus	13	152,713	157,500
Retained earnings		94,089	58,995
Dividend proposed	11	14,393	-
Shareholders' funds		333,161	288,461
Non-current liabilities			
Preference shares	14	500	500
Borrowings	15	142,205	178,763
		142,705	179,263
		475,866	467,724
REPRESENTED BY			
Non-current assets			
Property and equipment	17	227,462	254,036
Prepaid operating lease rentals	18	1,993	2,049
Investment in associate	19	107,209	101,362
		336,664	357,447
Current assets			
Inventories	20	500,677	438,743
Receivables and prepayments	21	243,778	190,719
Current income tax		123	45
Cash and cash equivalents		3,229	1,901
		747,807	631,408
Current liabilities			
Payables and accrued expenses	23	280,420	303,198
Dividends payable		209	203
Borrowings	15	327,976	217,730
		608,605	521,131
Net current assets		139,202	110,277
		475,866	467,724

The financial statements on pages 9 to 28 were approved for issue by the board of directors on 26 June 2006 and signed on its behalf by:

A J Nathwani
Director

G W Nyuguto
Director

	Notes	Share capital Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 March 2005						
At start of year		71,966	171,356	2,641	-	245,963
Released on disposal of assets		-	(7,578)	7,578	-	-
Deferred income tax on disposal		-	2,273	(2,273)	-	-
Transfer of excess depreciation		-	(10,053)	10,053	-	-
Deferred income tax on transfer		-	1,502	(1,502)	-	-
Net (losses)/gains recognised directly in equity		-	(13,856)	13,856	-	-
Profit for the year		-	-	42,498	-	42,498
At end of year		71,966	157,500	58,995	-	288,461
Year ended 31 March 2006						
At start of year		71,966	157,500	58,995	-	288,461
Revaluation surplus of associate		-	7,659	(7,659)	-	-
Released on disposal of assets		-	(13,126)	13,126	-	-
Deferred income tax on disposal	16	-	3,938	(3,938)	-	-
Transfer of excess depreciation		-	(4,655)	4,655	-	-
Deferred income tax on transfer	16	-	1,397	(1,397)	-	-
Net (losses)/gains recognised directly in equity		-	(4,787)	4,787	-	-
Profit for the year		-	-	44,700	-	44,700
Proposed dividend		-	-	(14,393)	14,393	-
At end of year		71,966	152,713	94,089	14,393	333,161



	Notes	2006 Shs'000	2005 Shs'000
Operating activities			
Cash (used in)/ generated from operations	25	(34,574)	59,496
Interest received	9	259	183
Interest paid	9	(65,079)	(49,353)
Income tax paid		(79)	(27)
Net cash (used in)/ generated from operating activities		(99,473)	10,299
Investing activities			
Purchase of property and equipment	17	(9,709)	(10,540)
Proceeds from disposal of property and equipment		21,851	12,359
Dividends received from associate	19	15,000	40,000
Net cash from investing activities		27,142	41,819
Financing activities			
Proceeds from borrowings		-	221,293
Payments on borrowings		(32,443)	(17,630)
Payment of dividend on cumulative preference shares		(29)	(32)
Net cash (used in)/ generated from financing activities		(32,472)	203,631
(Decrease)/ increase in cash and cash equivalents		(104,803)	255,749
Movement in cash and cash equivalents			
At start of year		(190,929)	(446,678)
(Decrease)/ increase		(104,803)	255,749
At end of year	22	(295,732)	(190,929)

1 General information

Marshalls (East Africa) Limited is incorporated in Kenya under the Companies Act as a public limited liability company, and is domiciled in Kenya. The company's shares are quoted at the Nairobi Stock Exchange (NSE). The address of its registered office is:

Marshalls (East Africa) Limited
Marshalls House, Harambee Avenue
PO Box 30366
00100 NAIROBI

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Adoption of new and revised standards

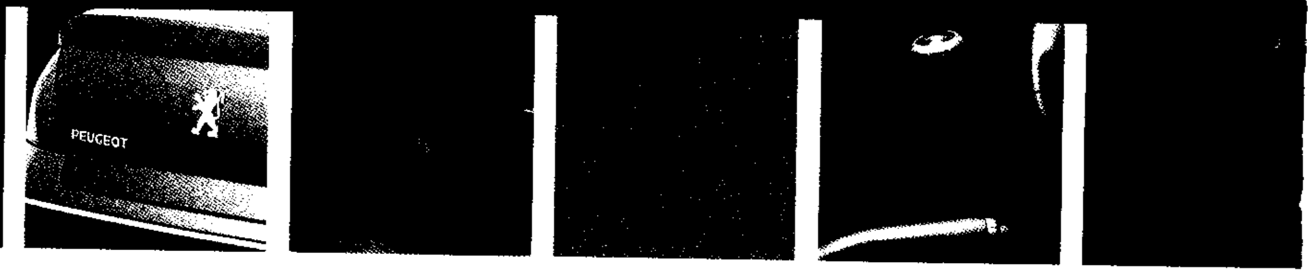
From 1 January 2005, several new and revised standards became effective for the first time and have been adopted by the company where relevant to its operations. The adoption of these new and revised standards had no material effect on the company's accounting policies or disclosures, except as follows:

IAS 16 (revised 2003) has required the disclosure of comparative figures for movements in property and equipment;

IAS 24 (revised 2003) has affected the identification of related parties and some other related party disclosures.

(b) Investment in associates

Associates are entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.



2 Summary of significant accounting policies (continued)

(b) Investment in associates (continued)

The company's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

(d) Revenue recognition

Sales of goods are recognised in the period in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Sales of services are recognised in the period in which the services rendered are completed.

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts.

Interest income is recognised on a time proportion basis using the effective interest method. Dividends are recognised as income in the period in which the right to receive payment is established.

(e) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

2 Summary of significant accounting policies (continued)

(f) Property and equipment

All categories of property and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation for buildings. All other property and equipment is stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

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

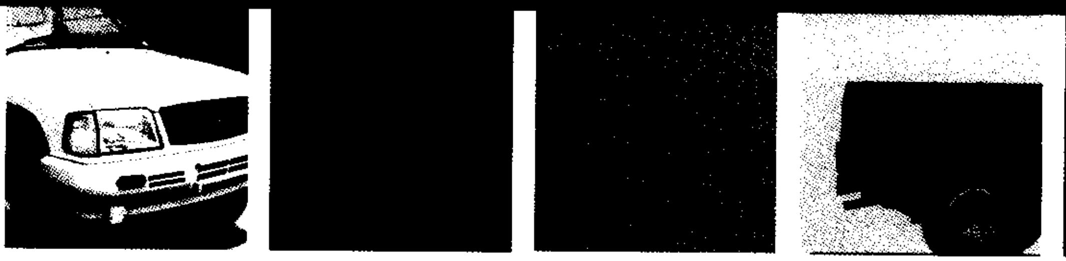
Freehold land is not depreciated. Depreciation on other assets is calculated using the methods shown below to write down their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings on leasehold land	over the remaining period of the lease
Buildings on freehold land	2% on straight line
Computers	30% on straight line
Motor vehicles	25% on reducing balance
Machinery, furniture and equipment	5% on straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property 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 surplus relating to that asset are transferred to retained earnings.



2 Summary of significant accounting policies (continued)

(g) Accounting for leases

Leases in which 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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method for motor vehicles, motor cycles and power products. All other inventory is valued on a weighted average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of 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 present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(j) Employee benefits

(i) Retirement benefit obligations

The company operates a defined contribution retirement benefit scheme for all its employees. A defined contribution plan is one under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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 and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

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

(ii) Other entitlements

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

2 Summary of significant accounting policies (continued)

(k) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

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

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Share capital

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

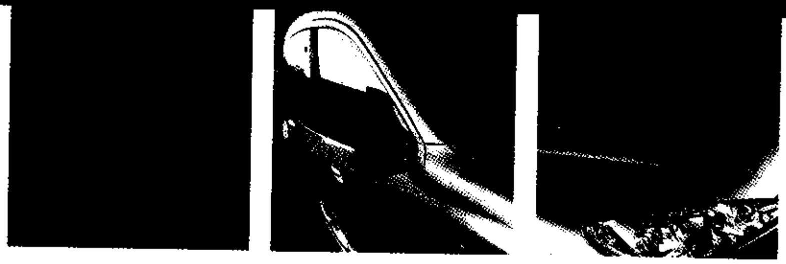
(n) Dividends

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.

3 Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates. The company's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The company manages foreign exchange risk arising from future commercial transactions and recognised assets and liabilities using



3 Financial risk management objectives and policies (continued)

forward contracts, but has not designated any derivative instruments as hedging instruments.

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

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment. The rates used are set out in Note 2(f) above.

Critical assumptions are made in determining the market value of buildings and freehold land.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining the classification of leases and whether assets are impaired.

5 Basis of preparation of the financial statements

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 May 2007. In the circumstances, the directors are of the opinion that the going concern basis of preparing the financial statements is appropriate.

6 Segment information

The company operates in one geographical segment and has one primary business segment, the sale of motor vehicles supported by after sales workshop services.

The analysis of turnover is as follows:

	2006 Shs'000	2005 Shs'000
Sale of vehicles, motor cycles and power products	960,805	901,402
Sale of spare parts and workshop services	344,183	360,238
	1,304,988	1,261,640

7 Operating profit

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

	2006 Shs'000	2005 Shs'000
Depreciation of property and equipment (Note 17)	21,119	23,779
Repairs and maintenance expenditure on property and equipment	4,786	5,787
Profit on disposal of property and equipment	(6,679)	(13)
Operating lease rentals:		
- leasehold land (Note 18)	49	49
- buildings	36,226	38,575
Receivables - provision for impairment losses	10,399	1,828
Inventories expensed	896,526	871,650
Write back of inventories	(12,717)	(4,253)
Employee benefits expense (Note 8)	138,948	152,861
Auditors' remuneration	2,150	2,000

8 Employee benefits expense

The following items are included within employee benefits expense:

	2006 Shs'000	2005 Shs'000
Retirement benefits costs:		
- Defined contribution scheme	7,398	8,508
- National Social Security Fund	788	835

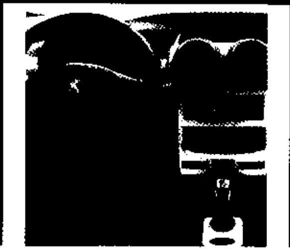
9 Finance income/(costs)

	2006	2005
Interest income	259	183
Interest expense on bank borrowings	(65,079)	(49,353)
Net foreign exchange gain	31,313	12,052
Dividends on preference shares	(35)	(35)
	(33,542)	(37,153)

10 Income tax

	2006 Shs'000	2005 Shs'000
Share of income tax of associate (Note 19)	8,785	19,352

There is no income tax charge arising in the period on the company's results owing to accumulated losses.



10 Income tax (continued)

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2006 Shs'000	2005 Shs'000
Profit before income tax	53,485	61,850
Tax calculated at the statutory income tax rate of 30%	16,046	18,555
Tax effect of:		
Income not subject to tax	(5,305)	(1,910)
Expenses not deductible for tax purposes	1,586	2,425
Deferred income tax movement not recognised (Note 16)	(3,542)	282
Income tax expense	8,785	19,352

11 Earnings and dividends per share

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

	2006	2005
Profit attributable to shareholders (Shs '000)	44,700	42,498
Weighted average number of ordinary shares (thousands)	14,393	14,393
Basic earnings per share	3.11	2.95

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

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting.

At the next annual general meeting, a first and final dividend in respect of the year ended 31 March 2006 of Shs 1 per share amounting to a total of Shs 14,393,000 is to be proposed. There was no dividend paid for the year ended 31 March 2005.

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

12 Share capital

	Number of shares	Ordinary shares Shs'000
Balance at 1 April 2004, 1 April 2005 and 31 March 2006	14,393,106	71,966

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

13 Revaluation surplus

The revaluation surplus represents the surplus on the revaluation of buildings and freehold land net of deferred income tax and is non-distributable.

14 Preference shares – 7% cumulative preference shares

	Number of shares	Share capital Shs'000
Balance at 1 April 2004, 1 April 2005 and 31 March 2006	25,000	500

The total authorised number of preference shares is 50,000 with a par value of Shs 20 each. All issued shares are fully paid.

15 Borrowings

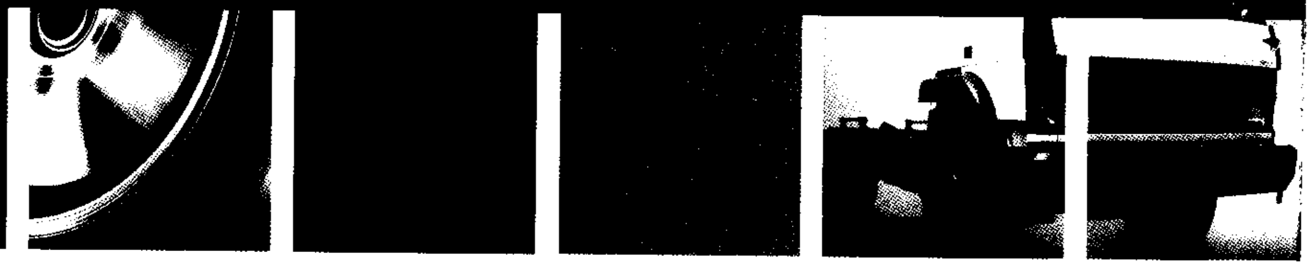
	2006 Shs'000	2005 Shs'000
Borrowings are made up as follows:		
Non – current		
Bank loan	142,205	178,763
Current		
Bank overdraft	298,961	192,830
Bank loan	29,015	24,900
	327,976	217,730
Total borrowings	470,181	396,493

Maturity profile of non-current borrowings

	2006 Shs'000	2005 Shs'000
Between 1 and 2 years	32,695	28,058
Between 2 and 5 years	109,510	107,389
Over 5 years	-	43,316
	142,205	178,763

In the opinion of the directors, the carrying amount of the bank loan approximates to the fair value. 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. The effective interest rate at the year end was 12% (2005: 12%).

The facilities are reviewed annually and are next subject to review on 31 May 2007.



15 Borrowings (continued)

The bank borrowings are secured by a first charge on the company's land and buildings, a floating debenture over the company's assets and debenture over the assets of certain related companies.

16 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2005: 30%). Deferred income tax assets and liabilities are attributable to the following items:

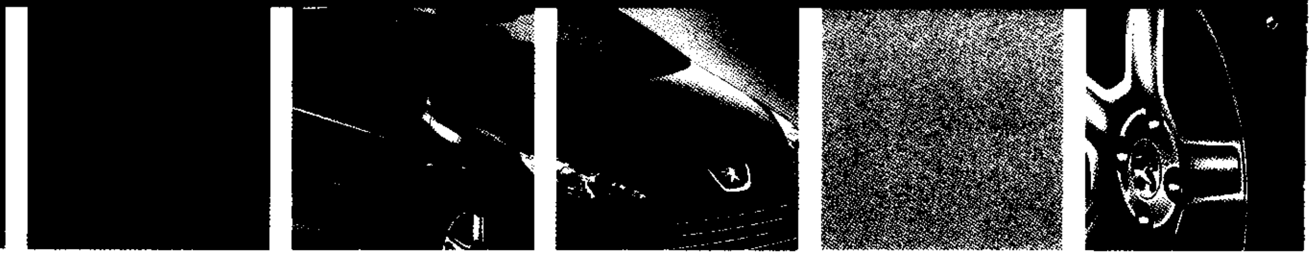
Deferred income tax liabilities			
Property and equipment:			
- on historical cost basis	(8,158)	(605)	(8,763)
- on revaluation surpluses	58,418	(5,244)	53,174
Unrealised exchange gains	2,600	(2,600)	-
	52,860	(8,449)	44,411
Deferred income tax assets			
Provisions	(2,561)	212	(2,349)
Unrealised exchange losses	-	103	103
Tax losses carried forward	(81,047)	11,676	(69,371)
	(83,608)	11,991	71,617
Net deferred income tax asset	(30,748)	3,542	(27,206)
Less: amount not recognised	30,748	(3,542)	27,206
	-	-	-

The deferred income tax asset has not been recognised in accordance with the accounting policies.

Deferred income tax of Shs 1,397,000 (2005: Shs 1,502,000) was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the revalued property and the equivalent depreciation based on the historical cost of the property.

17 Property and equipment

	Buildings & freehold land Shs'000	Buildings on leasehold land Shs'000	Motor vehicles Shs'000	Machinery, furniture & equipment Shs'000	Total Shs'000
Year ended 31 March 2005					
Cost or valuation					
At start of year	48,098	197,400	69,573	191,323	506,394
Additions	-	-	9,564	976	10,540
Disposals	-	(10,500)	(10,132)	(456)	(21,088)
At end of year	48,098	186,900	69,005	191,843	495,846
Depreciation					
At start of year	1,728	13,016	50,038	162,115	226,897
Charge for the year	576	4,624	6,775	11,804	23,779
Disposals	-	(411)	(8,133)	(322)	(8,866)
At end of year	2,304	17,229	48,680	173,597	241,810
Net book amount	45,794	169,671	20,325	18,246	254,036
Year ended 31 March 2006					
Cost or valuation					
At start of year	48,098	186,900	69,005	191,843	495,846
Additions	-	-	7,620	2,089	9,709
Disposals	-	(14,500)	(6,897)	(195)	(21,592)
At end of year	48,098	172,400	69,728	193,737	483,963
Depreciation					
At start of year	2,304	17,229	48,680	173,597	241,810
Charge for the year	576	3,964	6,496	10,083	21,119
Disposals	-	(1,221)	(5,012)	(195)	(6,428)
At end of year	2,880	19,972	50,164	183,485	256,501
Net book amount	45,218	152,428	19,564	10,252	227,462



17 Property and equipment (continued)

As set out in Notes 15 and 24, the company's land and buildings have been charged in respect of certain bank borrowings of the company and related parties.

Buildings and freehold land were last revalued in 2001, by Hass Consult Limited, independent valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the valuations and the resultant surplus net of deferred income tax was credited to revaluation surplus in shareholders' equity.

If the buildings and freehold land were stated on the historical cost basis, the amounts would be as follows:

	2006 Shs'000	2005 Shs'000
Cost	9,053	9,442
Accumulated depreciation	(7,335)	(7,385)
Net book amount	1,718	2,057

18 Prepaid operating lease rentals

	2006 Shs'000	2005 Shs'000
At start of year	2,049	2,222
Disposals	(7)	(124)
Amortisation charge for the year	(49)	(49)
At end of year	1,993	2,049

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

	2006 Shs'000	2005 Shs'000
Valuation	145,594	146,094
Accumulated amortisation	(15,719)	(12,589)
	129,875	133,505

19 Investment in associate

	2006 Shs'000	2005 Shs'000
At start of year	101,362	97,051
Share of profit before income tax	29,632	63,663
Share of income tax	(8,785)	(19,352)
	20,847	44,311
Dividends received	(15,000)	(40,000)
At end of year	107,209	101,362
Investment at cost	59,947	59,947

The share of results of the associate is based on the audited financial statements of Associated Vehicle Assemblers Limited for the year ended 30 September 2005 and management accounts for the six months ended 31 March 2006.

The company has invested in 270,000 ordinary shares of Associated Vehicle Assemblers Limited representing 50% shareholding. Associated Vehicle Assemblers Limited is incorporated in Kenya as a private limited liability company and its principal activity is assembling of motor vehicles. There were no changes in the interests held in the associate during the year.

20 Inventories

	2006 Shs'000	2005 Shs'000
Vehicles	403,116	379,290
Spare parts and consumables	97,561	59,453
	500,677	438,743

21 Receivables and prepayments

	2006 Shs'000	2005 Shs'000
Trade receivables	242,040	191,841
Less: Provision for impairment losses	(18,776)	(17,424)
	223,264	174,417
Amounts due from related companies (Note 27)	4,712	84
Other receivables and prepayments	15,802	16,218
	243,778	190,719

22 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. On the balance sheet, bank overdrafts are included in borrowings in current liabilities.

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

Cash at bank and in hand	3,229	1,901
Bank overdraft (Note 15)	(298,961)	(192,830)
	(295,732)	(190,929)

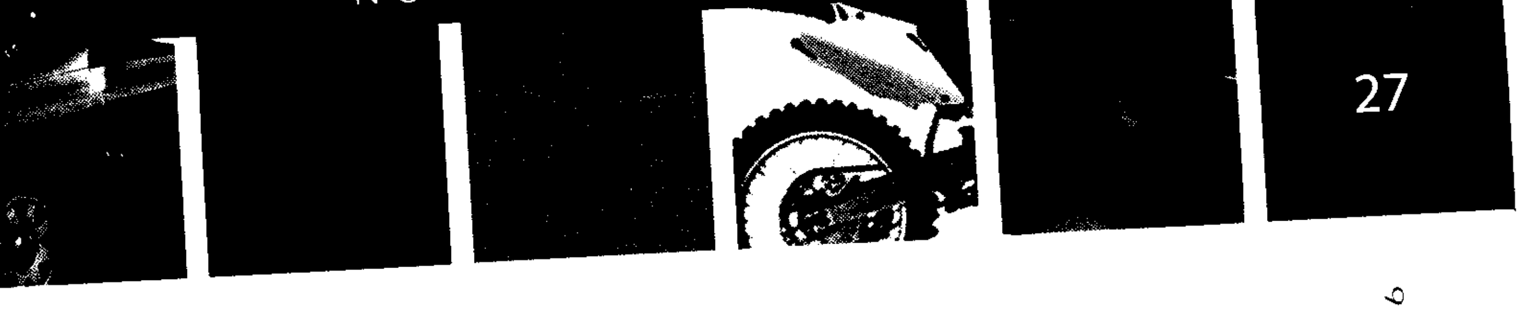
23 Payables and accrued expenses

Trade payables	198,773	220,956
Amounts due to related companies (Note 27)	11,029	12,107
Other payables and accrued expenses	70,618	70,135
	280,420	303,198

24 Contingent liabilities

At 31 March 2006, the company had issued a debenture for Shs 180,000,000 and a legal charge on its land and buildings 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. The legal charge on the land and buildings is additional to other legal charges to secure the company's own banking facilities granted by the same bank.

The company 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.



25 Cash (used in)/generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2006 Shs'000	2005 Shs'000
Profit before income tax	53,485	61,850
Adjustments for:		
Interest income (Note 9)	(259)	(183)
Interest expense (Note 9)	65,079	49,353
Dividend on preference shares	35	35
Depreciation on property and equipment (Note 17)	21,119	23,779
Amortisation of prepaid operating lease rentals (Note 18)	49	49
Profit on sale of property and equipment	(6,679)	(13)
Share of results of associate company (Note 19)	(29,632)	(63,663)
Changes in working capital		
- inventories	(61,934)	(21,161)
- receivables and prepayments	(53,059)	(12,830)
- payables and accrued expenses	(22,778)	22,280
Cash (used in)/generated from operations	(34,574)	59,496

26 Commitments

Capital commitments

There were no capital commitments at the year-end (2005: Shs Nil)

Operating lease commitments

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

	2006 Shs'000	2005 Shs'000
Not later than 1 year	40,814	44,748
Later than 1 year and not later than 5 years	5,012	45,826
	45,826	90,574

27 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 other companies that are related to Marshalls (East Africa) Limited through common shareholdings or common directorships.

The following transactions were carried out with the associate and fellow subsidiaries:

	2006 Shs'000	2005 Shs'000
i) Purchase of goods	36,712	42,171
ii) Sale of goods	48,548	-
iii) Key management compensation		
Salaries and other short-term employment benefits	18,623	21,734
Post-employment benefits	870	980
	19,493	22,714
iv) Directors' remuneration		
Fees for services as a director	1,400	967
Other emoluments (included in key management compensation above)	6,183	7,312
	7,583	8,279
v) Outstanding balances		
- due from related companies:		
Gross	182,464	174,465
Less: provision for impairment	(177,752)	(174,381)
	4,712	84
- due to related companies	11,029	12,107