CONTENTS

Report and Financial Statements of Car & General (Kenya) Limited and Subsidiaries

30 September, 2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

C J Gidoomal	-	Chairman (Alternate S P Gidoomal)
V V Gidoomal*		Group Managing Director
N Ng'ang'a, EBS		
H S Amrit, EBS		
E M Grayson*		
Dr B Kiplagat		
P Shah		

* British

SECRETARY
N P Kothari
P O Box 30633
Nairobi GPO 00100

REGISTERED OFFICE
New Cargen House
Lusaka Road
P O Box 20001
Nairobi City Square 00200

AUDITORS
Deloitte & Touche
Ring Road, Westlands
P O Box 40092
Nairobi GPO 00100

BANKERS

Kenya

Standard Chartered Bank Kenya Ltd
Moi Avenue Branch
P O Box 72585
Nairobi City Square 00200

Standard Chartered Bank Kenya Ltd
Harambee Avenue Branch
P O Box 20073
Nairobi City Square 00200

CFC Bank Ltd
CFC Centre, Chiromo Road
P O Box 72833
Nairobi City Square 00200

Giro Commercial Bank Ltd
Industrial Area Branch
P O Box 18002
Nairobi Industrial Area 00500

Tanzania

Standard Chartered Bank
Tanzania Ltd
International House Branch
P O Box 9011
Dar es Salaam

Stanbic Bank Tanzania Ltd
Main Branch
P O Box 72647
Dar es Salaam

Uganda

Standard Chartered Bank
Uganda Ltd
Speke Road
P O Box 7111
Kampala

National Bank of Commerce
(Uganda) Ltd
P O Box 23232
Kampala

ADVOCATES

Archer & Wilcock Advocates
P O Box 10201
Nairobi Tom Mboya St. 00400

Kabaka & Associates
P O Box 79713
Nairobi City Square 00200

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 00200 - Nairobi	Sales and service of power equipment, household goods, marine engines, motor cycles, motor cars, three-wheeler vehicles, commercial laundry equipment, commercial engines and general goods.
Car & General (Automotive) Limited P O Box 20001 00200 - Nairobi	Sale of brake linings and friction materials.
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) P O Box 20001 00200 - Nairobi	Sale of welding alloys and welding equipment and provision of sales and marketing services related to three-wheeler vehicles.
Car & General (Tanzania) Limited P O Box 1552 Dar es Salaam	Sales and service of power equipment, motor cycles, commercial engines, welding alloys, welding equipment and brake linings.
Car & General (Trading) Limited - Tanzania P O Box 1552 Dar es Salaam	Sales and service of power equipment, motor cycles, motor cars, three wheeler vehicles, commercial engines welding alloys, welding equipment and brake linings.
Car & General (Uganda) Limited P O Box 207 Kampala	Sales and service of power equipment, marine engines, motor cycles, three-wheeler vehicles, commercial engines and general goods.
Kibo Poultry Products Limited P O Box 742 Moshi	Day old chick farming.
Sovereign Holdings International Limited P O Box 3444 Road Town Tortola British Virgin Islands	Property holding company.
Car & General (Engineering) Limited (formerly Kamco Engineering Limited) P O Box 20001 00200 - Nairobi	Sales and marketing services relating to the provision of power equipment and related services.
Car & General (Marine) Limited (formerly Cargen Plastics Limited) P O Box 20001 00200 - Nairobi	Sales and marketing services relating to the provision of marine engines and related products.
Car & General (Industries) Limited P O Box 20001 00200 - Nairobi	Dormant - ceased operations from 31 January 1997.
Cargen Insurance Agencies Limited P O Box 20001 00200 - Nairobi	Dormant since incorporation.

NOTICE OF MEETING

Notice is hereby given that the sixty-eighth Annual General Meeting of Car & General (Kenya) Limited will be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi on Friday 14 March 2008 at 12 noon for the following purposes:

1 To receive the Directors' Report and audited financial statements for the year ended 30 September 2007.

2 To declare a final dividend of Sh 15,000,000 (Sh 0.67 per share) to shareholders registered at the close of business on 22 February 2008.

3 To approve Directors' fees.

4 To elect directors:

   (a) To re-elect Mr H S Amrit a Director of the Company, special notice having been received, pursuant to Sections 142 and 186(5) of the Companies Act, of the intention to propose the following resolution as an ordinary resolution:

   That Mr H S Amrit who has attained the age of 70 years, be and is hereby re-elected a Director of the Company.

   (b) To re-elect Mr N Ng'ang'a a Director of the Company, who retires by rotation and being eligible, offers himself for re-election.

5 To authorise the Directors to fix the remuneration of the auditors, Deloitte & Touche.

BY ORDER OF THE BOARD

N P Kothari
Secretary
30 January 2008

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. A detachable proxy form is at the end of the financial statements.

CHAIRMAN'S REPORT

The year to September 2007 proved challenging, as anticipated. Notwithstanding, the Group made reasonable progress. Turnover, at KSh 1.847 billion, grew 48% over 2006. The Group generated a profit before tax of KSh 257 million, of which KSh 61 million related to a re-evaluation of investment properties as required by International Financial Reporting Standards.

The highlights of the financial year were the profitability of our Cummins engine and generator business; the growth of our TVS two-wheelers in Kenya and Uganda; the growth of all core brands; the streamlining of business in Ethiopia, Djibouti, Eritrea and Seychelles through dealers; the commencement of renovation of our Uganda facilities; the launch of Ingersoll-Rand construction business; the opening of our Nakuru branch; the significant growth of our Mombasa and Kisumu operations; the improvement of our administrative services including an IT upgrade; and better internal communication thereby improving clarity throughout.

Areas for improvement are the promotion of our Mariner brand; the sales and marketing of our after sales activity; the overall management of our compressor business; and the reduction of inefficiencies in our working capital.

The critical success factors for the current financial year are as follows:

1. To continue to improve the overall management of our business to ensure efficiency and clarity at all levels. We must make the transition into a great organization if we are to maximise the significant growth opportunities before us.

2. To effectively manage our growth opportunities which will inevitably strain our financial and human resources. We will need to balance the interests of all stakeholders.

3. To focus more on after sales activity to ensure that we service the engines we sell. This will be particularly challenging in the small engine business of motorcycles and Briggs & Stratton power products.

4. To keep our business tidier and avoid unnecessary loose ends which are time consuming and costly.

5. To build a regional, balanced business with each product line performing in each region. In this regard we need to improve marketing activity and grow closer to end users.

6. To continue to develop and retain our best people to ensure succession planning and sufficient resources for growth.

We have already implemented initiatives relating to these critical success factors. We look forward to seeing the impact on profitability in the coming months.

I now comment more specifically on each subsidiary below:

Car & General (Trading) Limited – Kenya

Our small engine business, in terms of power products, two-wheelers and three-wheelers, performed well. Our market share grew across all product lines. The market size of our products continues to grow. We are strongly positioned to take advantage of this growth. Efficiencies in our stocking and our ability to deliver immediately to the customer will be critical to success.

This year will be extremely challenging with the expected increase in stronger competition. We need to improve our marketing activity and service business in order to increase our differentiation. We must get closer to our markets and our customers throughout Kenya. We are confident that the business will continue to grow above 20% this year.

Our brake pad business struggled this year. Our launch of a less expensive brake pad has been successful in avoiding further decline. Notwithstanding this will continue as a small contributor to our business.

AutoItalia

We have made little progress in this area. We continue to service customers to whom we have sold Alfa Romeo vehicles. Due to focus in other business areas, we have been reluctant to relaunch the Alfa Romeo brand. We will revisit this area later this year.

CHAIRMAN'S REPORT (continued)

C&G Engineering

The Cummins business is growing significantly. Our challenge will be to maintain momentum and capture service. We have successfully established our Cummins engine workshop which in its second year has delivered a reasonable return. We now need to be more key account focused and identify and target all significant Cummins users in the regional market. Prospects are promising and adequate coverage will be crucial.

Our current challenge will be to develop Ingersoll-Rand into a market leader. Our biggest problem has been supply and price. We are working hard to resolve these issues following which we will be much more aggressive.

Head Office

The operation continues to earn rent and provide services to all divisions. Our IT upgrade is certainly providing a better service.

Car & General (Uganda) Limited

The operation is growing geometrically and should generate a satisfactory return this year. Our challenge will be to handle and service this growth. We have embarked on modernising our infrastructure. This will cost US$800,000 and will be ready by April this year.

Car & General (Trading) Limited - Tanzania

The operation has made a slim profit this year. We now have enough product throughput (with the introduction of Cummins, three wheelers and outboards) to generate a satisfactory return. We will need to increase working capital by US$1million this year in order to capitalize on growth opportunities.

Kibo Poultry Products Limited

This operation performed reasonably this year in spite of the ban on parent stock importation the previous year. Notwithstanding, we need to expand this operation if we are to remain in this business long term. Our original investment estimates were lower than expected and we are now preparing a new investment proposal. We are confident that the poultry business offers an opportunity in Tanzania and would like to pursue this as a means of diversifying group activity.

The Future

Our current portfolio of niche engine products offers significant scope for further growth. In the short term we will remain focused on achieving this with small additions. We are budgeting for a turnover of KSh 2.8 billion this financial year. This will be extremely challenging. We are confident that we have the organization in place to achieve this and to generate a significantly higher PBT in the current financial year.

Our primary concern is the effect of the current political situation on business levels. January was an extremely difficult month with performance well below budget. In the event that the current political impasse is not peacefully resolved, a negative impact on the company's performance is inevitable hindering both growth and budgetary objectives. Resolution will certainly improve business levels although we cannot be certain to what extent given the damage caused to key sectors of the Kenyan economy. Our focus will remain on maximizing market share and improving the quality of our organization.

Your Company recommends a dividend of KSh 15million for the financial year 2006-7. This represents KSh 0.67 per share. We are recommending conservative dividends in view of the significant resources required to achieve budgeted growth levels and to develop into a great organization. We are investing heavily in all our operations and, as far as possible; we would like to do so through internal resources. Furthermore, with the current political scenario, we would like to be prudent.

I must express my gratitude to my co-directors and all members of staff of the Company for their dedication and support. I look forward to their continued support and to further progress of the Group.

CJ Gidoomal
CHAIRMAN

30 January 2008

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company's Board of Directors is responsible for the governance of the Company and is accountable to the shareholders for ensuring that the Company complies with the law, the highest standards of corporate governance and business ethics. The directors attach great importance to the need to conduct the business and operations of the Company and the group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of directors

The full Board meets at least five times a year. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the Company's overall internal control of financial, operational and compliance issues.

Five out of the seven members of the Board are non-executive including the Chairman of the Board, and other than the Group Managing Director, are subject to periodic reappointment in accordance with the Company's Articles of Association.

Committees of the Board

The Company has two standing committees that meet regularly under the terms of reference set by the Board.

Audit Committee

The Board has constituted an audit committee that meets as required. Its responsibilities include review of financial information, budgets, development plans, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and overseeing internal control systems. Two non-executive directors attend all meetings of the committee. Internal and external auditors and other executives attend as required.

Recruitment and Remuneration Committee

The recruitment and remuneration committee meets as required. The committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of non-executive directors. The Chairman and the Group Managing Director attend all the meetings of the committee.

Internal controls

The group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the Group remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review the activities of the Group.

A comprehensive management accounting system is in place providing financial and operational performance indicators. Monthly management meetings are held by the executive management to monitor performance and to agree on measures for improvement.

CORPORATE GOVERNANCE (continued)

Distribution of shareholders as at 30 September 2007

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	% shareholding
Less than 500	55,251	306	0.25
500 - 5,000	754,217	432	3.38
5,001 - 10,000	444,063	61	1.99
10,001 -100,000	1,253,563	57	5.63
100,001 - 1,000,000	1,848,179	10	8.30
above 1,000,000	17,924,343	6	80.45
Total	22,279,616	872	100.00

Major shareholders

The top ten major shareholders as at 30 September 2007 were as follows:

Name	No. of shares	% Shareholding
Fincom Limited	7,240,789	32.50
Betrin Limited	3,548,422	15.93
Monyaka Investments Limited	2,787,285	12.51
Primaco Limited	2,228,137	10.00
Barclays (Kenya) Nominees Ltd A/C 9397	1,097,200	4.92
Vapa Limited	1,022,510	4.59
Paul Wanderi Ndungu	323,444	1.45
Nairobi Commercial Continental Limited	300,000	1.35
Mr C J Gidoomal	245,677	1.10
Mr K D Kyuli	168,960	0.76

Directors' shareholdings

Mr C J Gidoomal	245,677
Mr V V Gidoomal	880
Mr N Ng'ang'a	3,027
Mr E M Grayson	880
Dr B Kiplagat	880
Mr H S Amrit	880
Mr P Shah	880

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited group financial statements for the year ended 30 September 2007.

ACTIVITIES

The Company acts as a holding company and derives its revenue from rental income and management fees. The activities of the subsidiary companies are detailed on page 3.

GROUP RESULTS

An analysis of the consolidated results for the year attributable to the shareholders of Car & General (Kenya) Limited are as follows:

		2007 Sh'000
Kenya:	Parent company	46,351
	Trading	68,484
	Engineering	84,417
		199,252
Uganda:	Trading	30,999
Tanzania:	Trading	4,210
	Poultry	22,985
		27,195
Group profit before taxation		257,446
Taxation		(82,652)
Profit for the year		174,794
Attributable to:		
Equity holders of the parent		171,886
Minority interest		2,908
		174,794

DIVIDEND

The directors propose payment of a first and final dividend of Sh 15,000,000 (2006 - Sh 15,000,000) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2.

A special notice has been received by the Company to the effect that Mr H S Amrit who has attained the age of 70 years be re-elected a Director of the Company. Mr H S Amrit offers himself for re-election.

Mr N Ng'ang'a retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

AUDITORS

Deloitte & Touche, have expressed their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap 486).

N P Kothari
Secretary
30 January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure that the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 in the manner required by 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 group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which 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 and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

Director	Director

30 January 2008

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii",
Ring Road, Westlands
P O Box 40092 - GPO 00100
Nairobi
Kenya

Tel: + (254-20) 444 1344/05-12
Fax: + (254-20) 444 8966
Dropping Zone No. 92
E-mail: admin@deloitte.co.ke

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAR & GENERAL (KENYA) LIMITED

We have audited the financial statements of Car & General (Kenya) Limited set out on pages 12 to 44 which comprise the consolidated and company balance sheets as at 30 September 2007, and the consolidated income statement, consolidated and company statement of changes in equity and consolidated cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
(b) the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

30 January 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
TURNOVER	3	1,846,523	1,244,403
COST OF SALES		(1,315,529)	(925,358)
GROSS PROFIT		530,994	319,045
OTHER OPERATING INCOME	4	5,980	4,923
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	17	61,160	89,320
SELLING AND DISTRIBUTION COSTS		(119,765)	(94,587)
ADMINISTRATIVE EXPENSES		(190,048)	(135,042)
WRITE OFF OF SHOWROOM	5	(8,508)	-
FINANCE COSTS - NET	6	(22,367)	(6,844)
PROFIT BEFORE TAXATION	7	257,446	176,815
TAXATION CHARGE	9	(82,652)	(39,228)
PROFIT FOR THE YEAR	10	174,794	137,587
ATTRIBUTABLE TO:			
EQUITY HOLDERS' OF THE PARENT		171,886	135,656
MINORITY INTEREST	11	2,908	1,931
		174,794	137,587
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	12	7.71	6.09
DIVIDEND PER SHARE	13	0.67	0.67

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	294,794	284,376
Operating lease prepayments	15	16,365	16,950
Intangible assets	16	2,037	2,171
Investment property	17	457,375	396,215
		770,571	699,712
Current assets			
Finance lease receivables	18	21,256	25,023
Inventories	20	829,885	448,324
Trade and other receivables	21	343,900	206,834
Taxation recoverable	9(c)	-	8,534
Cash and bank balances		76,795	42,527
		1,271,836	731,242
Total assets		2,042,407	1,430,954
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	111,398	111,398
Revaluation surplus		145,831	151,077
Revenue reserve		624,712	468,254
Equity attributable to equity holders of the parent		881,941	730,729
Minority interest	11	4,658	1,750
Total equity		886,599	732,479
Non-current liabilities			
Deferred taxation	24	172,236	140,495
Borrowings	25	17,724	19,966
		189,960	160,461
Current liabilities			
Borrowings	25	411,088	148,670
Trade and other payables	26	533,010	389,344
Taxation payable	9(c)	21,750	-
		965,848	538,014
Total equity and liabilities		2,042,407	1,430,954

The financial statements on pages 12 to 44 were approved by the board of directors on 30 January 2008 and were signed on its behalf by:

V.V. Gidoomal
Director

E.M. Grayson
Director

COMPANY BALANCE SHEET
30 SEPTEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	14	158,761	152,770
Operating lease prepayments	15	1,102	1,121
Intangible assets	16	1,774	1,900
Investment property	17	457,375	396,215
Investment in subsidiaries	19	27,427	27,427
		646,439	579,433
Current assets			
Trade and other receivables	21	20,749	24,485
Due from group companies	22	408,812	177,897
Taxation recoverable	9(c)	1,125	1,288
Cash and bank balances		23,544	438
		454,230	204,108
Total assets		1,100,669	783,541
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	111,398	111,398
Revaluation surplus		75,323	74,122
Revenue reserve		338,584	310,449
Shareholders' funds		525,305	495,969
Non current liabilities			
Deferred taxation	24	158,525	137,163
Borrowings	25	9,394	7,881
		167,919	145,044
Current liabilities			
Borrowings	25	289,046	30,399
Trade and other payables	26	28,837	22,589
Due to group companies	22	89,562	89,540
		407,445	142,528
Total equity and liabilities		1,100,669	783,541

The financial statements on pages 12 to 44 were approved by the board of directors on 30 January 2008 and were signed on its behalf by:

V.V. Gidoomal
Director

E.M. Grayson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the parent					
	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000	Minority interest Sh'000	Total Sh'000
Year ended 30 September 2006						
At 1 October 2005	111,398	143,839	348,148	603,385	(181)	603,204
Revaluation surplus on property	-	14,935	-	14,935	-	14,935
Deferred tax on revaluation surplus	-	(4,480)	-	(4,480)	-	(4,480)
Transfer of excess depreciation	-	(2,590)	2,590	-	-	-
Deferred tax on depreciation transfer	-	777	(777)	-	-	-
Currency translation differences	-	(1,404)	(2,363)	(3,767)	-	(3,767)
Profit for the year	-	-	135,656	135,656	1,931	137,587
Dividend paid - 2005	-	-	(15,000)	(15,000)	-	(15,000)
At 30 September 2006	111,398	151,077	468,254	730,729	1,750	732,479
Year ended 30 September 2007						
At 1 October 2006	111,398	151,077	468,254	730,729	1,750	732,479
Revaluation surplus on property	-	4,520	-	4,520	-	4,520
Deferred tax on revaluation surplus	-	(1,356)	-	(1,356)	-	(1,356)
Transfer of excess depreciation	-	(4,594)	4,594	-	-	-
Deferred tax on depreciation transfer	-	1,090	(1,090)	-	-	-
Currency translation differences	-	(4,906)	(3,932)	(8,838)	-	(8,838)
Profit for the year	-	-	171,886	171,886	2,908	174,794
Dividend paid - 2006	-	-	(15,000)	(15,000)	-	(15,000)
At 30 September 2007	111,398	145,831	624,712	881,941	4,658	886,599

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2007

Year ended 30 September 2006	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000
At 1 October 2005	111,398	64,886	251,190	427,474
Revaluation surplus on property	-	14,935	-	14,935
Deferred tax on revaluation surplus	-	(4,480)	-	(4,480)
Transfer of excess depreciation	-	(1,742)	1,742	-
Deferred tax on depreciation transfer	-	523	(523)	-
Profit for the year	-	-	73,040	73,040
Dividends paid - 2005	-	-	(15,000)	(15,000)
At 30 September 2006	111,398	74,122	310,449	495,969
Year ended 30 September 2007				
At 1 October 2006	111,398	74,122	310,449	495,969
Revaluation surplus on property	-	4,520	-	4,520
Deferred tax on revaluation surplus	-	(1,356)	-	(1,356)
Transfer of excess depreciation	-	(2,804)	2,804	-
Deferred tax on depreciation transfer	-	841	(841)	-
Profit for the year	-	-	41,172	41,172
Dividends paid - 2006	-	-	(15,000)	(15,000)
At 30 September 2007	111,398	75,323	338,584	525,305

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 Sh'000	2006 Sh'000
Operating activities			
Cash (used in)/generated from operations	27(a)	(152,698)	103,021
Tax paid	9(c)	(21,414)	(15,750)
Net cash (used in)/generated from operating activities		(174,112)	87,271
Investing activities			
Purchase of property, plant and equipment		(37,237)	(31,915)
Purchase of intangible assets		(371)	(2,251)
Proceeds on disposal of property, plant and equipment and intangibles		812	1,718
Net cash used in investing activities		(36,796)	(32,448)
Financing activities			
Loans received	27(b)	319,459	72,526
Loans repaid	27(b)	(69,939)	(48,632)
Dividend paid		(15,000)	(15,000)
Repayment of hire-purchase facility	27(d)	(2,885)	(1,270)
Net cash generated from financing activities		231,635	7,624
Increase in cash and cash equivalents		20,727	62,447
Cash and cash equivalents at the beginning of the year		(23,588)	(86,035)
Cash and cash equivalents at the end of the year	27(e)	(2,861)	(23,588)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised international financial reporting standards

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 Amendment, Capital Disclosures – The amendment introduces disclosures about the level of the company's capital and how it manages capital.
- IFRS 7 on Financial Instruments Disclosures
- IFRS 8 on Operating Segments
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11 on IFRS 2: Group and Treasury Share Transactions
- IFRIC 12 on Service Concession Arrangements
- IFRIC 13 on Customer Loyalty Programmes
- IFRIC 14 on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the Group

Basis of accounting

The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain properties. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

Consolidation

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All inter company transactions, balances and unrealised surpluses and deficits on transactions with the subsidiary companies have been eliminated.

The income statements of subsidiaries are translated at average exchange rates for the year, and balance sheets at year end rates. The resulting differences from translation are dealt with in reserves.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, all of which have a financial year end of 30 September.

The subsidiaries which have been consolidated are set out in note 19.

Turnover

Sales are recognised upon the delivery of products to customers and the performance of services, and are stated net of VAT and discounts.

Rental income is recognised when it falls due.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 **ACCOUNTING POLICIES** (continued)

Property, plant and equipment (continued)

The depreciation charge to the income statement is based on the carrying amounts of the property, plant and equipment. The excess of this charge over that based on the historical cost of the property and equipment is released each year from the revaluation reserves to retained earnings.

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

Depreciation

Freehold land is not depreciated.

Depreciation on other property, plant and equipment is provided using the reducing balance method at the following annual rates:

Buildings	2%
Plant and machinery	12.5% - 20%
Office equipment	12.5% - 30%
Motor vehicles	25%

Impairment

At each balance sheet date, the group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Any impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

Leasehold land

Payments to acquire interest in leasehold land are treated as prepaid operating lease rentals and amortised over the period of the lease.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lease.

All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Investment property

Investment property comprises land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. They are carried at fair value, as determined regularly by external independent valuers. The fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment property is not subject to depreciation. Changes in their carrying amount between balance sheet dates are recorded, net of deferred tax, through the profit and loss account.
On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment losses in the company's separate financial statements. The holding company accounts for dividends from subsidiary companies only when they are received.

Intangible assets

Intangible assets represent computer software which is stated at cost less amortisation and any impairment losses. Amortisation is calculated to write off the cost of computer software on a reducing balance basis at a rate of 20% p.a.

Inventories

Raw materials, imported finished products and spare parts are stated at cost including duty, freight and clearance charges, where appropriate. Manufactured finished products and work in progress are stated at raw material cost, plus labour and attributable manufacturing overheads. All inventories are stated at net realisable value if lower than cost. Livestock is valued at market value. Provision is made for obsolete, slow moving and defective inventories.

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Employee entitlements

Employee entitlements to annual leave and gratuity are recognised when they accrue to employees. A provision is made for the estimated liability for the entitlements as a result of services rendered by employees up to the balance sheet date.

Retirements benefits obligations

The group operates a defined contribution pension scheme for its eligible employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by payments from both the employees and the company.

The group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute.

The group's obligations to retirement benefit schemes are recognised in the income statement as they fall due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantially enacted are used to determine deferred tax.

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

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the income statement.

Segmental reporting

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

2 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the entities accounting policies are dealt with below:

Critical judgements in applying accounting policies

Plant and equipment

Critical estimates are made by the Group management, in determining depreciation rates for plant and equipment.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of plant and equipment

As described above, the Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

	Trade, motor vehicles and workshop items Sh'000	Rental income Sh'000	Poultry sales Sh'000	Group Sh'000
2007				
Turnover	1,701,711	50,285	94,527	1,846,523
Fair value gains	-	61,160	-	61,160
Profit before tax	188,110	46,351	22,985	257,446
Write off of Showroom	(8,508)	-	-	(8,508)
Segment assets	1,334,587	659,704	48,116	2,042,407
Segment liabilities	661,995	473,561	20,252	1,155,808
Depreciation/amortisation	9,109	7,311	681	17,101
Capital expenditure	27,413	7,634	2,561	37,608
2006				
Turnover	1,134,653	49,206	60,544	1,244,403
Fair value gains	-	89,320	-	89,320
Profit before tax	75,042	85,795	15,978	176,815
Segment assets	745,735	658,122	27,097	1,430,954
Segment liabilities	574,331	109,729	14,415	698,475
Depreciation/amortisation	8,833	5,274	632	14,739
Capital expenditure	20,348	25,077	300	45,725

(b) Secondary reporting – Geographical segments

The group's revenues are derived from sales in the following markets:

	2007 Sh'000	2006 Sh'000
Kenya	1,081,353	715,099
Uganda	506,680	335,735
Tanzania	258,490	193,569
	1,846,523	1,244,403

4 OTHER OPERATING INCOME

Gain on disposal of property, plant and equipment and intangibles	310	671
Sundry income	5,670	4,252
	5,980	4,923

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2007 Sh'000	2006 Sh'000
5	**WRITE OFF OF SHOWROOM**		
	Demolition of Car & General (Uganda) Limited Showroom	(8,508)	-
6	**FINANCE COSTS - NET**		
	Interest income - customers	803	3,500
	Interest payable and similar charges	(39,873)	(25,007)
	Net exchange gains	16,703	14,663
		(22,367)	(6,844)
7	**PROFIT BEFORE TAX**		
	The profit before tax is arrived at after charging:		
	Depreciation - property, plant and equipment	16,398	14,139
	Amortisation - operating lease prepayments	208	211
	- intangible assets	495	389
	Staff costs (note 8)	144,466	122,447
	Directors' remuneration - current year fees	961	1,182
	- other emoluments	16,575	15,722
	Auditors' remuneration	2,495	2,202
	And after crediting:		
	Fair value gains on investment properties	61,160	89,320
	Gain on disposal of property, plant and equipment and intangibles	310	671
8	**STAFF COSTS**		
	Salaries and wages	138,739	117,633
	Retirement benefit costs:		
	- Defined contribution scheme	2,837	2,116
	- National Social Security Fund	3,129	2,344
	Leave pay provision	(239)	354
		144,466	122,447
9	**TAXATION**		
	(a) Taxation charge		
	Current tax - current year	51,750	13,003
	Deferred tax - current year	30,902	42,405
	- prior year overprovision	-	(16,180)
	Deferred tax - (note 24)	30,902	26,225
	Taxation charge	82,652	39,228

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TAXATION CHARGE (continued)

(b) Reconciliation of expected tax based on accounting profit to the taxation charge

	2007 Sh'000	2006 Sh'000
Group profit before taxation	257,446	176,815
Tax calculated at the applicable rate of 30%	77,234	53,045
Tax effect of:		
Expenses not deductible for tax purposes	10,432	2,363
Prior year overprovision	(5,014)	(16,180)
Taxation charge	82,652	39,228

(c) Taxation (Payable)/Recoverable

GROUP		
Balance at the beginning of the year – Recoverable	8,534	6,098
Expense for the year	(51,750)	(13,003)
Paid in the year	21,414	15,750
Currency translation differences	52	(311)
Balance at the end of the year – (Payable)/ recoverable	(21,750)	8,534

COMPANY		
Balance at the beginning of the year	1,288	1,232
Expense for the year	(331)	-
Paid in the year	168	56
Balance at the end of the year	1,125	1,288

10 PROFIT AFTER TAXATION

A profit of Sh 41,172,000 (2006 - Sh 73,040,000) has been dealt with in the financial statements of Car & General (Kenya) Limited.

11 MINORITY INTEREST

	2007 Sh'000	2006 Sh'000
At 1 October	1,750	(181)
Share of profit for the year	2,908	1,931
At 30 September	4,658	1,750
Represented by:		
%holding in Car & General (Marine) Limited	16	16

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 EARNINGS PER SHARE

Earnings per share are calculated based on the profit attributable to shareholders divided by the number of ordinary shares in issue in each period as follows:

	2007 Sh'000	2006 Sh'000
Profit attributable to equity holders of the parent (Sh'000)	171,886	135,656
Number of shares ('000)	22,280	22,280
Basic earnings per share (Sh)	7.71	6.09

Diluted earnings per share is the same as basic earnings per share.

13 DIVIDEND PER SHARE

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. At the meeting to be held on 14 March 2008, a first and final dividend is to be proposed in respect of 2007 of Shs 0.67 per share (2006 – Shs 0.67 per share) amounting to a total of Shs 15,000,000 (2006 – Shs 15,000,000). The financial statements for the year ended 30 September 2007 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 30 September 2008.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
COST OR VALUATION			
At 1 October 2005	255,204	101,842	357,046
Exchange rate adjustments	(1,610)	(3,506)	(5,116)
Additions	15,444	28,030	43,474
Disposals	-	(7,499)	(7,499)
Write offs	-	(2,075)	(2,075)
Reclassified to investment property	(24,076)	-	(24,076)
Revaluation deficit	(6,355)	-	(6,355)
At 30 September 2006	238,607	116,792	355,399
At 1 October 2006	238,607	116,792	355,399
Exchange rate adjustments	(5,467)	(1,257)	(6,724)
Additions	18,251	18,986	37,237
Disposals	-	(3,576)	(3,576)
Write offs	(12,437)	-	(12,437)
Revaluation surplus	1,673	-	1,673
At 30 September 2007	240,627	130,945	371,572
COMPRISING:			
At valuation 2007	144,576	-	144,576
At valuation 2005	51,346	-	51,346
At valuation 1992	29,020	-	29,020
At cost	15,685	130,945	146,630
	240,627	130,945	371,572
DEPRECIATION			
At 1 October 2005	31,195	56,882	88,077
Exchange rate adjustments	(189)	(686)	(875)
Charge for the year	5,085	9,054	14,139
Eliminated on disposals	-	(6,615)	(6,615)
Eliminated on write offs	-	(1,931)	(1,931)
Reclassified to investment property	(482)	-	(482)
Written back on revaluation	(21,290)	-	(21,290)
At 30 September 2006	14,319	56,704	71,023
At 1 October 2006	14,319	56,704	71,023
Exchange rate adjustments	(399)	(420)	(819)
Charge for the year	4,509	11,889	16,398
Eliminated on disposals	-	(3,074)	(3,074)
Eliminated on write offs	(3,903)	-	(3,903)
Written back on revaluation	(2,847)	-	(2,847)
At 30 September 2007	11,679	65,099	76,778

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - GROUP (continued)

	Land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
NET BOOK VALUE			
At 30 September 2007	228,948	65,846	294,794
At 30 September 2006	224,288	60,088	284,376
NET BOOK VALUE (COST BASIS)			
At 30 September 2007	105,258	65,846	171,104
At 30 September 2006	88,838	60,088	148,926

Freehold land and buildings are carried at valuations derived by various external professional valuers. The basis of valuation has been open market value.

	2007 Sh'000	2006 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings over 50 years unexpired	58,145	62,597
Leasehold buildings under 50 years unexpired	166,797	175,880
	225,072	238,607

The exchange rate adjustments arise as a result of the translation of the property, plant and equipment opening balances of Car & General (Uganda) Limited, Car & General (Tanzania) Limited, Car & General (Trading) Limited - Tanzania, Kibo Poultry Products Limited and Sovereign Holdings International Limited.

The rates of exchange applied at 30 September were as follows:

	2007 KSh	2006 KSh
1 Tanzania shilling	0.0545	0.0569
1 Uganda shilling	0.0382	0.0391
1 US dollar	66.9000	72.7500

Included in plant and equipment as at 30 September 2007 are idle assets with an original cost of Sh 1,053,000 (2006 - Sh 1,053,000) and accumulated depreciation of Sh 999,000 (2006 – Sh 986,000).

Included in plant and equipment as at 30 September 2007 are fully depreciated assets with an original cost of Sh 88,000 (2006 – Sh 88,000). The notional depreciation on these assets is Sh 11,000 (2006 – Sh 11,000).

The group has pledged assets with net book value of Sh 710,254,000 (2006 – Sh 635,813,000) to secure borrowings granted to it.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
COST OR VALUATION			
At 1 October 2005	155,340	19,329	174,669
Additions	15,428	7,566	22,994
Disposals	-	(4,062)	(4,062)
Reclassified to investment property	(24,076)	-	(24,076)
Revaluation deficit	(6,355)	-	(6,355)
At 30 September 2006	140,337	22,833	163,170
At 1 October 2006	140,337	22,833	163,170
Additions	2,696	4,647	7,343
Disposals	-	(1,260)	(1,260)
Revaluation surplus	1,673	-	1,673
At 30 September 2007	144,706	26,220	170,926
COMPRISING:			
At valuation 2007	144,576	-	144,576
At cost	130	26,220	26,350
	144,706	26,220	170,926
DEPRECIATION			
At 1 October 2005	18,691	12,348	31,039
Charge for the year	3,120	1,801	4,921
Eliminated on disposals	-	(3,788)	(3,788)
Reclassified to investment property	(482)	-	(482)
Written back on revaluation	(21,290)	-	(21,290)
At 30 September 2006	39	10,361	10,400
At 1 October 2006	39	10,361	10,400
Charge for the year	2,850	2,949	5,799
Eliminated on disposals	-	(1,187)	(1,187)
Write back on revaluation	(2,847)	-	(2,847)
At 30 September 2007	42	12,123	12,165

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT – COMPANY (continued)

	Land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
NET BOOK VALUE			
At 30 September 2007	144,664	14,097	158,761
At 30 September 2006	140,298	12,472	152,770
NET BOOK VALUE (COST BASIS)			
At 30 September 2007	52,465	14,097	66,562
At 30 September 2006	50,840	12,472	63,312

The Company has pledged assets with net book value of Sh 603,053,000 (2006 – Sh 537,543,000) to secure borrowings granted to it.

	2007 Sh'000	2006 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings under 50 years unexpired	6,799	6,761
Leasehold buildings over 50 years unexpired	137,777	133,446
	144,706	140,337

Freehold land and buildings are carried at valuations derived by various external professional valuers. The basis of valuation has been open market value.

15 OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000
COST	
At 1 October 2005	20,724
Exchange rate adjustments	(290)
Reclassified to investment property	(30)
At 30 September 2006	20,404
At 1 October 2006	20,404
Exchange rate adjustments	(451)
At 30 September 2007	19,953

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 OPERATING LEASE PREPAYMENTS - GROUP (continued)

	Sh'000
AMORTISATION	
At 1 October 2005	3,299
Exchange rate adjustments	(43)
Reclassified to investment property	(13)
Amortisation for the year	211
At 30 September 2006	3,454
At 1 October 2006	3,454
Exchange rate adjustments	(74)
Amortisation for the year	208
At 30 September 2007	3,588
NET BOOK VALUE	
At 30 September 2007	16,365
At 30 September 2006	16,950

The reclassification relates to the transfer of leasehold land with a net book value of Sh 17,000 in 2006 (note 17) to investment property in accordance with the revised International Accounting Standard No. 40, Investment Property.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 OPERATING LEASE PREPAYMENTS - COMPANY

COST	Sh'000
At 1 October 2005	1,570
Reclassified to investment property	(30)
At 30 September 2006	1,540
At 1 October 2006 and 30 September 2007	1,540
AMORTISATION	
At 1 October 2005	412
Reclassified to investment property	(13)
Charge for the year	20
At 30 September 2006	419
At 1 October 2006	419
Charge for the year	19
At 30 September 2007	438
NET BOOK VALUE	
At 30 September 2007	1,102
At 30 September 2006	1,121

The reclassification relates to the transfer of leasehold land with a net book value of Sh 17,000 (note 17) to investment property in accordance with the revised International Accounting Standard No. 40, Investment Property.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2005	736	465
Exchange rate adjustments	(34)	-
Additions	2,251	2,083
Write-off	(44)	-
At 30 September 2006	2,909	2,548
At 1 October 2006	2,909	2,548
Exchange rate adjustments	(15)	-
Additions	371	291
At 30 September 2007	3,265	2,839
DEPRECIATION		
At 1 October 2005	384	315
Exchange rate adjustments	(9)	-
Charge for the year	389	333
Eliminated on write-off	(26)	-
At 30 September 2006	738	648
At 1 October 2006	738	648
Exchange rate adjustments	(5)	-
Charge for the year	495	417
At 30 September 2007	1,228	1,065
NET BOOK VALUE		
At 30 September 2007	2,037	1,774
At 30 September 2006	2,171	1,900

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 INVESTMENT PROPERTY – GROUP AND COMPANY

	Sh'000
At 1 October 2005	283,284
Reclassified from operating lease prepayments (note 15)	17
Reclassified from freehold land & buildings	23,594
Fair value gains	89,320
At 30 September 2006	396,215
At 1 October 2006	396,215
Fair value gains	61,160
At 30 September 2007	457,375

Investment properties comprise residential and commercial properties held for long-term rental yields and not occupied by the group.

These properties were valued by R R Oswald & Company Limited, registered valuers, as at 30 September 2007, on an open market basis.

	2007 Sh'000	2006 Sh'000
ANALYSIS OF INVESTMENT PROPERTY AT VALUATION:		
Leasehold over 50 years unexpired	83,000	111,215
Leasehold under 50 years unexpired	374,375	285,000
	457,375	396,215

18 FINANCE LEASE RECEIVABLES - GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
Amounts receivable under finance leases:				
Within one year	25,465	29,505	21,256	25,023
In the second to fifth year inclusive	-	-	-	-
	25,465	29,505	21,256	25,023
Less: unearned finance income	(4,209)	(4,482)	-	-
Present value of minimum lease payments receivable	21,256	25,023	21,256	25,023

The Group enters into finance leasing arrangements for certain equipment and motor vehicles. The average term of finance leases entered into is 2 years.

Unguaranteed residual values of assets leased under finance leases are estimated at nil (2006 - Nil).

The interest rate inherent in the leases is variable at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 30 September 2007 was 18% (2006 – 18%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN SUBSIDIARIES

Subsidiary	Country of incorporation	Holding	2007 Sh'000	2006 Sh'000
Cargen Insurance Agencies Limited 100 shares of Sh 20 each at cost	Kenya	100%	2	2
Car & General (Marine) Limited 157,757 shares of Sh 20 each at cost	Kenya	84%	3,155	3,155
Car & General (Automotive) Limited 95,480 shares of Sh 20 each at cost less amounts written off	Kenya	100%	1,098	1,098
Car & General (Industries) Limited 1,000 shares of Sh 20 each at cost	Kenya	100%	20	20
Car & General (Trading) Limited - Kenya 2,000 shares of Sh 20 each at cost	Kenya	100%	40	40
Car & General (Piaggio) Limited 25,000 shares of Sh 20 each at cost	Kenya	100%	500	500
Car & General (Engineering) Limited 130,000 shares of Sh 20 each at cost	Kenya	100%	2,600	2,600
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	Tanzania	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	Tanzania	100%	15,072	15,072
Kibo Poultry Products Limited 998 shares of Tsh 5,000 each at cost	Tanzania	100%	90	90
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	Uganda	100%	2,250	2,250
Sovereign Holdings International Limited 1 share of US$ 1 each	British Virgin Islands	100%	-	-
			27,427	27,427

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2007 Sh'000	2006 Sh'000
20	**INVENTORIES - GROUP**		
	Raw materials, spares and consumables	134,644	81,979
	Work in progress	8,608	2,931
	Finished products	286,598	129,172
	Goods in transit and in bond	395,922	230,785
	Livestock	4,113	3,457
		829,885	448,324

		GROUP		COMPANY	
		2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
21	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	259,333	156,343	10,330	11,965
	Due from directors	1,209	1,135	1,209	1,135
	Other receivables	83,358	49,356	9,210	11,385
		343,900	206,834	20,749	24,485

		2007 Sh'000	2006 Sh'000
22	**GROUP COMPANIES**		
	Due from Group companies:		
	Car & General (Trading) Limited - Kenya	292,233	53,377
	Car & General (Piaggio) Limited	85,326	85,795
	Car & General (Automotive) Limited	2,753	10,749
	Car & General (Tanzania) Limited	2,022	1,371
	Car & General (Trading) Limited - Tanzania	1,484	1,484
	Car & General (Engineering) Limited	9,153	9,103
	Car & General (Marine) Limited	7,295	7,237
	Kibo Poultry Products Limited	-	235
	Sovereign Holdings International Limited	8,546	8,546
		408,812	177,897
	Due to Group companies:		
	Car & General (Uganda) Limited	80,921	85,056
	Car & General (Industries) Limited	4,467	4,484
	Kibo Poultry Products Limited	4,174	-
		89,562	89,540

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 SHARE CAPITAL

	2007 Sh'000	2006 Sh'000
Authorised		
23,000,000 ordinary shares of Sh 5 each	115,000	115,000
Issued and fully paid		
22,279,616 ordinary shares of Sh 5 each	111,398	111,398

24 DEFERRED TAX

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

	2007 Sh'000	2006 Sh'000
GROUP		
At 1 October	140,495	109,602
Exchange difference on translation	(517)	187
Income statement charge - (note 9)	30,902	26,225
Revaluation reserve debit	1,356	4,481
At 30 September	172,236	140,495
COMPANY		
At 1 October	137,163	110,876
Income statement charge	20,006	21,806
Revaluation reserve debit	1,356	4,481
At 30 September	158,525	137,163

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFERRED TAX (continued)

Deferred tax assets and liabilities, and the movement on the deferred tax account are attributable to the following items:

	2006 Sh'000	Exchange adjustment Sh'000	Charged to revaluation surplus Sh'000	Charged/ (credited) to income statement Sh'000	2007 Sh'000
GROUP					
DEFERRED TAX LIABILITIES					
Accelerated capital allowances	(1,866)	(66)	-	4,923	2,991
Relating to revaluation surplus	152,179	(571)	1,356	18,100	171,064
Unrealised exchange differences	(1,321)	25	-	2,157	861
	148,992	(612)	1,356	25,180	174,916
DEFERRED TAX ASSETS					
Tax losses carried forward	(6,943)	95	-	4,773	(2,075)
Unrealised exchange differences	(688)	-	-	688	-
Leave pay provision	(866)	-	-	261	(605)
	(8,497)	95	-	5,722	(2,680)
Net deferred tax liability	140,495	(517)	1,356	30,902	172,236
COMPANY					
DEFERRED TAX LIABILITIES					
Relating to revaluation surplus	138,164	-	1,356	18,348	157,868
Unrealised exchange differences	-	-	-	562	562
	138,164	-	1,356	18,910	158,430
DEFERRED TAX ASSETS					
Accelerated capital allowances	387	-	-	313	700
Tax losses carried forward	(522)	-	-	522	-
Leave pay provision	(866)	-	-	261	(605)
	(1,001)	-	-	1,096	95
Net deferred tax liability	137,163	-	1,356	20,006	158,525

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 BORROWINGS

	2007 Sh'000	2006 Sh'000
GROUP		
Loans:		
Short - term note - interest 9.47% (2006 – 9.79%) p.a.	190,464	72,323
Stanbic Bank Tanzania Limited - secured, interest at 19% (2006 - 18%)	7,287	8,714
Standard Chartered Bank Kenya Limited - Import loan-secured, interest at 13.75%	86,873	-
Standard Chartered Bank Uganda Limited - Import loan-secured, interest at 21.5%	37,661	-
Standard Chartered Bank Kenya Limited - secured, interest at 14.75% (2006 – 14.75%)	19,467	11,195
Hire purchase obligations	7,404	10,289
	349,156	102,521
Bank overdrafts (secured)	79,656	66,115
	428,812	168,636
Current	(411,088)	(148,670)
Non-current	17,724	19,966
COMPANY		
Loans:		
Short - term note - interest 9.47% (2006 – 9.76%) p.a.	190,464	12,803
Standard Chartered Bank Kenya Limited - Import loan-secured, interest at 13.75%	86,873	-
Standard Chartered Bank Kenya Limited secured, interest at 14.75% p.a.	19,467	11,195
Hire purchase obligations	1,165	1,601
	297,969	25,599
Bank overdrafts (Secured)	471	12,681
	298,440	38,280
Current	(289,046)	(30,399)
Non-current	9,394	7,881

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 BORROWINGS (continued)

MATURITY OF NON CURRENT BORROWINGS

	GROUP		COMPANY	
	2007	2006	2007	2006
	Sh'000	Sh'000	Sh'000	Sh'000
Between 1 and 2 years	17,724	18,223	9,394	7,591
Between 2 and 5 years	-	1,743	-	290
	17,724	19,966	9,394	7,881

Interest rates

The effective interest rates at 30 September were as follows:

	2007	2006
Bank overdrafts	13.86%	14.30%
Loans	16.01%	11.16%

Details of securities for loans and overdrafts

GROUP

a) The Standard Chartered Bank Kenya Limited loans and overdrafts are secured by a collateral legal charge over land and buildings and a debenture over assets for Sh 312,500,000 1st ranking pari passu with CFC Bank Limited for Sh 150,000,000.

b) The Stanbic Bank Tanzania Limited loan is secured by a legal charge over land and building.

c) CFC Bank Limited loan and overdraft is secured by a collateral legal charge over land and buildings and a debenture over certain assets of the Group for Sh 150,000,000 ranking pari passu with Standard Chartered Bank Kenya Limited.

d) The National Bank of Commerce (Uganda) Limited bank overdraft is secured by a debenture over certain assets for Sh 1,337,000.

e) The Standard Chartered Bank Uganda Limited overdraft is secured by a legal charge over land and buildings and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 93,660,000.

(f) The Giro commercial Bank Limited overdraft is secured by legal charge over land and buildings for Sh 30,000,000

COMPANY

The Standard Chartered Bank Kenya Limited loans and overdrafts are secured by a collateral legal charge over land and buildings and a debenture over assets for Sh 312,500,000 1st ranking pari passu with CFC Bank Limited for Sh 150,000,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 **BORROWINGS** (continued)

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	Sh'000	**Sh'000**	**Sh'000**	**Sh'000**
Minimum lease payments				
Due within one year	3,785	3,785	573	573
Due after one year	5,926	9,710	955	1,527
	9,711	13,495	1,528	2,100
Less: Future finance charges	(2,307)	(3,206)	(363)	(499)
Present value of minimum lease payments	7,404	10,289	1,165	1,601
Less: Amount due for settlement within 12 months	(2,886)	(2,886)	(437)	(437)
Amounts due for settlement after 12 months	4,518	7,403	728	1,164

The finance lease obligations relates to the hire-purchase loan from NIC Bank Limited for purchase of motor-vehicles.

The weighted average rate of interest was 14% (2006 – 14%).

The carrying values of the lease obligation approximates their fair values. The lease are secured by the assets which are subject of the finance lease.

Undrawn facilities

The group had undrawn committed borrowing facilities amounting to Sh 321,516,000 (2006 – Sh 185,993,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

26 **TRADE AND OTHER PAYABLES**

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	Sh'000	**Sh'000**	**Sh'000**	**Sh'000**
Trade payables	397,132	317,558	3,587	7,934
Other payables	135,878	71,786	25,250	14,655
	533,010	389,344	28,837	22,589

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 NOTES TO THE CASH FLOW STATEMENT

	2007 Sh'000	2006 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	257,446	176,815
Adjustments for:		
Depreciation on property, plant and equipment	16,398	14,139
Leasehold land amortisation	208	211
Fair value gains on investment properties	(61,160)	(89,320)
Gain on disposal of property and equipment	(310)	(815)
Intangible assets amortisation	495	389
Showroom write off	8,534	-
Equipment written off	-	144
Exchange rate adjustments - opening reserves	(3,115)	1,244
Operating profit before working capital changes	218,496	102,807
Increase in inventories	(381,561)	(73,258)
Increase in trade and other receivables	(137,066)	(48,537)
Decrease in finance lease receivables	3,767	14,512
Increase in trade and other payables	143,666	107,497
Cash (used in)/generated from operations	(152,698)	103,021
(b) Analysis of changes in borrowings		
At the beginning of the year	102,521	68,338
Loans received	319,459	72,526
Repayments	(69,939)	(48,632)
Hire purchase facility	(2,885)	10,289
At the end of the year	349,156	102,521
(c) Analysis of additions to property, plant and equipment		
Acquisition by cash	37,608	31,915
Acquisition through hire-purchase (see note 27 (d))	-	11,559
At the end of the year	37,608	43,474

	2007 Sh'000	2006 Sh'000
(d) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	10,289	-
Hire-purchase financing received	-	11,559
Loans repaid in the year	(2,885)	(1,270)
At the end of the year	7,404	10,289

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Cash and cash equivalents

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

	2007 Sh'000	2006 Sh'000
Cash and bank balances	76,795	42,527
Bank overdrafts	(79,656)	(66,115)
	(2,861)	(23,588)

28 CAPITAL COMMITMENTS

Authorised and contracted for	32,244	-

29 CONTINGENT LIABILITIES

GROUP

Sundry bank guarantees	734	1,434
Pending legal suits	1,500	-
	2,234	1,434

COMPANY

Guarantees in respect of bank facilities for subsidiaries	265,460	578,273
Sundry bank guarantees	734	1,434
Pending legal suits	1,500	-
	267,694	579,707

The group is a defendant in various legal suits. In the opinion of the directors, after taking appropriate legal advice, the outcome of such suits are unlikely to result in any significant loss.

30 OPERATING LEASE ARRANGEMENTS - GROUP AND GROUP

The group/Company as a lessor

At the balance sheet date, the Group had contracted with tenants for the following non-cancellable future minimum lease payments:

	2007 Sh'000	2006 Sh'000
Within one year	17,448	49,713
In the second to fifth year inclusive	23,695	34,872
	41,143	84,585

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, the following transactions were carried out with related parties, Giro Commercial Bank Limited and National Bank of Commerce (U) Limited which are not members of Car & General (Kenya) Limited Group but are related through certain common directors:

	GROUP		COMPANY	
	2007 Sh'000	2006 Sh'000	2007 Sh'000	2006 Sh'000
Borrowings repaid	-	-	-	2,040
Interest paid	3,406	3,206	1,275	3
Loan balance at year end	12,803	-	12,803	-
Overdraft balance at year end	11,334	10,884	-	-

Compensation of key management personnel

	2007 Sh'000	2006 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	73,323	57,275
Fees for services as directors	-	-
Other emoluments (included in key management compensation above)	16,575	15,722
	16,575	15,722

32 RISK MANAGEMENT POLICIES

The group's financial risk management objectives and policies are detailed below:

Currency risk

A sizable portion of the group's purchases are denominated in foreign currencies. The group manages the currency risk by using foreign exchange forward contracts and by maintaining bank accounts in the principal foreign currency from which the payments are made.

Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the group's borrowings. To manage the interest rate risk, management has endeavoured to only sign and obtain borrowings from institutions that offer contracts with fixed interest rates. At year end, borrowings with no fixed interest rate were minimal.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 RISK MANAGEMENT POLICIES (Continued)

Credit risk

In the normal course of its business, the group incurs credit risk from customers. The credit risk is, however, managed through management's constant monitoring of the status of the credit worthiness of its customers. The group has no significant concentration of credit risk, with exposure spread over a large number of customers.

33 INCORPORATION

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

34 CURRENCY

The financial statements are presented in Kenya Shillings Thousands (Sh'000).

Proxy
Annual General Meeting

I/We

of

being a Member/Members of Car & General (Kenya) Limited hereby appoint

of

of failing him/her

of

or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me /us and on my /our behalf at the Annual General Meeting of the Company to be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi on 14 March 2008 at 12 noon, and at any adjournment thereof.

Dated this day of 2008

Signature

Notes

1 A member may appoint a proxy of his own choice. A proxy need not be a member of the Company.

2 If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized in their behalf.

3 In the case of joint holders, the signature of any one holder will be sufficient but the name of all the joint holders should be stated.

To be valid, this form must be completed and deposited at the Registered Office of the Company,New Cargen House, Lusaka Road, Nairobi, not less than twenty-four hours before the time fixed for holding the meeting or adjourned meeting.