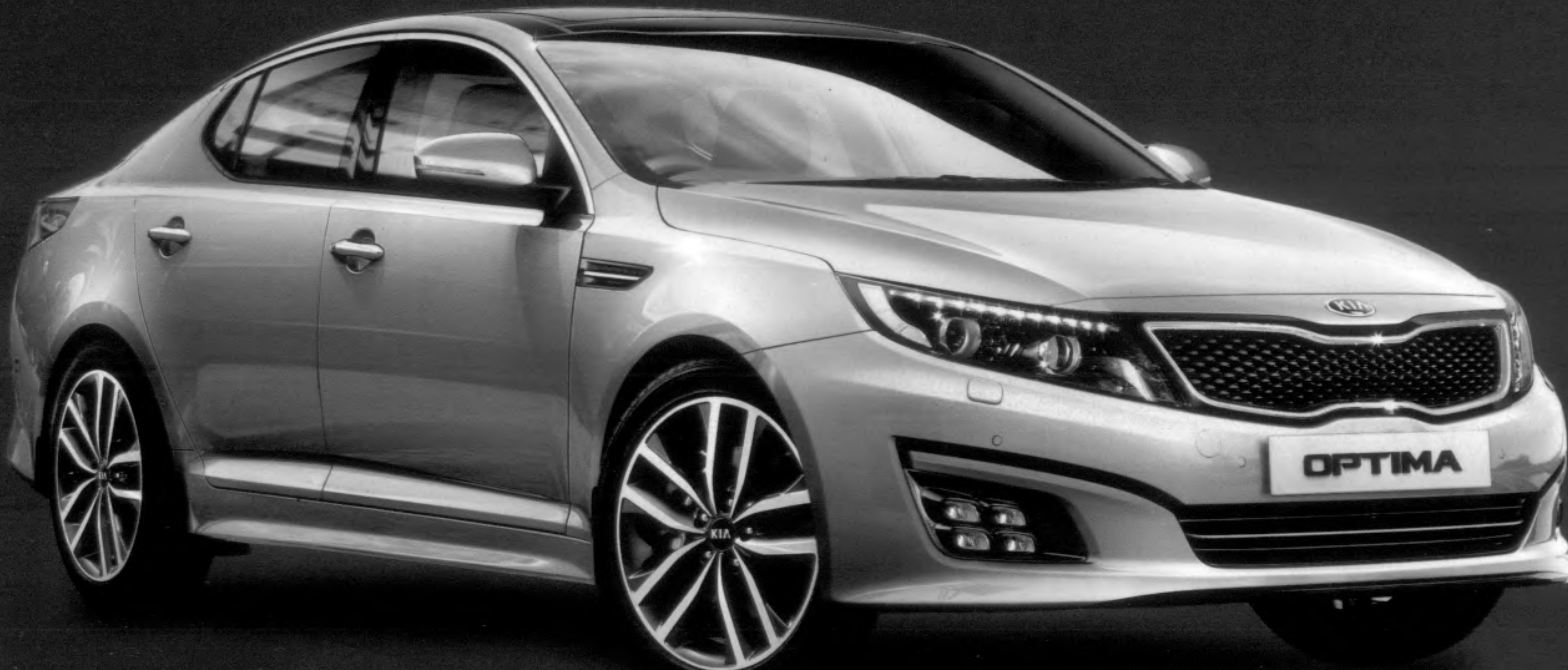
Marshalls



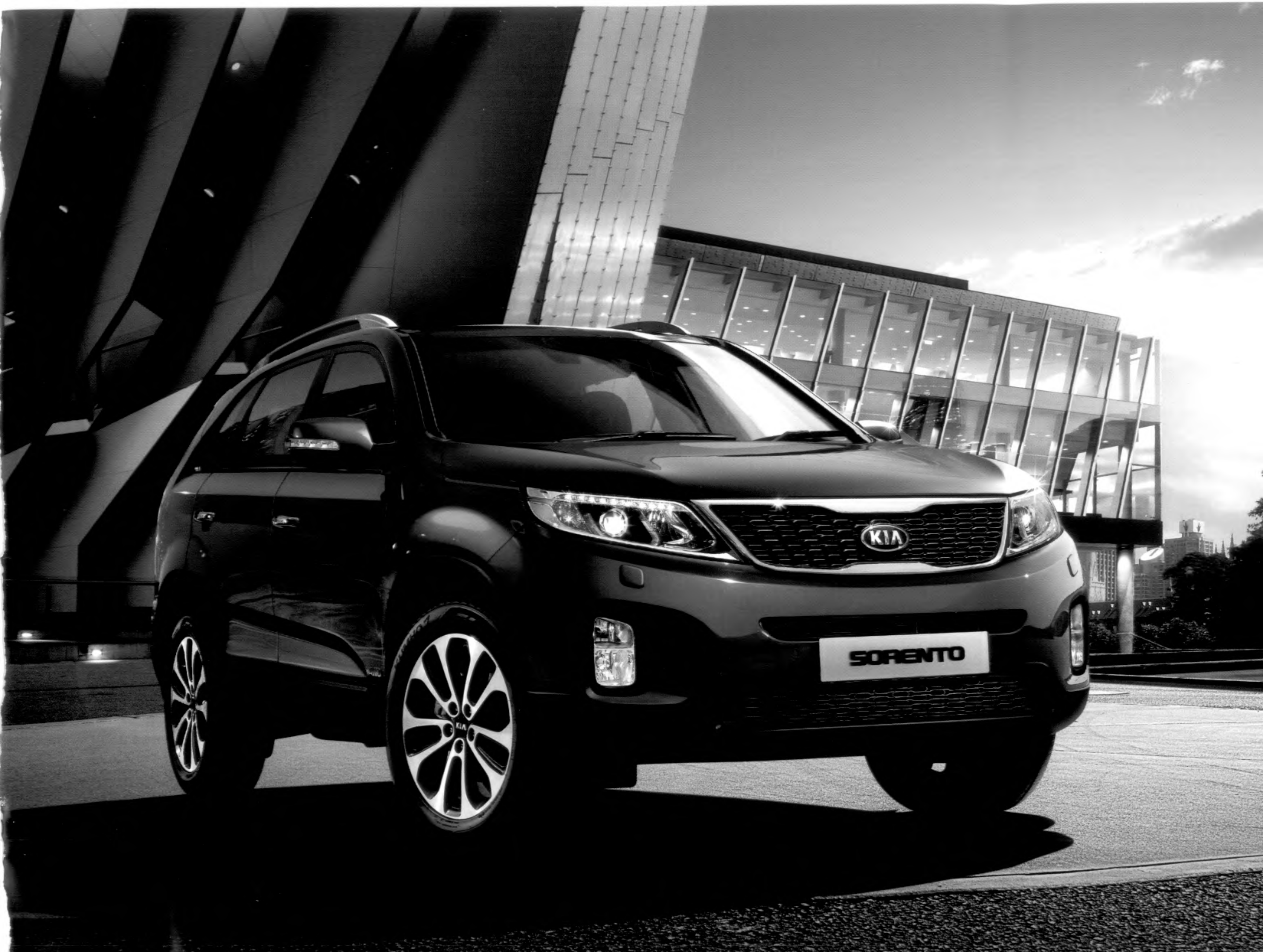
2014 Annual Report & Financial Statements

KIA

Contents

COMPANY INFORMATION

OARD OF DIRECTORS	Fred Okiki Amayo Abhimanyu Garhwal Mukesh Vaya Arif Yusuf Hafiz Harshad Rana (Appointed 25 November 2013) Manish Nair (Retired 25 November 2013) Iqbal Natha (Retired 25 November 2013) Madhuri Madhu Sudan (Retired 25 November 2013) Honourable Joseph Kamotho (Retired 25 November 2013)
EGISTERED OFFICE AND RINCIPAL PLACE OF BUSINESS	Marshalls House Kampala Road, Industrial Area P.O. Box 30366, 00100 NAIROBI Tel: +254 20 2636726/2674243/ 02 559911 Fax: +254 20 6531769 Email: admin@marshalls-ea.com
NDEPENDENT AUDITOR	PKF Kenya Certified Public Accountants P.O. Box 14077, 00800 NAIROBI
OMPANY SECRETARY	Jophece Yogo Certified Public Secretary P.O. Box 17951, 00500 NAIROBI
RINCIPAL BANKERS	Ecobank Kenya Limited NAIROBI Kenya Commercial Bank Limited NAIROBI Diamond Trust Bank Limited NAIROBI
OINT VENTURE	Associated Vehicle Assemblers Limited MOMBASA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CHAIRMAN'S STATEMENT

Dear Shareholders,

The recovery plan we formulated three years ago has worked and I am glad to inform shareholders that the results are very encouraging.

Marshalls East Africa and our joint venture company, Associated Vehicle Assemblers, have both finally brought the loss making era of this group to an end.

AVA has declared significant profits this year after a very long struggle while Marshalls is at the verge of a historic recovery that many would have doubted a few years ago.

I wish to commend the management teams of both AVA and Marshalls East Africa for their prudent financial management which has enabled them to achieve these results through internal cash generation without any major external borrowing over the period.

Our management team under the CEO has concluded performance evaluations in certain aspects of our business in order to incorporate a number of substantial structural changes in our operations.

These changes are meant to make the company more responsive to changes in the business environment, its long term prospects, its governance and, ultimately, how we deliver value to our customers and shareholders.

Since joining the company, I have been privileged to meet most of you personally and receive positive feedback on the company and its strategy. I am keen to maintain regular dialogue with our shareholders and look forward to meeting many of you at this year's AGM when there will be an opportunity for us to discuss the company's business and achievements.

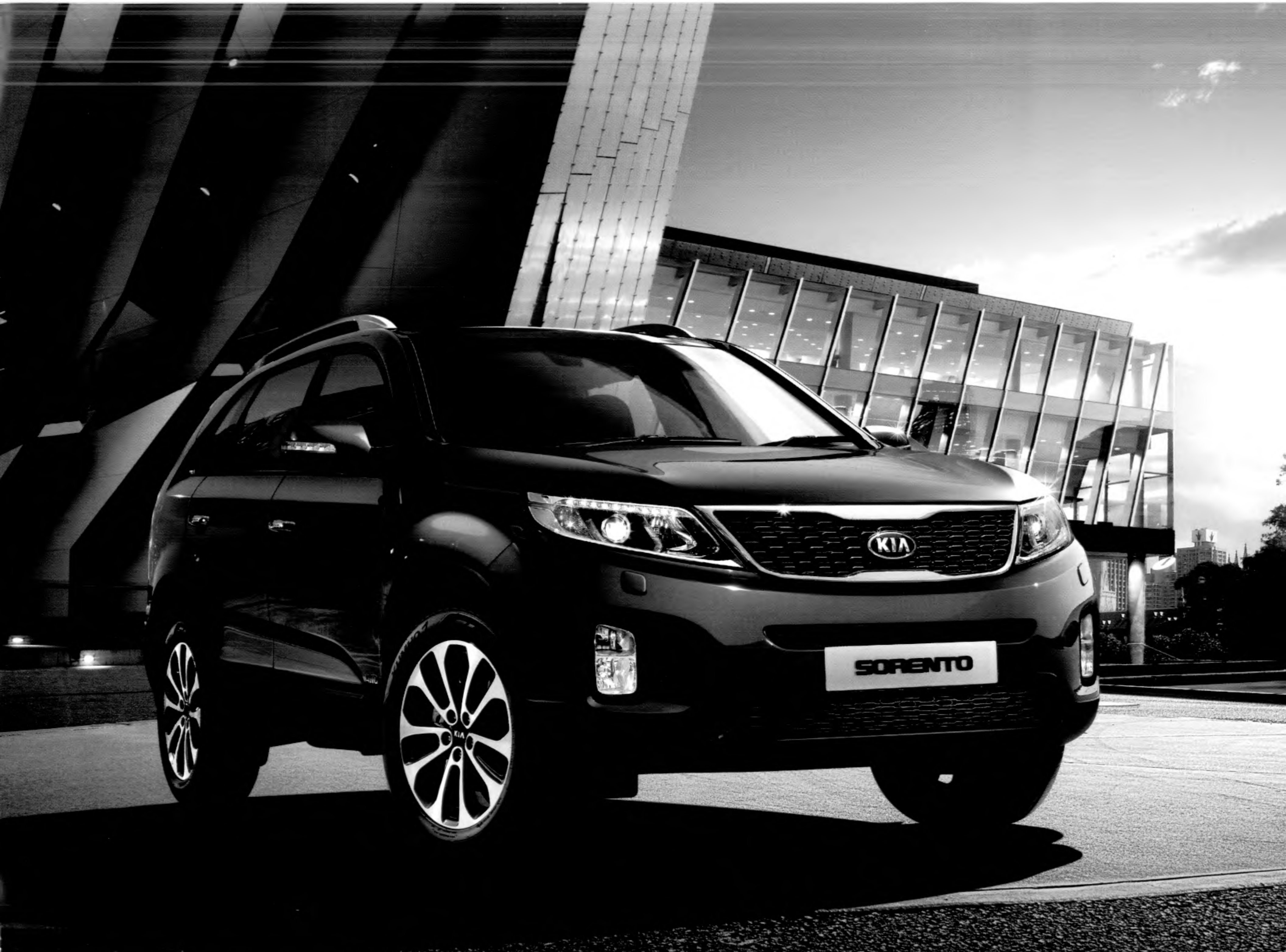
In conclusion, I am confident that our company continues to make good progress and that the drivers of our business remain firmly in place. I commend all the shareholders for their patience, trust and support without which we would not have achieved what we have.

Thank You.

CHAIRMAN, MARSHALLS EAST AFRICA

30th September 2014

Fred Okiki Amayo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CORPORATE GOVERNANCE

1. INTRODUCTION

Marshalls (EA) Ltd has established a number of management and social responsibility principals in addition to the standards of Corporate Governance introduced by the Capital Markets Authority. The Board of Directors is responsible for the provision of Corporate leadership to the Company.

2. THE BOARD OF DIRECTORS

The Board comprises of 5 Non-Executive Directors who provide additional independence in the decision making process.

They do not engage in business or interests that could impair their participation in the management of the Company. All Directors are required to submit themselves for re-election every three years.

The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues.

The day to day running of the Company is delegated to the Chief Executive Officer (CEO). However, the Board remains responsible by establishing and maintaining the Company's system of internal controls so that its objectives of growth in profitability and shareholder value maximisation are realised.

The Directors undergo a formal induction programme on the first appointment and subsequently undertake regular training to keep them up to date with business developments in the industry and globally.

3. BOARD COMMITTEES

The Board conducts all major business through its various Committees, whi include Audit and Remuneration. The Audit committee exercises its independence its functions as set out in its terms of reference approved by the Board.

4. COMMUNICATION WITH SHAREHOLDERS

The Company is committed to:

Ensuring that the shareholders and financial markets are provided with the f and timely information about its performance.

Compliance with regulation and obligations contained in the National Sto Exchange Listing Rules and the Capital Markets Authority Act.

This commitment has been satisfactorily observed throughout the year.

5. DIRECTORS EMOLUMENTS AND LOANS

The Aggregate amount of emoluments paid to the Directors for service render is disclosed in the financial statements. No arrangement exist where by a Direct could acquire Company's shares on beneficial terms.

There were no Directors loans at any time during this year.

TOP TEN SHAREHOLDERS AS AT 31 MARCH 2014

Name	Shares held	% Held
Global Limited	2,000,000	13.90
Woodside Limited	1,460,385	10.15
Abner Holding Limited	1,328,048	9.23
Azmaveth Investment Limited	1,095,000	7.61
Ahoh Investment Limited	1,036,982	7.20
Kobos Limited	1,000,000	6.95
Kenaz Holdings Limited	910,000	6.32
Ramoth Holdings Limited	820,000	5.70
Aijalon Investments Limited	621,918	4.32
Wipro Holdings Limited	331,043	2.30

REPORT OF THE DIRECTORS

he directors submit their report and the audited financial statements for the year ended 31 March 2014, which disclose the state of affairs of the company.

RINCIPAL ACTIVITY

he principal activity of the company is that of selling and servicing of motor vehicles.

	2014	2013
RESULTS	**Shs '000**	**Shs '000**
Loss) before tax	(2,481)	(110,029)
Tax	-	-
Loss) for the year	(2,481)	(110,029)

IVIDEND

he directors do not recommend the declaration of a dividend for the year (2013: Nil).

IRECTORS

he directors who held office during the year and to the date of this report are shown on page 2.

NDEPENDENT AUDITOR

he company's auditor, PKF Kenya, has indicated willingness to continue in office in accordance with section 159(2) of the Companies Act (Cap. 486).

Y ORDER OF THE BOARD

bhimanyu Garhwal
IRECTOR
AIROBI

0th September 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 486) requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of th financial year and of the results for that year. It also requires the directors to ensure that the company maintains proper accounting records which disclose with reasonab accuracy the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prude judgements and estimates, consistent with previous years and in conformity with International Financial Reporting Standards and the requirements of the Companies Act (Ca 486). 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 as at 31 March 2014 and of i operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the company which have bee relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by the board of directors on 30th September 2014 and signed on its behalf by:

Mukesh Vaya	**Abhimanyu Garhwal**
DIRECTOR	DIRECTOR

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MARSHALLS (EA) LTD

eport on the financial statements

e have audited the accompanying financial statements of Marshalls (East Africa) Limited set out on pages 10 to 38 which comprise the statement of financial position as at 31 arch 2014, statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies nd other explanatory information.

irectors' responsibility for the financial statements

ne directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the quirements of the Companies Act (Cap. 486). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair esentation of financial statements that are free from material misstatement, whether due to fraud or error.

uditor's responsibility

ur responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards n Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements e free from material misstatement.

n audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the uditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, e auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

'e believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

pinion

our opinion, the accompanying financial statements give a true and fair view of the financial position of Marshalls (East Africa) Limited as at 31 March 2014 and of its financial erformance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Cap. 486).

mphasis of matter

'ithout qualifying our opinion, we draw attention to Note 1 of the financial statements which indicate that the company had an excess of current liabilities over current assets of hs. 124,304,000 (2013: Shs. 73,333,000) as at the reporting date and made operating losses of Shs. 72,941,000 (2013: Shs. 99,825,000) during the year. These conditions dicate the existence of a material uncertainty, which may cast doubt about the company's ability to continue as a going concern. However, the financial statements have een prepared on a going concern basis by the directors on the assumption that continued financial support will be made available to the company by its one of its principal uppliers which is a related party.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MARSHALLS (EA) LTD (CONTINUATION)

Report on other legal requirements

As required by the Companies Act (Cap. 486) we report to you, based on our audit, that:

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

(iii) the company's statement of financial position and statement of profit or loss are in agreement with the books of account.

PKF

Certified Public Accountants
NAIROBI
PIN NO. P051130467R
30th September 2014

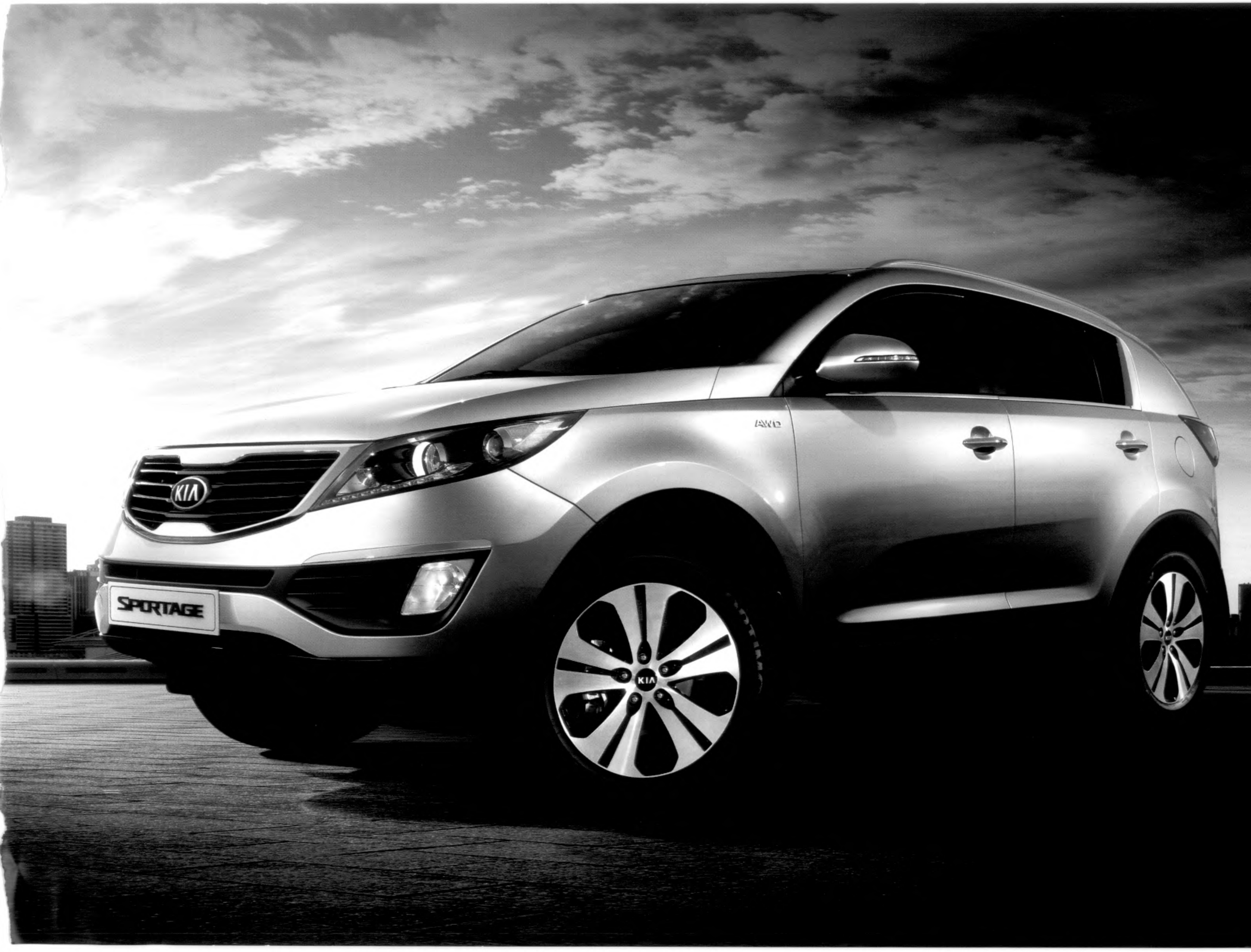
The engagement partner responsible for the audit resulting in this independent auditor's report is
FCPA Rajan Shah - P/No. 1366.
1179/14

STATEMENT OF PROFIT OR LOSS

	Notes	2014 Shs '000	2013 Shs '000
Revenue	2	221,161	230,463
Cost of sales		(173,711)	(176,182)
Gross profit		**47,450**	**54,281**
Other operating income	3	22,343	15,216
Administrative expenses		(109,842)	(138,191)
Other operating expenses		(32,892)	(31,131)
Operating (loss) before gain on disposal of property and equipment	4	**(72,941)**	**(998,25)**
Gain on disposal of property, plant and equipment		26,109	-
Operating (loss) after gain on disposal of property and equipment		**(46,832)**	**(99,825)**
Finance (costs)	6	(13,827)	(3,400)
Share of profit / (loss) of joint venture	14	(58,178)	(6,804)
(Loss) before tax		**(2,481)**	**(110,029)**
Tax	7	-	-
(Loss) for the year		**(2,481)**	**(110,029)**
Results of the discontinued operations - sale of Peugeot vehicles (Note 23)			
Vehicle sales		1,940	2,371
Cost of sales		(2,634)	(2,266)
Gross profit/(loss)		**(694)**	**105**

The notes on pages 16 to 38 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 9.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STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2014 Shs '000	As at 31 March 2013 Shs '000
APITAL EMPLOYED			
hare capital	8	71,966	71,966
evaluation surplus	9	146,860	150,724
etained earnings		60,793	59,410
hareholders' funds		**279,619**	**282,100**
lon-current liabilities			
reference shares	10	500	500
orrowings	11	18,172	11,964
		18,672	12,464
		298,291	294,564
EPRESENTED BY			
lon-current assets			
roperty, plant and equipment	13	46,165	49,645
nvestment in joint venture	14	376,430	318,252
		422,595	367,897
urrent assets			
nventories	15	89,671	103,852
rade and other receivables	16	62,309	32,530
ash and cash equivalents	17	28,603	10,127
ax recoverable		757	710
		181,340	147,219

	Notes	As at 31 March 2014 Shs '000	As at 31 March 2013 Shs '000
Current liabilities			
Borrowings	11	34,326	16,697
Trade and other payables	18	271,318	203,855
		305,644	220,552
Net current (liabilities)		**(124,304)**	**(73,333)**
		298,291	294,564

The financial statements on pages 10 to 38 were authorised for issue by the Board of Directors on 30th September 2014 and were signed on its behalf by:

Mukesh Vaya
DIRECTOR

Abhimanyu Garhwal
DIRECTOR

The notes on pages 16 to 38 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 9.

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs '000	Revaluation surplus Shs '000	Retained earnings Shs '000	Total Shs '000
Year ended 31 March 2013					
At start of year		71,966	154,588	165,575	392,129
Transfer of excess depreciation		-	(3,864)	3,864	-
(loss) for the year		-	-	(110,029)	(110,029)
At end of year		71,966	150,724	59,410	282,100
Year ended 31 March 2014					
At start of year		71,966	150,724	59,410	282,100
Transfer of excess depreciation		-	(3,864)	3,864	-
(loss) for the year		-	-	(2,481)	(2,481)
At end of year		71,966	146,860	60,793	279,619

The notes on pages 16 to 38 form an integral part of these financial statements.

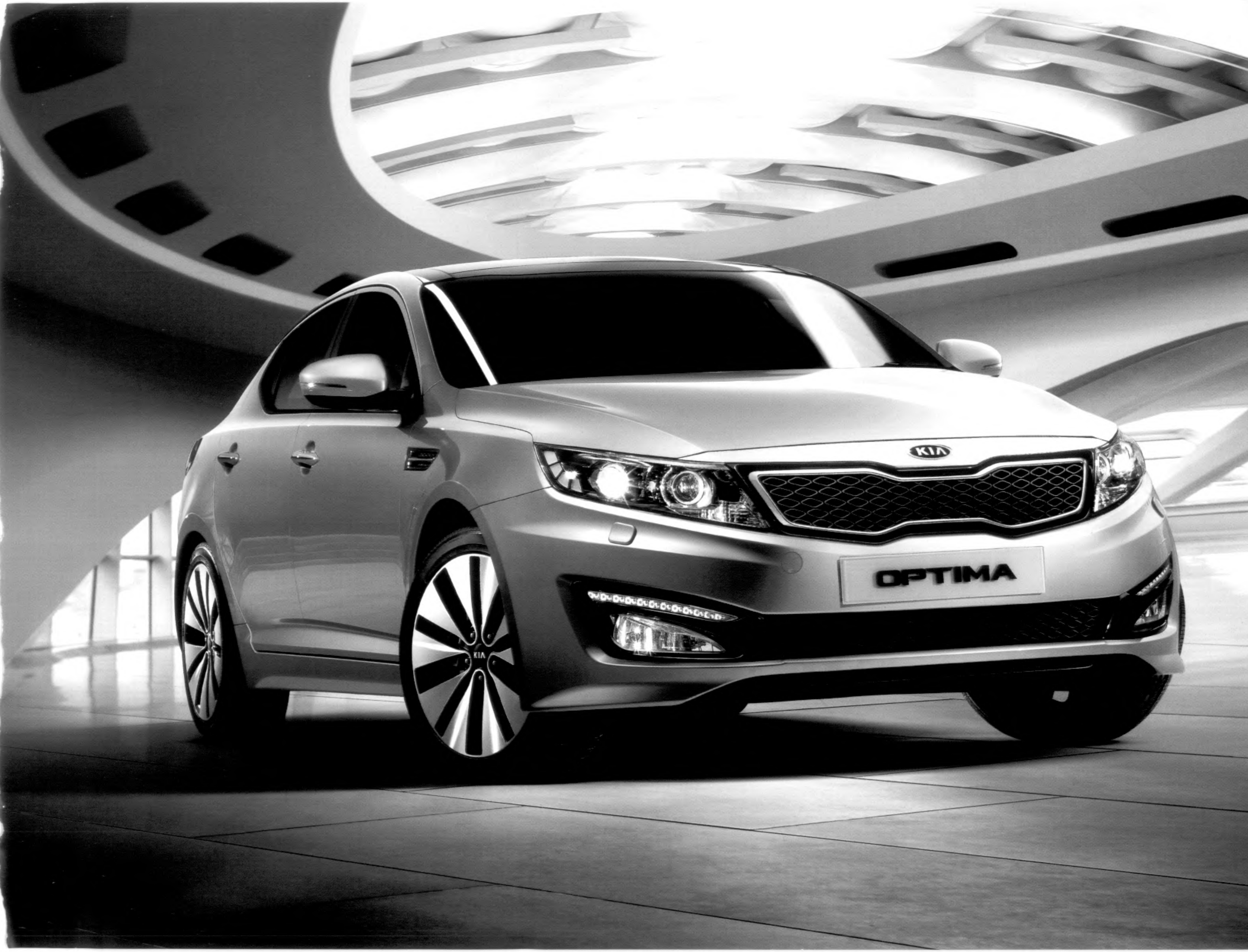
Report of the independent auditor - pages 8 to 9.

STATEMENT OF CASH FLOWS

	Notes	2014 Shs '000	2013 Shs '000
Operating activities			
Cash (used in) operations	19	(12,232)	(8,432)
Interest paid		(14,048)	(2,664)
Tax Paid		(47)	-
Net cash (used in) operating activities		(26,327)	(11,096)
Investing activities			
Purchase of property and equipment	13	(10,974)	(14,177)
Proceeds from disposal of property equipment		31,719	-
Net cash from / (used in) investing activities		20,745	(14,177)
Financing activities			
Proceeds from finance leases		11,486	19,142
(Repayment) of finance leases		(3,401)	(2,392)
Net cash from financing activities		8,085	16,750
Increase / (Decrease) in cash and cash equivalents		2,503	(8,523)
Movements in cash and cash equivalents			
At start of year		(1,784)	7,475
Increase / (Decrease)		2,503	(8,523)
Effect of exchange rate changes		221	(736)
At end of year	17	940	(1,784)

The notes on pages 16 to 38 form an integral part of these financial statements.

Report of the independent auditor - pages 8 to 9.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NOTES: SIGNIFICANT ACCOUNTING POLICIES

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

) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

These financial statements comply with the requirements of the Companies Act. The statement of profit or loss and other comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 21. Disclosure in respect of capital management are set out in note 22.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the forseable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the company.

The company has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Under the amendments to IAS 1, the 'statement of comprehensive income' requires separate analysis of items that will not be subsequently reclassified to profit or loss and those that will be subsequently reclassified, including the related income tax effects. These changes have been retrospectively applied. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

The company has applied the amendments to IFRS 7 Disclosures offsetting financial assets and liabilities – Transfers of financial assets in the current year. The amendments improve the disclosure requirements for transactions involving the transfer of financial assets. As the company did not transfer any financial assets, this had no material impact on the financial statements.

The company has applied the amendments to IAS 12 - 'Income Taxes' on Deferred Tax - Recovery of underlying assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 investment property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted. The application of the amendments to IAS 12 has resulted to the company not recognising any deferred taxes on changes in fair value of the investment properties. The amendments to IAS 12 has been applied retrospectively. The company does not have any investment property and as a result, these amendments had no material impact on the financial statements.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two principal measurement categories: those measured as at fair value and those measured at amortised cost. IFRS 9 also now includes provisions for hedge accounting. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 for the financial statements for the year ending 31 December 2015. There is at present no specific mandatory date for adoption of IFRS 9.

International Financial Reporting Standard 10 (IFRS 10) on 'Consolidated Financial Statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of IFRS 10 did not have any material impact on the financial statements.

International Financial Reporting Standard 11 (IFRS 11) on 'Joint Arrangements' outlines the accounting treatments for entities that represent jointly controlled operations and prescribes equity method accounting for jointly controlled entities. Under IAS 28 'Investments in Associates and Joint Ventures', also revised during the year. The amendments to IAS 28 and the release of IFRS 11

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

had no material impact on these financial statements.

International Financial Reporting Standard 12 (IFRS 12) on 'Disclosures of Interests in Other Entities' enhances the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

International Financial Reporting Standard 13 (IFRS 13) on 'Fair Value Measurement' - The standard aims to improve consistency and reduce complexity by providing a more precise definition and a single source of measurement of fair valuation of certain assets and liabilities and the related disclosure requirements. Adoption of IFRS 13 had no material impact on the financial statements.

IAS 19, 'Employee benefits' was amended in June 2011. The impact of the revision included elimination of the corridor approach and recognition all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). As the company does not have defined benefit schemes, these revisions have not had material impact on the financial statements.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. As the company does not have material offsetting arrangements, these amendments do not have a material impact on the financial statements.

IFRIC 20 interpretation - Stripping Costs in the Production Phase of a Surface Mine. Interpretation clarifies that removal costs that are incurred in surface mining activity during the production phase of the mine which provide improved access is recognised as a non- current asset (stripping activity asset) when certain criteria are met. IFRIC 20 has not had a material impact on the financial statements.

Amendments to IAS 36, Disclosure of recoverable amounts of non financial assets, IAS 39, Novation of derivatives and IFRIC 21, levies are not effective until annual periods beggining on or after 1 January 2014, with retrospective application permissible.

Amendments to IAS 32: The amendments to IAS 32 clarify existing applicatio issues relating to the offsest of financial assets and financial liabilitie requirements. Specifically, the amendments clarify the meaning of 'curren has a legally enforeceable right of set-off and simultaneous realization ar settlement'.

The amendments to IAS 32 are not effective until annual periods beginning o or after 1 January 2014, with retrospective application required.

International Financial Reporting Standard (IFRS 9) on 'Financial Instrument Classification and Measurement' - The standard was issued in Novemb 2009 and will replace the areas in International Accounting Standard 39 (IA 39) that relate to classification and measurement of financial assets. Adoptio is mandatory from 1 January 2015 although early adoption is permissibl The company has not assessed the potential impact of IFRS 9 on its financ statements.

Amendments to IAS 32 on 'Financial Instruments: Presentation' clarify existin application issues relating to the offset of financial assets and financial liabilitie requirements. Specifically, the amendments clarify the meaning of 'curren has a legally enforeceable right of set-off' and simultaneous realisation ar settlement'. The amendments to IAS 32 are not effective until annual perioc beginning on or after 1 January 2014, with retrospective application require The company has not assessed the potential impact of IAS 32 on its financ statements.

Amendments to IFRS 10 on 'Consolidated Financial Statements', IFRS 12 o 'Disclosures of Interests in Other Entities' and IAS 27 on 'Consolidated ar Separate Financial Statements' define an investment entity and require an ent not to consolidate its subsidiaries but to instead to measure its investments at f value through profit or loss in its consolidated and separate financial statemen These amendments are not effective until annual periods beginning on or aft 1 January 2014, with retrospective application permissible. The company do not have any subsidiaries and as a result these amendments have no mater impact on the financial statements.

Amendments to IAS 36, Disclosure of recoverable amounts of non financ assets, IAS 39, Novation of derivatives and IFRIC 21, Levies are not effecti until annual periods beggining on or after 1 January 2014, with retrospecti application permissible.

OTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There are no other Standards, Amendments, or Interpretations that are not yet effective that would be expected to have a material impact on the company.

Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relavant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Impairment of trade receivables - the company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cashflows expected.

- Useful lives of property and equipment - Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria has been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.
i) Sales of goods and services are recognised upon delivery of products and customer acceptance.

ii) Operating lease hire income is accounted for on a straight line basis over the lease term, upon the customer signing the contract.

d) Translation of foreign currencies

Transactions in foreign currencies during the period are converted into Kenya Shillings (functional currency), at rates ruling at the transaction dates. Assets and liabilities at the reporting 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 profit or loss in the period in which they arise.

e) Property, plant and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Buildings and leasehold land are subsequently shown at market value, based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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 can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the reducing balance basis (except where another method has been indicated) to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Rate %
Buildings on leasehold land	Over the remaining period of the lease
Leasehold land	Over the remaining period of the lease
Motor vehicles	25
Leased assets (Motor vehicles)	25
Machinery, furniture and equipment	15

Buildings and leasehold land are depreciated on a straight line basis.

Freehold land is not depreciated.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

f) Accounting for leases

The company as lessee

Leases of assets where the company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Such property, plant and equipment is depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operati leases. Payments made under operating leases are charged to profit or loss (a straight line basis over the period of the lease.

The company as lessor

Amounts due from lessees under finance leases are recognised as receivabl at the amount of the company's net investment in the leases. Finance lea income is allocated to accounting periods so as to reflect a constant perioc rate of return on the company's net investment outstanding in respect of t leases.

Assets leased to third parties under operating leases are included in proper plant and equipment in the statement of financial position.

Leased assets are recorded at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost leased assets to their residual values over their estimated useful life using annu rates consistent with the normal depreciation policies for similar assets unc property, plant and equipment.

Gains and losses on disposal of leased assets are determined by referen to their carrying amount and are taken into account in determining operati profit.

g) Investment in joint venture

A joint venture is a contractual agreement where by the company and anoth party undertake an economic activity that is subject to joint control, that when the strategic financial and operating decisions relating to the activiti require the unanimous consent of the parties sharing control. Investments joint ventures are accounted for using the equity method of accounting a are initially recognised at cost. The company's investment in the joint ventu includes goodwill (net of any accumulated impairment loss) identified acquisition.

The company's share of its joint ventures' post-acquisition profits or loss recognised in the statement of financial position and its share of post-acquisiti movements in the profit or loss of the joint ventures are recognised in profit loss of the company. The cumulative post-acquisition movements are adjust against the carrying amount of the investment.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on direct purchase value and all costs attributable to bringing the inventory to its current location and condition but excludes borrowing costs and is stated on First-in-First-out basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expense.

Financial instruments

- Financial assets

The company's financial assets which include trade and other receivables, tax recoverable and cash and cash equivalents fall into the following category:

- **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in the statement of other comprehensive income are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of assets whose changes in fair value were initially recognised in the statement of other comprehensive income, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

- Financial liabilities

The company's financial liabilities which include trade and other payables and borrowings fall into the following category:

- **Financial liabilities measured at amortised cost:** These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method. Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the draw down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

All financial liabilities 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 reporting date.

Financial liabilities are de-recognised when, and only when, the company's obligations are discharged, cancelled or expired.


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- **Offsetting financial instruments**
  Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

j) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

l) Employee entitlements

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

m) Retirement benefit obligations

(i) Retirement benefit obligations

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 both these defined contribution schemes are charged to profit or loss in the year in which they fall due.

The company has no further obligation once the contributions have been paid.

(ii) Other entitlements

Employee entitlements to gratuity and 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 reporting date.

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

n) Share capital

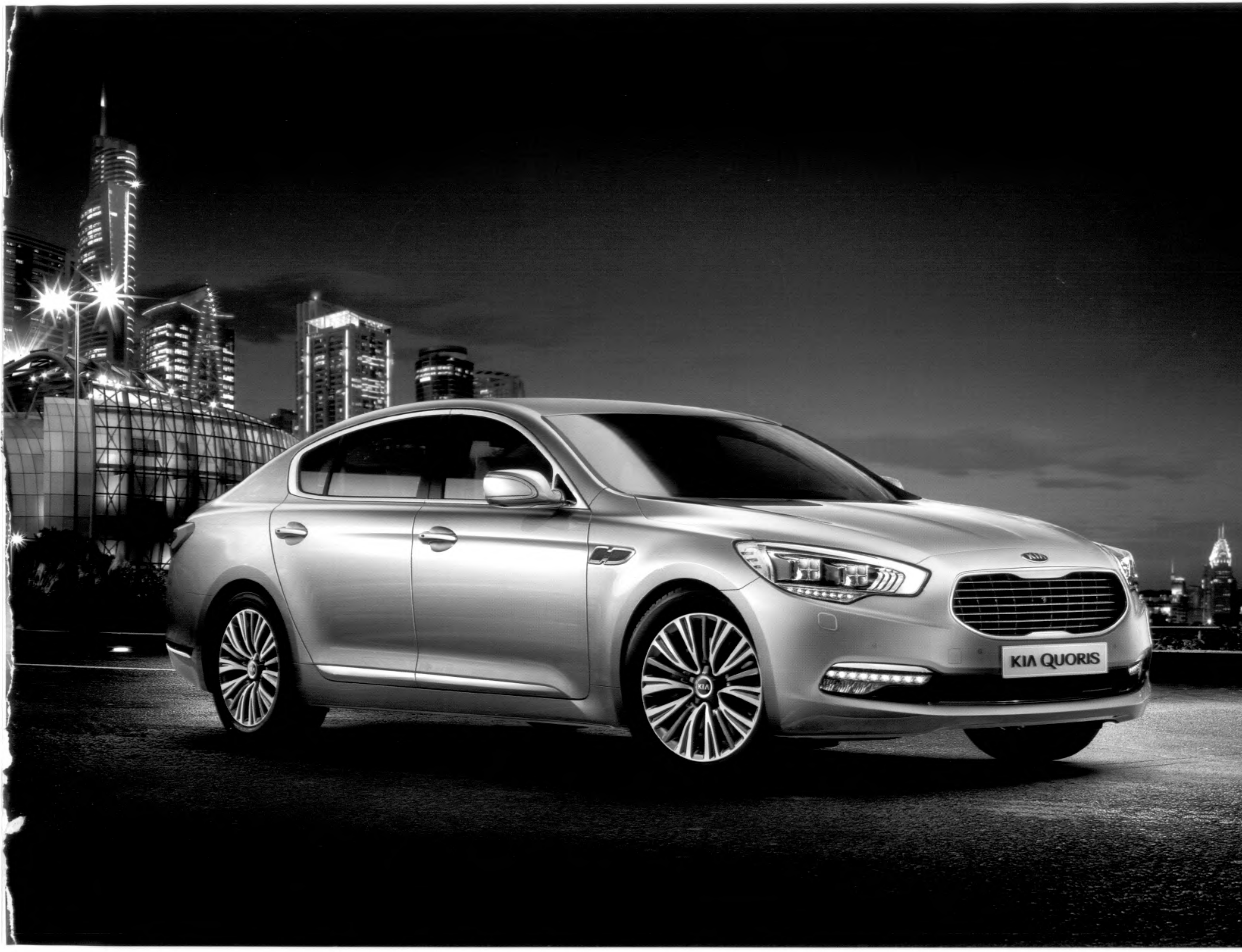
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO). The Chief Executive Oficer consider the company to be comprised of one operating segment. The financial statements are presented on the basis that risks and rates of return are related to this one reportable segment.

p) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.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NOTES (CONTINUED)

. Basis of preparing the financial statements

As at the reporting date, the company had an excess of current liabilities over current assets of Shs. 124,304,000 (2013: Shs. 73,333,000) and made operating losses of Shs. 72,941,000 (2013 Shs. 99,825,000) during the year.

These conditions indicate the existence of a material uncertainty, which may cast doubt about the company's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis by the directors on the assumption that continued financial support will be made available to the company by one of its principal supplier which is a related party.

The validity of the going concern assumption depends on the related party continuing its support by providing adequate funding.

	2014 Shs '000	2013 Shs '000
2. Revenue		
Revenue from sale of vehicles and motor bikes	168,828	151,207
Revenue from sale of spare parts	23,398	38,610
Revenue from repairs and maintenance services	28,935	40,646
	221,161	230,463
3. Other operating income		
Leasing income	13,134	15,216
Other Income	9,209	-
	22,343	15,216

	2014 Shs '000	2013 Shs '000
4. Operating (loss)		
The following items have been charged in arriving at the operating (loss):		
Depreciation on property, plant and equipment (Note 13)	8,845	9,469
Gain on disposal of property, plant and equipment	(26,109)	-
Auditors' remuneration		
- Current year	1,150	1,150
- Under provision in prior years	58	150
Impairment of trade receivables	24,997	13,673
Operating lease rentals	7,456	2,118
Repairs and maintenance	151	1,852
Staff costs (Note 5)	54,368	64,340
5 Staff costs		
Salaries and wages	48,590	57,367
National Social Security Fund	532	555
Pension contributions	927	2,344
Other staff costs	4,319	4,074
	54,368	64,340
6 Finance costs		
Bank overdraft interest	7	2
Insurance premium financing	-	392
Interest on finance leases	14,041	2,270
Foreign exchange loss	(221)	736
	13,827	3,400

NOTES (CONTINUED)

	2014 Shs '000'	2013 Shs '000'
7 Tax		
Current tax	-	-
Deferred tax charge (Note 12)	-	-
	-	-
The tax on the company's (loss) before tax differs from the theoretical amount that would arise using the basic rates as follows:		
(Loss) before tax	(2,481)	(110,029)
Tax calculated at the rate of 30% (2013: 30%)	(744)	(33,009)
Tax effect of:		
- expenses not deductible for tax purposes	12,073	9,181
- income not subject to tax	(27,607)	(4,502)
- tax losses brought forward	(224,025)	(195,695)
- tax losses carried forward	240,303	224,025
Tax charge	-	-
8. Share capital		
Authorised:		
15,000,000 (2013: 15,000,000) ordinary shares of Shs. 5 each	75,000	75,000
Issued and fully paid:		
14,393,106 (2013: 14,393,106) ordinary shares of Shs. 5 each	71,966	71,966

	2014 Shs '000	2013 Shs '000
9. Revaluation reserve		
Land and buildings	146,860	150,724
The movement in the revaluation reserve is as follows:		
Land and buildings		
At start of year	150,724	154,588
Transfer of excess depreciation	(3,864)	(3,864)
At end of year	146,860	150,724

The revaluation reserve is not distributable.

NOTES (CONTINUED)

10. 7% Cumulative preference shares

	2014 Shs '000	2013 Shs '000
Authorised:		
50,000 (2013: 50,000) preference shares of Shs. 20 each	1,000	1,000
Issued and fully paid :		
25,000 (2013: 25,000) preference shares of Shs. 20 each	500	500

11. Borrowings

The borrowings are made up as follows:

	2014 Shs '000	2013 Shs '000
Non-current		
Finance leases	18,172	11,964
Current		
Finance leases	6,663	4,786
Bank overdraft (unsecured) (Note 17)	27,663	11,911
	34,326	16,697
Total borrowings	**52,498**	**28,661**

Finance leases are secured by charge over the vehicles the company.

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the weighted average rates mentioned below.

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.

The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the reporting date is as follows:

	2014 Shs '000'	2013 Shs '000'
6 months or less	34,326	16,697

Weighted average effective interest rates at the reporting date were as follows:	2014 %	2013 %
- Finance leases	15.25	15.25

The carrying amounts of the company's borrowings are denominated in the following currencies:	2014 Shs '000'	2013 Shs '000'
Kenya Shilling	52,498	28,565
United States Dollar	-	96
	52,498	28,661

Maturity of non-current borrowings	2014 Shs '000'	2013 Shs '000'
Between 2 and 5 years	18,172	11,964

There were no undrawn facilities as at 31 March 2014 and 31 March 2013.

NOTES (CONTINUED)

12. Deferred tax

Deferred tax is calculated in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2013: 30%). The movement on the deferred tax account is as follows:

	2014 Shs '000'	2013 Shs '000'
At start of year		-
Charge to profit or loss (Note 7)		-
At end of year		-

Deferred tax (asset) in the statement of financial position and deferred tax charge/(credit) to profit or loss are attributable to the following items:

	At start of year Shs'000'	(Credit)/ charge to profit or loss Shs'000'	At end of year Shs'000'
Deferred tax (assets)			
Property, plant and equipment			
- excess capital allowances over depreciataion	4,012	578	4,590
Unrealised exchange differences	(1,790)	1,790	-
Provisions	(1,137)	-	(1,137)
Tax losses carried forward	224,025	16,278	240,303
Deferred tax asset not recognised	(225,110)	(18,646)	(243,756)
	-	-	-

Deferred tax assets on tax losses carried forward are only recognised to th extent of certainty of availability of sufficient future taxable profits to utilise suc losses against. Deferred tax assets amounting to Shs. 243,756,000 (2013: Sh 225,110,000) have not been recognised.

At the reporting date, the company has accumulated tax losses amounting Shs. 801,011,000 (2013: Shs. 746,749,000). These tax losses shall be forfeite as follows:

	Shs	Expiry
tax losses arising in 2012	652,316,000	2016
tax losses arising in 2013	94,433,000	2017
tax losses arising in 2014	54,262,000	2018
	801,011,000	

NOTES (CONTINUED)

3. Property, plant and equipment

Year ended 31 March 2014	Buildings and leasehold land Shs '000'	Leased assets (motor vehicles) Shs '000'	Motor vehicles Shs '000'	Machinery, furniture and equipment Shs '000'	Total Shs '000'
Cost or valuation					
At start of year	15,000	12,425	30,128	231,487	289,040
Additions	-	3,110	7,559	305	10,974
Disposals	(197)	-	(12,020)	-	(12,217)
At end of year	14,803	15,535	25,667	231,792	287,797
Comprising:					
Cost	-	15,535	25,667	231,792	272,994
Valuation	14,803	-	-	-	14,803
	14,803	15,535	25,667	231,792	287,797
Depreciation					
At start of year	375	2,274	21,707	215,039	239,395
On disposal	-	-	(6,608)	-	(6,608)
Charge for the year	375	1,775	4,182	2,513	8,845
At end of year	750	4,049	19,281	217,552	241,632
Net book value	14,053	11,486	6,386	14,240	46,165

Buildings on leasehold land and leasehold land were professionally valued in December 2011 by Ark Consultants Limited on the basis of open market valuation. The book values of the assets were adjusted to the revaluations and the resultant surplus was credited to other comprehensive income.

NOTES (CONTINUED)

Year ended 31 March 2013	Buildings and leasehold land Shs '000'	Leased assets (motor vehicles) Shs '000'	Motor vehicles Shs '000'	Machinery, furniture and equipment Shs '000'	Total Shs '000'
Cost or valuation					
At start of year	15,000	-	28,826	231,037	274,863
Additions	-	12,425	1,302	450	14,177
At end of year	15,000	12,425	30,128	231,487	289,040
Comprising:					
Cost	-	12,425	30,128	231,487	274,040
Valuation	15,000	-	-	-	15,000
	15,000	12,425	30,128	231,487	289,040
Depreciation					
At start of year	-	-	17,790	212,136	229,926
Charge for the year	375	2,274	3,917	2,903	9,469
At end of year	375	2,274	21,707	215,039	239,395
Net book value	15,000	10,152	8,420	16,448	49,645

OTES (CONTINUED)

Investment in joint venture

	2014	2013
	Shs '000	Shs '000
At start of year	318,252	325,056
Share of profit/(loss)	58,178	(6,804)
At end of year	376,430	318,252

The company's share of its joint venture, which is unlisted and its share of assets, liabilities, revenues and profit/loss are as follows:

Name	Country of incorporation	Assets Shs '000	Liabilities Shs '000	Revenues Shs '000	Profit / (Loss) Shs '000	% Held
2014						
Associated Vehicle Assemblers Limited	Kenya	532,305	164,093	415,955	58,178	50
2013						
Associated Vehicle Assemblers Limited	Kenya	263,147	83,665	270,354	(6,804)	50


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OTES (CONTINUED)

	2014 Shs '000	2013 Shs '000
Inventories		
Vehicles	68,902	82,281
Spare parts, consumables and work in progress	20,769	21,571
	89,671	103,852
Trade and other receivables		
Current		
Trade receivables	128,372	117,222
Less: provision for impairment	(113,012)	(88,015)
Net trade receivables	15,360	29,207
Other receivables	3,684	3,323
Receivables from related parties (Note 20 (ii))	43,265	-
	62,309	32,530
Movement in impairment provisions		
At start of year	88,015	74,342
Additions	24,997	13,673
At end of year	113,012	88,015

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The company's credit risk arises primarily from trade receivables. The directors are of the opinion that the company's exposure is limited because the debt is widely held. The directors have made a provision for the portion of the receivable whose recovery is in doubt.

The carrying amounts of the company's trade and other receivables are all denominated in Kenya Shillings.

Trade receivables that are less than three months past due are not considered impaired.

As of 31 March 2014, trade receivables amounting to Shs. 37,030,094 (2013: Shs. 65,243,744) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is between three and twelve months. Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. These have been fully provided for as stated above.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

NOTES (CONTINUED)

17. Cash and cash equivalents

	2014 Shs '000	2013 Shs '000
Cash at bank and in hand	28,603	10,127

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

	2014 Shs '000	2013 Shs '000
Cash at bank and in hand	28,603	10,127
Bank overdraft (Unsecured) (Note 11)	(27,663)	(11,911)
	940	(1,784)

The carrying amounts of the company's cash at bank and cash in hand are denominated in the following currencies

	2014 Shs '000	2013 Shs '000
Kenya Shilling	25,658	9,810
United States Dollar	2,940	312
Euro	1	1
Great Britain Pound	4	4
	28,603	10,127

18. Trade and other payables

	2014 Shs '000	2013 Shs '000
Current		
Trade payables	112,362	97,781
Other payables	75,627	61,129
Amounts not remitted on behalf of employees under defined contribution schemes	8,319	8,319
Ordinary dividend payable	23,105	23,105
Payable to related party (Note 20)	51,905	13,521
	271,318	203,855

In the opinion of the directors, the carrying amount of trade and other payables approximate to their fair value.

The carrying amounts of the company's trade and other payables are all denominated in the following currencies

	2014 Shs '000	2013 Shs '000
Kenya Shilling	178,928	153,246
United States Dollar	57,763	16,160
Euro	10,583	10,583
Great Britain Pound	15,429	15,429
Uganda Shilling	27	27
Indian Rupee	6,315	6,162
South African Rand	38	38
United Arab Emirates Dirham	2,235	2,210
	271,318	203,855

OTES (CONTINUED)

e maturity analysis of trade and other payables is as follows:

	0 to 1 month Shs '000	2 to 3 months Shs '000	4 to 12 months Shs '000	Total Shs '000
ear ended 31 March 2014				
ade payables	33,709	50,564	28,090	112,362
her payables	22,688	52,939	-	75,627
ontribution Schemes	-	-	8,319	8,319
rdinary dividend payable	-	-	23,105	23,105
yable to related party	-	51,905	-	51,905
	56,397	155,407	59,514	271,318

	0 to 1 month Shs '000	2 to 3 months Shs '000	4 to 12 months Shs '000	Total Shs '000
ar ended 31 March 2013				
de payables	29,334	44,001	24,446	97,781
her payables	18,339	42,790	-	61,129
ntribution Schemes	-	-	8,319	8,319
dinary dividend payable	-	-	23,105	23,105
able to related party	-	13,521	-	13,521
	47,673	100,312	55,870	203,855

NOTES (CONTINUED)

19. Cash (used in) operations

	2014 Shs '000	2013 Shs '000
Reconciliation of (loss) before tax to cash (used in) operations:		
(Loss) before tax	(2,481)	(110,029)
Adjustments for:		
Depreciation on property, plant and equipment (Note 13)	8,845	9,469
(Gain) on disposal of property, plant and equipment	(26,109)	-
Interest expense	14,048	2,664
Share of (profit)/loss of joint venture (Note 14)	(58,178)	6,804
Foreign exchange (gain)/loss	(221)	736
Changes in working capital		
- inventories	14,180	(24,340)
- trade and other receivables	(29,779)	73,059
- trade and other payables	67,463	33,205
Cash (used in) operations	**(12,232)**	**(8,432)**

20. Related party transactions

The following transactions were carried out with related parties:

i) **Purchases of goods**

	2014	2013
Purchase of goods Purchase of goods from Suzan General Trading JLT (includes commission charge as explained below)	70,222	180,469

Suzan General Trading JLT is based in Dubai, United Arabs Emirates and is a related party of Marshalls (East Africa) Limited by virtue of common directorship. Suzan General Trading JLT procures motor vehciles directly from dealers and sells the same to Marshalls (East Africa) Limited. Suzan General Trading JLT charges a margin of 2.5% on the value charged by the vendor when selling the motor vehicles to Marshalls (East Africa) Limited.

Suzan General Trading JLT has also given a collateral of USD 400,000 to one of the principal bankers of Marshalls (East Africa) Limited as a margin to facilitate a letter o credit facility for Marshalls (East Africa) Limited.

Suzan General Trading JLT is the related party that is providing financial support to the company, as explained in Note 1.

	2014	2013
Sale of goods	18,266	-

During the year, the company disposed off one of its properties to its related party for Shs. 26,960,000. The net book value of the property at the date of disposal was Shs. 197,000. profit of Shs. 26,763,000 was realised upon the sale of the property.

ii) **Outstanding balances**

	2014	2013
Payable to related parties (Note 18) (Suzan General Trading JLT)	51,905	13,521
Receivable from related parties (Note 16)	43,265	-

21. Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: market (including foreign exchange risk and interest rate risk), credit risk and liqui risk.

The company's overall risk management programme focuses on unpredictability of financial markets and seeks to minimise potential adv effects on the company's financial performance.

Risk management is carried out by the management. Management ident evaluates and hedges financial risks in close co-operation with va departmental heads.

NOTES (CONTINUED)

a) Market risk

- Foreign exchange risk

The table below summarises the effect on post-tax (loss) had the Kenya Shilling weakened by 10% against each currency, with all other variables held constant. If the Kenya shilling strengthened against each currency, the effect would have been the opposite.

	USD	EUR	GBP	SA RAND	UGX	RUPEE	AED	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Year 2014								
Effect on post-tax (loss) - increase/(decrease)	(4,043)	(741)	(1,080)	(3)	(2)	(442)	(156)	(6,467)
Year 2013								
Effect on post-tax (loss) - increase/(decrease)	(1,138)	(741)	(1,080)	(3)	(2)	(431)	(155)	(3,550)

- Interest rate risk

At 31 March 2014, if interest rates at that date had been 100 basis points higher with all other variables held constant, post-tax (loss) for the year would have been Shs. 718,900 (2013: Shs. 186,480) higher, arising mainly as a result of higher interest expense on variable borrowings.

Credit risk

Credit risk arises from cash and cash equivalents, tax recoverable and trade and other receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors, when determining credit limits.

ndividual limits are set based on internal information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

o credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counter parties.

one of the financial assets that are fully performing has been renegotiated in the last year.

posure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

e past due debtors are not impaired and continue to be paid. The company does not hold any collateral against the past due receivables. The management continues actively follow up past due receivables.

NOTES (CONTINUED)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Note 11 and 18 disclose the maturity analysis of borrowings and trade and other payables respectively.

The table below disclose the undiscounted maturity profile of the company's financial liabilities:

Year ended 31 March 2014

	Interest rate %age	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Over 1 Year	Total Shs
Non-interest bearing liabilities						
Trade and other payables		**56,397**	**155,407**	**59,514**	-	**271,318**
Interest bearing liabilities						
- Bank overdraft		-	-	27,663	-	27,663
- Finance leases	15.25 - 17.00	-	-	6,663	32,213	38,876
		56,397	155,407	93,840	32,213	337,857

Year ended 31 March 2013

	Interest rate %age	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Over 1 Year	Total Shs
Non-interest bearing liabilities						
Trade and other payables		**47,673**	**100,312**	**55,870**	-	**203,855**
Interest bearing liabilities						
- Bank overdraft		-	-	11,911	-	11,911
- Finance leases	15.25 - 17.00	-	-	4,786	14,234	19,020
		47,673	100,312	72,567	14,234	234,786

22. Capital management

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products a services commensurately with the level of risk;
- to comply with the capital requirements set out by the company's banke and other lenders;
- to safeguard the entity's ability to continue as a going concern, so th it can continue to provide returns for shareholders and benefits for oth stakeholders;
- to maintain a strong asset base to support the development of busines and
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The Compa manages the capital structure and makes adjustments to it in the light of chang in economic conditions and the risk characteristics of the underlying assets. order to maintain or adjust the capital structure, the Company may adjust capital expenditure.

The gearing ratios at 31 March 2014 and 31 March 2013 were as follow

	2014 Shs '000	2013 Shs '000
Total borrowings (Note 11)	52,498	28,661
Preference shares (Note 10)	500	500
Total borrowings	52,998	29,161
Less cash and cash equivalents (Note 17)	(28,603)	(10,127)
Net debt	24,395	19,034
Total equity	279,619	282,100
Gearing ratio	1:09	1:07

OTES (CONTINUED)

Discontinuation of the Peugeot Franchise

Peugeot franchise which was discontinued a few years ago contributed a (loss) hs. 11.6 million during the year (2013: Shs. 21.5 million). The company has only ontinued the sale of new vehicles but will continue to service and sell the Peugeot s in the market. Sales and cost of sales from the discontinued operations has n disclosed on the face of the statement of profit or loss in accordance with the losure requirements of International Financial Reporting Standard 5 (IFRS 5).

revenues and contribution to the entire Peugeot division is shown below:

	2014	2013
	Shs '000	Shs '000
Revenue:		
Vehicles	1,940	2,371
Parts	11,230	20,458
Service	12,844	20,358
	26,014	43,187
Cost of sales:		
Vehicles	(2,634)	(2,266)
Parts	(4,131)	(11,415)
Service	(12,285)	(15,224)
	(19,050)	(28,905)
Gross profit	6,964	14,282
Expenses	(18,586)	(35,858)
(Loss) for the year	(11,622)	(21,576)

Vehicle inventories for Peugeot models at the year end are summarised below:	2014	2013
Units in store	1	2

24. Country of incorporation

Marshalls (East Africa) Limited is incorporated in Kenya under the Companies Act (Cap. 486) as a public limited liability company and is domiciled in Kenya.

25. Contingent liability

The company had an examination by the Kenya Revenue Authority during the year. The examination has been concluded as at the reporting date and arrangements have been made to clear off the principal taxes that are due to the Kenya Revenue Authority. No provision has been made for the interest and penalties in these financial statements as the Directors have applied for a waiver of the same and the Directors are of the opinion that the waiver shall be granted.

26. Presentation currency

The financial statements are presented in thousands of Kenya Shillings (Shs '000').


KIA
K2700

XPENDITURE

	2014	2013
	Shs '000	Shs '000
ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	50,049	60,266
Staff medical expenses	1,410	841
General staff and training expenses	2,909	3,233
Total employment costs	54,368	64,340
Other administrative expenses:		
Postages and telephones	2,808	3,333
Vehicle running expenses	8,554	14,407
Entertainment and travelling	1,835	3,455
Printing and stationery	737	1,505
Advertising and promotion	7,038	6,034
Computer expenses	253	387
Audit fees		
- Current year	1,150	1,150
- Under provision in prior years	58	150
Legal and professional fees	7,190	28,657
Bank charges and commissions	278	630
Fines and penalties	173	172
Subscriptions and periodicals	85	121
Provision for bad debts	24,997	13,673
General expenses	318	177
Total other administrative expenses	55,474	73,851
Total administrative expenses	109,842	138,191

2. OTHER OPERATING EXPENSES

Establishment:		
Rent and rates	7,456	2,118
Electricity and water	3,043	4,769
Security	5,893	6,403
Repairs and maintenance	151	1,852
Insurance	6,517	5,982
Licences	987	538
Depreciation on property, plant and equipment	8,845	9,469
Total other operating expenses	32,892	31,131

3. FINANCE COSTS

Bank overdraft interest	7	2
Insurance premium financing	-	392
Interest on finance leases	14,041	2,270
Foreign exchange (gain) / loss	(221)	736
Total finance costs	13,827	3,400

TAX COMPUTATION

FILE NO:

PERIOD COVERED: 12 MONTHS

		K Shs '000	K Shs '000
	Profit as per financial statements		(2,481)
Add	Depreciation on property, plant and equipment	8,845	
	Motor vehicle running expenses	14	
	School fees	70	
	Licences	180	
	Provision for bad debts	24,997	
	Fines and penalties	173	
	Prior year unrealised exchange gain now realised	5,965	40,244
			37,763
Less	Wear and tear allowance	7,738	
	Gain on disposal of property, plant and equipment	26,109	
	Share of profit of joint venture	58,178	(92,025)
	ADJUSTED (LOSS) FOR THE YEAR		(54,262)

SUMMARY

	KShs '000'
(Loss) brought forward	(746,749)
(Loss) for the year	(54,262)
(Loss) carried forward	(801,011)

WEAR AND TEAR SCHEDULE

	Class (ii) 30% KShs '000'	Class (iii) 25% KShs '000'	Class (iv) 12.5% KShs '000'	Tota[illegible] KShs '[illegible]
Written down values brought forward	4,326	15,262	14,706	34,29[illegible]
Additions	-	7,751	305	8,05[illegible]
Disposal proceeds	-	(4,759)	-	(4,75[illegible]
	4,326	18,255	15,011	37,59[illegible]
Wear and tear allowance	(1,298)	(4,564)	(1,876)	(7,738[illegible]
Written down values carried forward	3,028	13,691	13,135	29,85[illegible]

AX COMPUTATION (CONTINUED)

ECONCILIATION OF ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	Additions as per financial statements KShs '000'	Class (ii) KShs '000'	Class (iii) KShs '000'	Class (iv) KShs '000'	No allowance KShs '000'
achinery, furniture and equipment	305	-	-	305	-
otor vehicles	10,669	-	7,751	-	2,918
otal	10,974	-	7,751	305	2,918

ADDITIONS TO MOTOR VEHICLES (CLASS (iii)

Reg No.	Make	Type	Cost Kshs.	Restricted value Kshs.
BV 274A	KIA Cerato	Saloon	1,751,357	1,751,357
BV 276A	KIA Sportage	Saloon	2,782,853	2,000,000
BV 275A	KIA Sportage	Saloon	2,566,487	2,000,000
BW 752R	KIA Sorento	Saloon	3,568,526	2,000,000
			10,669,223	7,751,357

DISPOSAL OF MOTOR VEHICLES

Reg No.	Make	Type	Cost Kshs.	Sales proceeds Kshs.	Restricted value Kshs.
KAM 910M	Peugeot 306	Saloon	1,152,389	242,749	242,749
KAS 256K	KIA RIO	Saloon	950,000	256,660	256,660
KAZ 719B	Peugeot 407 HDI	Saloon	3,248,000	684,185	684,185
KBW 752R	KIA Sorento	Saloon	3,568,526	4,459,751	2,499,492
KBH 241C	Peugeot 307	Saloon	1,645,629	600,000	600,000
KBN 921A	KIA Cerato	Saloon	1,455,129	475,442	475,442
			12,019,673	6,718,787	4,758,528