CONTENTS

DIRECTORS, OFFICIALS AND OTHER 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	REGISTERED OFFICE	AUDITORS
N P Kothari P O Box 30633 Nairobi GPO 00100	New Cargen House Lusaka Road P O Box 20001 Nairobi City Square 00200	Deloitte & Touche Ring Road, Westlands P O Box 40092 Nairobi GPO 00100

BANKERS

Standard Chartered Bank Kenya Ltd Moi Avenue Branch P O Box 72585 Nairobi City Square 00200	Standard Chartered Bank Tanzania Ltd International House Branch P O Box 9011 Dar es Salaam	Standard Chartered Bank Uganda Ltd Speke Road P O Box 7111 Kampala
Standard Chartered Bank Kenya Ltd Harambee Avenue Branch P O Box 20063 Nairobi City Square 00200	Stanbic Bank Tanzania Ltd Main Branch P O Box 72647 Dar es Salaam	National Bank of Commerce (Uganda) Ltd P O Box 23232 Kampala
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		

ADVOCATES

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

Kabaka & Associates
P O Box 79713
Nairobi City Square 00200

DIRECTORS, OFFICIALS AND OTHER 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-seventh Annual General Meeting of Car & General (Kenya) Limited will be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi on Wednesday, 28 March 2007 at 12 noon for the following purposes:

1. To consider the Directors' Report and audited financial statements for the year ended 30 September 2006.

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 23 February 2007.

3. To approve Directors' fees.

4. To re-elect Dr B Kiplagat a Director of the Company, special notice having been received, pursuant to Sections 142 and 186 (5) of the Companies Act (Cap 486), of the intention to propose the following resolution as an ordinary resolution:

   That Dr B Kiplagat who has attained the age of 70 years, be and is hereby re-elected a Director of the Company.

5. To re-elect Mr C J Gidoomal a Director of the Company, who retires by rotation and being eligible, offers himself for re-election.

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

BY ORDER OF THE BOARD

N P Kothari
Secretary
29 January 2007

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.

CAR and GENERAL

CHAIRMAN'S REPORT

The year to September 2006 proved challenging, as anticipated. Notwithstanding, the Group made reasonable progress. Turnover, at Sh 1.24 billion, grew 17% over 2005 excluding tenders. The Group generated a profit before tax of Sh 177 million, of which Sh 89 million related to a revaluation of investment properties as required by International Financial Reporting Standards. Net results were affected by prudent provisions in relation to stocks and debts.

The highlights of the financial year were the establishment of our Cummins engine business; the growth of our TVS two wheelers in Uganda; the successful introduction of Cummins in Tanzania; the significant growth in our Cummins power generation business throughout the region; the commencement of business in Ethiopia and Djibouti through dealers; and the renovation and modernization of our workshop facilities in Kenya.

Areas for improvement are our administration and IT services; 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 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 Make better use of our upgraded IT systems to improve business efficiencies and administration.

5 To overcome registration problems in our two wheeler and three wheeler business. The inordinate delays are causing customer dissatisfaction.

6 To continue to develop and retain our best people.

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 due to the onslaught of competition from China. We need to improve our marketing activity and service business in order to increase our differentiation. We are confident that the business will continue to grow above 20% this year.

Our brake pad business struggled this year. Due to speed and load restrictions on matatus (our core market) the demand for high end pads has reduced. We have launched a less expensive offering which will increase volume. Notwithstanding this business will remain a small contributor to our trading operations.

Auto Italia

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)

Car & General (Engineering) Limited - Kenya

The Cummins business is growing significantly. Our challenge will be to maintain momentum and capture service. We have successfully established a Cummins engine workshop which is crucial to our service offering. We now need to identify and target all Cummins engines in the regional market. Prospects are promising.

We have also invested Sh 5million in our maintenance and repair center. This also represents a good opportunity in our more specialized product offerings.

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. We have upgraded our IT systems with a view to 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 will invest in modernising our infrastructure. This will cost $800,000 and will be ready by the end of the year.

Car & General (Trading) Limited - Tanzania

The operation has had a reasonable year. We now have enough product throughput (with the introduction of Cummins, three wheelers and outboards) to generate a satisfactory return.

Kibo Poultry Products Limited

We encountered a problem this year when the Tanzanian government placed a ban on the importation of poultry. This effectively set us back one year. This will affect results in the current financial year. Notwithstanding, the operation is well managed and presents a significant growth opportunity. We will be investing US$400,000 to expand the business this year. This will result in doubling our capacity. We are positive about the long-term strategic value of this business.

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. We are budgeting for a turnover of Sh 1.8 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.

Your company recommends a dividend of Sh 15million for the financial year 2005/2006. This represents Sh 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.

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.

C J Gidoomal – CHAIRMAN

29 January 2007

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)

Top ten shareholders

		2006 No of shares	%
1	Fincom Limited	7,240,789	32.5
2	Primaco Limited	4,248,737	19.1
3	Betrin Limited	3,834,122	17.2
4	Monyaka Investments Limited	2,787,285	12.5
5	Vapa Limited	722,510	3.2
6	Mr C J Gidoomal	245,677	1.1
7	Mr K D Kyuli	168,960	0.8
8	Lerematesho Limited	149,200	0.7
9	Mr D G Bellhouse	140,798	0.6
10	Mr Kieti Peter Makau	121,086	0.5

Directors' shareholdings

Mr C J Gidoomal	245,677
Mr V V Gidoomal	880
Mr N Ng'ang'a	3,027
Mr EM Grayson	880
Mr B Kiplagat	880
Mr Harbans Singh 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 2006.

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:

		2006 Sh'000
Kenya:	Parent company	86,059
	Trading	15,487
	Engineering	32,017
		133,563
Uganda:	Trading	22,218
Tanzania:	Trading	5,056
	Poultry	15,978
		21,034
Group profit before taxation		176,815
Taxation		(39,228)
Net profit for the year		137,587
Attributable to:		
Equity holders of the parent		135,656
Minority interest		1,931
		137,587

DIVIDEND

The directors propose payment of a first and final dividend of Sh 15,000,000 (2005 - 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 Dr B Kiplagat who has attained the age of 70 years be re-elected a director of the Company. Dr B Kiplagat offers himself for re-election.

Mr C J Gidoomal retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

AUDITORS

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

N P Kothari
Secretary
29 January 2007

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 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 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 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 the company and of its 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 a going concern for at least the next twelve months from the date of this statement.

Director

Director

29 January 2007

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 42 which comprise the consolidated and company balance sheets as at 30 September 2006, 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 2006 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.

29 January 2007

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 Sh'000	2005 Sh'000
TURNOVER	2	1,244,403	1,061,742
COST OF SALES		(925,358)	(801,776)
GROSS PROFIT		319,045	259,966
OTHER OPERATING INCOME	3	4,923	13,790
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	17	89,320	205,218
SELLING AND DISTRIBUTION COSTS		(94,587)	(109,475)
ADMINISTRATIVE EXPENSES		(135,042)	(95,632)
OPERATING PROFIT	4	183,659	273,867
FINANCE (COSTS)/INCOME - NET	6	(6,844)	9,143
PROFIT BEFORE TAXATION		176,815	283,010
TAXATION CHARGE	7	(39,228)	(88,737)
PROFIT FOR THE YEAR	8	137,587	194,273
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		135,656	193,945
MINORITY INTEREST	9	1,931	328
		137,587	194,273
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	10	6.09	8.71
DIVIDEND PER SHARE	11	0.67	0.67

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2006

	Note	2006 Sh'000	2005 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	284,376	268,969
Operating lease prepayments	14	16,950	17,425
Intangible assets	16	2,171	352
Investment property	17	396,215	283,284
Finance lease receivables	18	-	11,485
		699,712	581,515
Current assets			
Inventories	20	448,324	375,066
Finance lease receivables	18	25,023	28,050
Trade and other receivables	21	206,834	158,297
Taxation recoverable		8,534	6,098
Cash and bank balances		42,527	11,887
		731,242	579,398
Total assets		1,430,954	1,160,913
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	111,398	111,398
Revaluation reserve		151,077	143,839
Revenue reserve		468,254	333,148
Proposed dividend		-	15,000
Equity attributable to equity holders of Car & General (K) Limited		730,729	603,385
Minority interest	9	1,750	(181)
Total equity		732,479	603,204
Non-current liabilities			
Deferred taxation	24	140,495	109,602
Borrowings	25	19,966	10,017
		160,461	119,619
Current liabilities			
Borrowings	25	148,670	156,243
Trade and other payables	26	389,344	281,847
		538,014	438,090
Total equity and liabilities		1,430,954	1,160,913

The financial statements on pages 12 to 42 were approved by the board of directors on 29 January 2007 and were signed on its behalf by:

V.V. Gidoomal
Director

E.M. Grayson
Director

COMPANY BALANCE SHEET
30 SEPTEMBER 2006

	Note	2006 Sh'000	2005 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	13	152,770	143,630
Operating lease prepayments	15	1,121	1,158
Intangible assets	16	1,900	150
Investment property	17	396,215	283,284
Investment in subsidiaries	19	27,427	27,427
		579,433	455,649
Current assets			
Trade and other receivables	21	24,485	17,555
Due from group companies	22	177,897	234,194
Taxation recoverable		1,288	1,232
Cash and bank balances		438	275
		204,108	253,256
Total assets		783,541	708,905
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	111,398	111,398
Revaluation reserve		74,122	64,886
Revenue reserve		310,449	236,190
Proposed dividend		-	15,000
Shareholders' funds		495,969	427,474
Non current liabilities			
Deferred taxation	24	137,163	110,876
Borrowings	25	7,881	-
		145,044	110,876
Current liabilities			
Trade and other payables	26	22,589	16,795
Due to group companies	22	89,540	92,116
Borrowings	25	30,399	61,644
		142,528	170,555
Total equity and liabilities		783,541	708,905

The financial statements on pages 12 to 42 were approved by the board of directors on 29 January 2007 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 2006

	Attributable to equity holders of the parent					
	Share capital Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Minority interest Sh'000	Total Sh'000
Year ended 30 September 2005						
At 1 October 2004	111,398	103,190	168,854	15,000	(509)	397,933
Revaluation surplus on property	-	62,462	-	-	-	62,462
Deferred tax on revaluation surplus	-	(11,775)	-	-	-	(11,775)
Transfer of excess depreciation	-	(1,939)	1,939	-	-	-
Deferred tax on depreciation transfer	-	582	(582)	-	-	-
Currency translation differences	-	(8,681)	(16,008)	-	-	(24,689)
Net profit for the year	-	-	193,945	-	328	194,273
Dividend paid - 2004	-	-	-	(15,000)		(15,000)
Proposed dividend - 2005	-	-	(15,000)	15,000		-
At 30 September 2005	111,398	143,839	333,148	15,000	(181)	603,204
Year ended 30 September 2006						
At 1 October 2005	111,398	143,839	333,148	15,000	(181)	603,204
Revaluation surplus on property	-	14,935	-	-	-	14,935
Deferred tax on revaluation surplus	-	(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)
Net profit for the year	-	-	135,656	-	1,931	137,587
Dividend paid - 2005	-	-	-	(15,000)	-	(15,000)
At 30 September 2006	111,398	151,077	468,254	-	1,750	732,479

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2006

Year ended 30 September 2005	Share capital Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 October 2004	111,398	38,167	90,186	15,000	254,751
Revaluation surplus on property	-	39,249	-	-	39,249
Deferred tax on revaluation surplus	-	(11,775)	-	-	(11,775)
Transfer of excess depreciation	-	(1,078)	1,078	-	-
Deferred tax on depreciation transfer	-	323	(323)	-	-
Net profit for the year	-	-	160,249	-	160,249
Dividends paid - 2004	-	-	-	(15,000)	(15,000)
Proposed dividend - 2005	-	-	(15,000)	15,000	-
At 30 September 2005	111,398	64,886	236,190	15,000	427,474
Year ended 30 September 2006					
At 1 October 2005	111,398	64,886	236,190	15,000	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)	-	-
Net 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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 Sh'000	2005 Sh'000
Operating activities			
Cash generated from/(used in) operations	27(a)	124,528	(28,278)
Interest paid		(25,007)	(23,183)
Interest received		3,500	5,804
Tax paid		(15,750)	(7,529)
Net cash generated from/(used in) operating activities		87,271	(53,186)
Investing activities			
Purchase of property, plant and equipment		(31,915)	(21,005)
Purchase of intangible assets		(2,251)	(221)
Proceeds on disposal of property, plant and equipment and intangibles		1,718	1,946
Net cash used in investing activities		(32,448)	(19,280)
Financing activities			
Loans received	27(b)	72,526	70,697
Loans repaid	27(b)	(48,632)	(31,999)
Dividend paid		(15,000)	(15,000)
Repayment of hire-purchase facility	27(d)	(1,270)	-
Net cash generated from/(used in) financing activities		7,624	23,698
Increase/(decrease) in cash and cash equivalents		62,447	(48,768)
Cash and cash equivalents at the beginning of the year		(86,035)	(37,267)
Cash and cash equivalents at the end of the year	27(e)	(23,588)	(86,035)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted have not changed from the previous year and are set out below:

Adoption of new and revised international financial reporting standards

In 2005 several new and revised standards became effective for the first time and have been adopted by the group where relevant to its operations. The adoption of the new and revised standards has no effect on the amounts reported for the current or prior years. This only resulted in changes in presentation and disclosure:

- IAS 1 requires:
  - Minority interest to be shown as part of equity,
  - Management judgements and key sources of estimation and uncertainty at the balance sheet date be disclosed in the financial statements.
- IAS 10 has affected the presentation of proposed dividends.
- IAS 16 requires the disclosure of comparative figures for movements in property and equipment.
- IAS 24 requires the disclosure of the compensation of key management personnel.

At the date of authorization of these financial statements IFRS 6 on Exploration for and Evaluation of Mineral Assets and IFRS 7 on Financial Instruments Disclosures were in issue but not yet effective. The adoption of these Standards, 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets represent computer software which is stated at cost less amortization 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Taxation (continued)

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 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
2006				
Turnover	1,134,653	49,206	60,544	1,244,403
Fair value gains	-	89,320	-	89,320
Operating profit	81,190	86,073	16,396	183,659
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
2005				
Turnover	951,998	49,200	60,544	1,061,742
Fair value gains	-	205,218	-	205,218
Operating profit	52,148	208,464	13,255	273,867
Segment assets	633,388	509,330	18,195	1,160,913
Segment liabilities	354,058	189,315	14,336	557,709
Depreciation/amortisation	5,974	4,448	400	10,822
Capital expenditure	16,096	2,468	2,441	21,005

NOTES TO THE FINANCIAL STATEMENTS (continued)

(b) Secondary reporting – Geographical segments

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

	2006 Sh'000	2005 Sh'000
Kenya	715,099	761,038
Uganda	335,735	135,505
Tanzania	193,569	165,199
	1,244,403	1,061,742

3 OTHER OPERATING INCOME

Profit on disposal of property, plant and equipment and intangibles	671	1,706
Sundry income	4,252	12,084
	4,923	13,790

4 OPERATING PROFIT

The operating profit is arrived at after charging:

Depreciation - property, plant and equipment	14,139	10,495
Amortisation - operating lease prepayments	211	235
- intangible assets	389	92
Staff costs (note 5)	122,447	86,092
Directors' remuneration - current year fees	1,182	650
- other emoluments	15,722	14,638
Auditors' remuneration	2,202	2,151

And after crediting:

Fair value gains on investment properties	89,320	205,218
Profit on disposal of property, plant and equipment and intangibles	671	1,706

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 STAFF COSTS

	2006 Sh'000	2005 Sh'000
Salaries and wages	117,633	82,448
Retirement benefit costs:		
- Defined contribution scheme	2,116	1,302
- National Social Security Fund	2,344	1,878
Leave pay provision	354	464
	122,447	86,092

6 FINANCE (COSTS) /INCOME - NET

	2006 Sh'000	2005 Sh'000
Interest income - customers	3,500	5,804
Interest payable and similar charges	(25,007)	(23,183)
Net exchange gains	14,663	26,522
	(6,844)	9,143

7 TAXATION CHARGE

		2006 Sh'000	2005 Sh'000
Current tax	- current year	13,003	7,205
Deferred tax	- current year	42,405	81,642
	- prior year overprovision	(16,180)	(110)
Deferred tax	- (note 24)	26,225	81,532
Taxation charge		39,228	88,737

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

	2006 Sh'000	2005 Sh'000
Group profit before taxation	176,815	283,010
Tax calculated at the applicable rate of 30%	53,045	84,903
Tax effect of:		
Expenses not deductible for tax purposes	2,363	5,606
Income not taxable	-	(1,662)
Prior year overprovision	(16,180)	(110)
Taxation charge	39,228	88,737

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 PROFIT AFTER TAXATION

A profit of Sh 73,040,000 (2005 - Sh 160,249,000) has been dealt with in the financial statements of Car & General (Kenya) Limited.

9 MINORITY INTEREST

	2006 Sh'000	2005 Sh'000
At 1 October	(181)	(509)
Share of profit for the year	1,931	328
At 30 September	1,750	(181)
Represented by:		
%holding in Car & General (Marine) Limited	16	16

10 EARNINGS PER SHARE

Earnings per share is calculated on the net profit for the year attributable to ordinary shareholders of Sh 135,656,000 (2005 - Sh 193,945,000) divided by the number of ordinary shares in issue during the year of 22,279,616 (2005 - 22,279,616). Diluted earnings per share is the same as the basic earnings per share.

11 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 28 March 2007, a first and final dividend is to be proposed in respect of 2006 of Shs 0.67 per share (2005 – Shs 0.67 per share) amounting to a total of Shs 15,000,000 (2005 – Shs 15,000,000). The financial statements for the year ended 30 September 2006 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ended 30 September 2007.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Freehold land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
COST OR VALUATION			
At 1 October 2004	214,231	86,933	301,164
Exchange rate adjustments	(10,863)	(3,045)	(13,908)
Additions	-	21,005	21,005
Disposals	-	(1,260)	(1,260)
Write offs	-	(1,791)	(1,791)
Revaluation surplus	51,836	-	51,836
At 30 September 2005	255,204	101,842	357,046
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 surplus	(6,355)	-	(6,355)
At 30 September 2006	238,607	116,792	355,399
COMPRISING:			
At valuation 2006	140,207	-	140,207
At valuation 2005	55,836	-	55,836
At valuation 1994	10,141	-	10,141
At valuation 1992	20,529	-	20,529
At valuation 1991	10,049	-	10,049
At cost	1,845	116,792	118,637
	238,607	116,792	355,399
DEPRECIATION			
At 1 October 2004	40,018	54,165	94,183
Exchange rate adjustments	(2,265)	(1,211)	(3,476)
Charge for the year	4,068	6,427	10,495
Eliminated on disposals	-	(1,063)	(1,063)
Eliminated on write offs	-	(1,436)	(1,436)
Written back on revaluation	(10,626)	-	(10,626)
At 30 September 2005	31,195	56,882	88,077
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 **PROPERTY, PLANT AND EQUIPMENT - GROUP** (continued)

	Freehold land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
NET BOOK VALUE			
At 30 September 2006	224,288	60,088	284,376
At 30 September 2005	224,009	44,960	268,969
NET BOOK VALUE (COST BASIS)			
At 30 September 2006	42,123	60,088	102,211
At 30 September 2005	99,283	32,768	132,051

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

	2006 Sh'000	2005 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings over 50 years unexpired	62,597	62,462
Leasehold buildings under 50 years unexpired	175,880	192,612
	238,607	255,204

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:

	2006 KSh	2005 KSh
1 Tanzania shilling	0.0569	0.0652
1 Uganda shilling	0.0391	0.0397
1 US dollar	72.7500	74.0000

Included in plant and equipment as at 30 September 2006 are idle assets with an original cost of Sh 1,053,000 (2005 - Sh 1,053,000) and accumulated depreciation of Sh 986,000(2005 – Sh 947,000).

Included in plant and equipment as at 30 September 2006 are fully depreciated assets with an original cost of Sh 88,000 (2005 - Sh 88,000). The notional depreciation on these assets is Sh 11,000 (2005 – Sh 11,000).

The group has pledged assets with a net book value of Sh 635,813,000 (2005 – Sh 457,670,000) to secure borrowings granted to it.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Freehold land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
COST OR VALUATION			
At 1 October 2004	122,839	18,652	141,491
Additions	-	2,468	2,468
Write offs	-	(1,791)	(1,791)
Revaluation surplus	32,501	-	32,501
At 30 September 2005	155,340	19,329	174,669
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 surplus	(6,355)	-	(6,355)
At 30 September 2006	140,337	22,833	163,170
COMPRISING:			
At valuation 2006	140,207	-	140,207
At cost	130	22,833	22,963
	140,337	22,833	163,170
DEPRECIATION			
At 1 October 2004	22,982	12,624	35,606
Charge for the year	2,457	1,160	3,617
Eliminated on write offs	-	(1,436)	(1,436)
Written back on revaluation	(6,748)	-	(6,748)
At 30 September 2005	18,691	12,348	31,039
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT - COMPANY (continued)

	Freehold land and buildings Sh'000	Plant and equipment Sh'000	Total Sh'000
NET BOOK VALUE			
At 30 September 2006	140,298	12,472	152,770
At 30 September 2005	136,649	6,981	143,630
NET BOOK VALUE (COST BASIS)			
At 30 September 2006	91	12,472	12,563
At 30 September 2005	60,526	6,981	67,507

The company has pledged assets with net book value of Sh 537,543,000 (2005 – Sh 351,250,000) to secure borrowings granted to it.

	2006 Sh'000	2005 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings under 50 years unexpired	6,761	5,667
Leasehold buildings over 50 years unexpired	133,446	149,543
	140,337	155,340

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

14 OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000
COST	
At 1 October 2004	25,493
Exchange rate adjustments	(3,210)
Reclassified to investment property	(1,500)
Disposals	(59)
At 30 September 2005	20,724
At 1 October 2005	20,724
Exchange rate adjustments	(290)
Reclassified to investment property	(30)
At 30 September 2006	20,404

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 OPERATING LEASE PREPAYMENTS – GROUP (continued)

	Sh'000
AMORTISATION	
At 1 October 2004	4,058
Exchange rate adjustments	(451)
Reclassified to investment property	(527)
Amortisation for the year	235
Disposals	(16)
At 30 September 2005	3,299
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
NET BOOK VALUE	
At 30 September 2006	16,950
At 30 September 2005	17,425

The reclassification relates to the transfer of leasehold land with a net book value of Sh 17,000 (2005 - Sh 973,000) (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

	Sh'000
COST	
At 1 October 2004	3,070
Reclassified to investment property	(1,500)
At 30 September 2005	1,570
At 1 October 2005	1,570
Reclassified to investment property	(30)
At 30 September 2006	1,540
AMORTISATION	
At 1 October 2004	898
Reclassified to investment property	(527)
Charge for the year	41
At 30 September 2005	412
At 1 October 2005	412
Reclassified to investment property	(13)
Charge for the year	20
At 30 September 2006	419
NET BOOK VALUE	
At 30 September 2006	1,121
At 30 September 2005	1,158

The reclassification relates to the transfer of leasehold land with a net book value of Sh 17,000 (2005 - Sh 973,000) (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 2004	523	465
Exchange rate adjustments	(8)	-
Additions	221	-
At 30 September 2005	736	465
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
DEPRECIATION		
At 1 October 2004	294	278
Exchange rate adjustments	(2)	-
Charge for the year	92	37
At 30 September 2005	384	315
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
NET BOOK VALUE		
At 30 September 2006	2,171	1,900
At 30 September 2005	352	150

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 14)	17
Reclassified from freehold land & buildings	23,594
Fair value gains	89,320
At 30 September 2006	396,215

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 2006, on an open market basis.

	2006 Sh'000	2005 Sh'000
ANALYSIS OF INVESTMENT PROPERTY AT VALUATION:		
Leasehold over 50 years unexpired	111,215	73,284
Leasehold under 50 years unexpired	285,000	210,000
	396,215	283,284

18 FINANCE LEASE RECEIVABLES - GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2006 Sh'000	2005 Sh'000	2006 Sh'000	2005 Sh'000
Amounts receivable under finance leases:				
Within one year	29,505	34,189	25,023	28,050
In the second to fifth year inclusive	-	12,539	-	11,485
	29,505	46,728	25,023	39,535
Less: unearned finance income	(4,482)	(7,193)	-	-
Present value of minimum lease payments receivable	25,023	39,535	25,023	39,535

The company 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 (2005 - 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 2006 was 18% (2005 – 18%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN SUBSIDIARIES

Subsidiary	Country of incorporation	Holding	2006 Sh'000	2005 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)

		2006 Sh'000	2005 Sh'000
20	**INVENTORIES**		
	Raw materials, spares and consumables	81,979	44,600
	Work in progress	2,931	2,154
	Finished products	129,172	121,085
	Goods in transit and in bond	230,785	203,847
	Livestock	3,457	3,380
		448,324	375,066

		GROUP		COMPANY	
		2006 Sh'000	2005 Sh'000	2006 Sh'000	2005 Sh'000
21	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	156,343	117,703	11,965	11,635
	Due from directors	1,135	2,026	1,135	1,138
	Other receivables	49,356	38,568	11,385	4,782
		206,834	158,297	24,485	17,555

		2006 Sh'000	2005 Sh'000
22	**GROUP COMPANIES**		
	Due from Group companies:		
	Car & General (Trading) Limited - Kenya	53,377	113,641
	Car & General (Piaggio) Limited	85,795	66,999
	Car & General (Automotive) Limited	10,749	19,926
	Car & General (Tanzania) Limited	1,371	1,371
	Car & General (Trading) Limited - Tanzania	1,484	1,141
	Car & General (Engineering) Limited	9,103	9,096
	Car & General (Marine) Limited	7,237	7,236
	Kibo Poultry Products Limited	235	6,238
	Sovereign Holdings International Limited	8,546	8,546
		177,897	234,194
	Due to Group companies:		
	Car & General (Uganda) Limited	85,056	87,631
	Car & General (Industries) Limited	4,484	4,485
		89,540	92,116

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 SHARE CAPITAL

	2006 Sh'000	2005 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:

	2006 Sh'000	2005 Sh'000
GROUP		
At 1 October	109,602	18,086
Exchange difference on translation	187	(1,791)
Income statement charge - (note 7)	26,225	81,532
Revaluation reserve debit	4,481	11,775
At 30 September	140,495	109,602
COMPANY		
At 1 October	110,876	27,220
Income statement charge	21,806	71,881
Revaluation reserve debit	4,481	11,775
At 30 September	137,163	110,876

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

	2005 Sh'000	Exchange adjustment Sh'000	Charged to revaluation reserve Sh'000	Charged/ (credited) to income statement Sh'000	2006 Sh'000
GROUP					
DEFERRED TAX LIABILITIES					
Accelerated capital allowances	1,707	(63)	-	(3,510)	(1,866)
Relating to revaluation surplus	120,859	(211)	4,481	27,050	152,179
Unrealised exchange differences	10,673	6	-	(12,000)	(1,321)
	133,239	(268)	4,481	11,540	148,992

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 DEFERRED TAX (continued)

	2005 Sh'000	Exchange adjustment Sh'000	Charged to revaluation reserve Sh'000	Charged/ (credited) to income statement Sh'000	2006 Sh'000
DEFERRED TAX ASSETS					
Tax losses carried forward	(22,440)	455	-	15,042	(6,943)
Unrealised exchange differences	-	-	-	(688)	(688)
Leave pay provision	(1,197)	-	-	331	(866)
	(23,637)	455	-	14,685	(8,497)
Net deferred tax liability	109,602	187	4,481	26,225	140,495
COMPANY					
DEFERRED TAX LIABILITIES					
Relating to revaluation surplus	106,887	-	4,481	26,796	138,164
Unrealised exchange differences	5,933	-	-	(5,933)	-
	112,820	-	4,481	20,863	138,164
DEFERRED TAX ASSETS					
Accelerated capital allowances	(202)	-	-	589	387
Tax losses carried forward	(983)	-	-	461	(522)
Leave pay provision	(759)	-	-	(107)	(866)
	(1,944)	-	-	943	(1,001)
Net deferred tax liability	110,876	-	4,481	21,806	137,163

25 BORROWINGS

	2006 Sh'000	2005 Sh'000
GROUP		
Loans:		
Short - term note - interest 9.79% (2005 – 9.76%)p.a.	72,323	49,960
Stanbic Bank Tanzania Limited - secured, interest at 18% (2005 - 16%)	8,714	13,303
Giro Commercial Bank Limited - secured, interest at 16% (2005 - 16%) p.a.	-	5,075
Standard Chartered Bank Kenya Limited - secured, interest at 14.75%	11,195	-
Hire purchase obligations	10,289	-
	102,521	68,338
Bank overdrafts (secured)	66,115	97,922
	168,636	166,260
Current	(148,670)	(156,243)
Non-current	19,966	10,017

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 BORROWINGS (continued)

	2006 Sh'000	2005 Sh'000
COMPANY		
Loans:		
Short - term note - interest 9.76% (2005 – 9.76%) p.a.	12,803	12,856
Standard Chartered Bank Kenya Limited secured, interest at 14.75% p.a.	11,195	-
Hire purchase obligations	1,601	-
	25,599	12,856
Bank overdrafts (Secured)	12,681	48,788
	38,280	61,644
Current	(30,399)	(61,644)
Non-current	7,881	-

MATURITY OF NON CURRENT BORROWINGS

	GROUP		COMPANY	
	2006 Sh'000	2005 Sh'000	2006 Sh'000	2005 Sh'000
Between 1 and 2 years	18,223	-	7,591	-
Between 2 and 5 years	1,743	10,017	290	-
	19,966	10,017	7,881	-

Interest rates

The effective interest rates at 30 September were as follows:

	2006	2005
Bank overdrafts	14.30%	14.34%
Loans	11.16%	11.64%

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 252,500,000 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 buildings.

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

d) The Giro Commercial Bank Limited loan and overdraft are secured by a legal charge over land and buildings for Sh 30,000,000.

e) The National Bank of Commerce (Uganda) Limited bank overdraft is secured by a debenture over certain assets for Sh 1,390,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 BORROWINGS (continued)

f) 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 103,600,000.

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 252,500,000 1st ranking pari passu with CFC Bank Limited for Sh 150,000,000.

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP		COMPANY	
	2006	2005	2006	2005
	Sh'000	Sh'000	Sh'000	Sh'000
Minimum lease payments				
Due within one year	3,785	-	573	-
Due after one year	9,710	-	1,527	-
	13,495	-	2,100	-
Less: Future finance charges	(3,206)	-	(499)	-
Present value of minimum Lease payments	10,289	-	1,601	-
Less: Amount due for settlement Within 12 months	(2,886)	-	(437)	-
Amounts due for settlement After 12 months	7,403	-	1,164	-

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

The weighted average rate of interest was 14% (2005 - nil).

The carrying values of the lease obligations approximate their fair values. The leases are secured by the assets which are subject of the finance lease.

Undrawn facilities

The group had undrawn committed borrowing facilities amounting to Sh 185,993,000 (2005 - Sh 183,075,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

26 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	Sh'000	Sh'000	Sh'000	Sh'000
Trade payables	317,558	215,602	7,934	3,401
Other payables	71,786	66,245	14,655	13,394
	389,344	281,847	22,589	16,795

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 NOTE TO THE CASHFLOW STATEMENT

	2006 Sh'000	2005 Sh'000
(a) Reconciliation of operating profit to cash generated from operations		
Operating profit	183,659	273,867
Adjustments for:		
Depreciation on property, plant and equipment	14,139	10,495
Leasehold land amortisation	211	235
Fair value gains on investment properties	(89,320)	(205,218)
Profit on disposal of property and equipment	(815)	(1,706)
Intangible assets amortisation	389	92
Equipment written off	144	355
Net exchange gains	14,663	26,522
Exchange rate adjustments - opening reserves	1,244	(12,468)
Operating profit before working capital changes	124,314	92,174
Increase in inventories	(73,258)	(87,246)
Increase in trade and other receivables	(48,537)	(33,848)
Decrease/(increase) in finance lease receivables	14,512	(39,535)
Increase in trade and other payables	107,497	40,177
Cash generated from/(used in) operations	124,528	(28,278)
(b) Analysis of changes in borrowings		
At the beginning of the year	68,338	29,640
Loans received	72,526	70,697
Repayments	(48,632)	(31,999)
Hire purchase facility	10,289	-
At the end of the year	102,521	68,338
(c) Analysis of additions to property, plant and equipment		
Acquisition by cash	31,915	21,005
Acquisition through hire-purchase (see note 27 (d))	11,559	-
At the end of the year	43,474	21,005
(d) Analysis of hire-purchase by cashflow:		
Financing at beginning of the year	-	-
Hire-purchase financing received	11,559	-
Loans repaid in the year	(1,270)	-
At the end of the year	10,289	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 NOTE TO THE CASHFLOW STATEMENT (continued)

(e) Cash and cash equivalents

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

	2006 Sh'000	2005 Sh'000
Cash and bank balances	42,527	11,887
Bank overdrafts	(66,115)	(97,922)
	(23,588)	(86,035)

28 CAPITAL COMMITMENTS

Authorised but not contracted for	-	10,000

29 CONTINGENT LIABILITIES

GROUP

Sundry bank guarantees	1,434	1,258
Pending legal suits	-	1,000
	1,434	2,258

COMPANY

Guarantees in respect of bank facilities for subsidiaries	578,273	359,370
Sundry bank guarantees	1,434	1,258
Pending legal suits	-	1,000
	579,707	361,628

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 COMPANY

The group/company as a lessor

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

	2006 Sh'000	2005 Sh'000
Within one year	49,713	43,956
In the second to fifth year inclusive	34,872	57,745
	84,585	101,701

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 company 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	
	2006 Sh'000	2005 Sh'000	2006 Sh'000	2005 Sh'000
Borrowings repaid	-	414	2,040	414
Interest paid	3,206	6,858	3	81
Loan balance at year end	-	2,040	-	2,040
Overdraft balance at year end	10,884	23,054	-	7

Compensation of key management personnel

	2006 Sh'000	2005 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	37,935	32,030
Fees for services as directors	-	-
Other emoluments (included in key management compensation above)	15,722	14,638
	15,722	14,638

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 company 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 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 28 March 2007 at 12 noon, and at any adjournment thereof.

Dated this day of 2007

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.