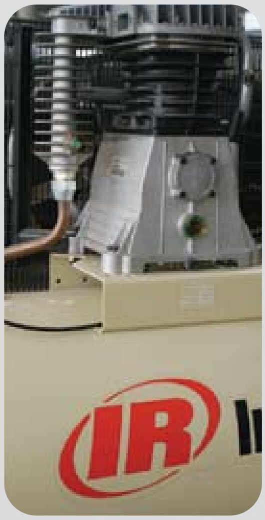
CAR and GENERAL

The Car & General Group of Companies

Kenya • Uganda • Tanzania • Rwanda



Power for better living

2010 Annual Report

www.cargen.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS	-	Chairman
V V Gidoomal*	-	Managing Director
E M Grayson*	-	Finance Director
S P Gidoomal	-	Non-executive Director
Dr B Kiplagat	-	Independent Non-executive Director
P Shah	-	Independent Non-executive Director
M Soundararajan**	-	Independent Non-executive Director
H S Amrit	-	(Resigned – 24th November 2010)

* British ** Indian

SECRETARY

N P Kothari – FCPS (Kenya)

REGISTERED OFFICE

New Cargen House
Lusaka Road
P O Box 20001 - 00200
Nairobi
Telephone + 254 – 20 554500

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way,
Muthangari
P O Box 40092 - 00100
Nairobi

BANKERS

Kenya
Standard Chartered Bank Kenya Limited
CfC Stanbic Bank Limited
Giro Commercial Bank Limited
I & M Bank LIMITED

Tanzania
Standard Chartered Bank Tanzania Limited
Stanbic Bank Tanzania Limited
NBC Limited

Uganda
Standard Chartered Bank Limited
National Bank of Commerce
Stanbic Bank (Uganda) Limited

ADVOCATES

Kenya
Walker Kontos Advocates
Hakika House, Bishops Road
P O Box 60680 - 00200
Nairobi

Uganda
M/s. Shonubi, Musoke & Co. Advocates
Plot 14 Hannington Road
P O Box 3213
Kampala

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, agricultural tractors and implements, marine engines, motor cycles and 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 marketing service relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines and related services.
Car & General (Trading) Limited - Tanzania P O Box 1552 Dar es Salaam	Sales and marketing services relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines welding alloys and brake linings.
Car & General (Uganda) Limited P O Box 207 Kampala	Sales and service of power equipment, marine engines, motor cycles, agricultural tractors and implements, commercial engines and general goods. Also trades in Rwanda through a branch.
Kibo Poultry Products Limited P O Box 742 Moshi	Day old chick farming.
Sovereign Holdings International Limited P O Box 146 Road Town Tortola British Virgin Islands	Property holding company.
Car & General (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 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
Cargen Insurance Agencies Limited P O Box 20001 00200 - Nairobi	Dormant
Premier Power Equipment & Products Pvt Ltd Flat No. 5 - Door No. 28 - Ajantha Flats Kanakammal Colony Nanganallur, Chennai - 600 061 India	Manufacturing and distribution of weeders, tillers, pump sets, lawn mowers and engines.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-first Annual General Meeting of Car & General (Kenya) Limited will be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi, 25th March 2011 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. To receive the Directors' Report and audited financial statements for the year ended 30 September 2010.
2. To declare a final dividend of KShs 17,823,693 (KShs 0.80 per share) to shareholders registered at the close of business on 18th February 2011.
3. To approve Directors' fees.
4. To re-elect Directors:
   a. Mr S P Gidoomal a Director of the Company retires by rotation and being eligible, offers himself for re-election.
   b. Mr M Soundararajan a Director of the Company 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.

SPECIAL BUSINESS

6. **Increase of Authorised Capital**

   That the share capital of the Company be increased from KSh 115,000,000 divided into 23,000,000 Ordinary Shares of KSh 5/- each to KSh 170,000,000 by the creation of 11,000,000 additional Ordinary Shares of KSh 5/- each, to rank pari passu in all respects with the existing Ordinary Shares in the capital of the Company.

7. **Capitalisation of Revenue Reserves**

   That it is desirable to capitalise the sum of KSh 55,699,040 being part of the amount standing to the credit of the Revenue Reserve account in the books of the Company, and accordingly that subject to the approval of the Capital Markets Authority, such sum be set free for distribution amongst the holders of the Ordinary Shares of the Company on the Register of Members at the close of business on 18th February 2011 in the proportion in which they hold such shares respectively on that day on condition that the same be not paid in cash but be applied in paying up in full at par 11,139,808 Ordinary Shares of KSh 5/- each to be allotted, distributed and credited as fully paid up to and amongst the said holders of Ordinary Shares in the proportion of one Ordinary Share for every two Ordinary Shares then held, save that these shares shall not rank for dividends in respect of the year ended 30 September 2010 and the Directors shall give effect to this Resolution.

8. **Fractions**

   That should any of the said Ordinary Shares not being issued by reason of any fractions of the Share being disregarded, the Directors be authorized to allot and issue the same to such persons and upon such terms and conditions as they may deem fit.

BY ORDER OF THE BOARD

N P Kothari
Secretary

27 January 2011
Nairobi

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 - FINANCIAL YEAR ENDED 30 SEPTEMBER 2010

The year to September 2010 proved challenging. Notwithstanding, the Group made reasonable progress in terms of growth in volume and profitability. Turnover, at KSh 4.8 billion, grew 10% over 2009.

The Group generated a profit before tax of Kshs 329 million.

The highlights of the financial year were the profitability of our Kenyan businesses and our business in Tanzania; the growth of our TVS two wheelers in Kenya; our sustained market share in our three wheeler business; the growth of all core brands, particularly Cummins; the further streamlining of business in Ethiopia, Djibouti, Eritrea and Seychelles through dealers; better representation in the mining sector in Tanzania; a more defined CSR program; better internal communication thereby improving clarity throughout; a more empowered and customer centric culture.

Profits from operations were adversely affected by a difficult year in Uganda and adverse foreign exchange movements throughout the region

Areas for improvement continue to be the improvement of profitability at all operations; sales and marketing of our after sales activity; sales in our compressor business; and the complete reduction of inefficiencies in our working capital.

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 and a decline in margin. We must get closer to our markets and our customers throughout Kenya in order to increase market share and unit sales in order to ensure profitable growth.

We have now launched a specific countrywide aftermarket strategy. We see this as a significant potential growth area.

AutoItalia

Due to focus in other business areas, we have been reluctant to relaunch the Alfa Romeo brand and are unlikely to do so in the short term.

C&G Engineering

The Cummins business in Kenya and regionally is growing significantly. Our challenge will be to maintain momentum and capture service. We have built a state of the art high horsepower engine rebuild workshop with testing facilities. We have identified several key accounts and are targeting all significant Cummins users in the regional market. We have a specific focus on marketing. Prospects are promising and adequate coverage will be crucial as will our technical ability to service key customers.

Our current challenge will be to develop Ingersoll-Rand into a market leader. We have resolved the issues of supply and price. We now need to sell aggressively.

CHAIRMAN'S REPORT (continued)

Head Office

The operation continues to earn rent and provide services to all divisions. Our IT upgrade is certainly providing a better service although there remains room for improvement.

Car & General (Uganda) Limited

The operation had a very difficult year. We have a significant write off that relates to prior years. In isolation, this year has been profitable. The biggest challenge remains re-establishing a strong presence in the motorcycle market particularly in view of the foreign exchange depreciation that negates margins. 2011 will be a critical year.

We need to focus more on our Rwanda branch which is being managed by C&G Uganda.

Car & General (Trading) Limited - Tanzania

The operation has made a reasonable profit this year. We now have enough product throughput (with the introduction of Cummins, three wheelers, Ingersoll Rand and outboards) to generate a satisfactory return. We expect to see reasonable returns this year.

Kibo Poultry Products Limited

This operation had a reasonable year given the quality of our infrastructure. Notwithstanding, we need to expand this operation if we are to remain in this business long term. We have already procured land and have finalized expansion plans which have been approved by the Board. We remain confident that the poultry business offers an opportunity in Tanzania and would like to pursue this as a means of diversifying group activity.

Premier Power Products Ltd

Sales in India have grown 80% over the previous year. Our product portfolio is now well developed. The growth potential remains high. We are exploring forging a closer relationship with Briggs and Stratton.

The critical success factor this year remains the continuous improvement of the quality of our organization. We have already implemented initiatives. We look forward to seeing the impact on profitability in the coming months.

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 6 billion this financial year. This will be extremely challenging. We are confident that we have the organization in place to achieve this. Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects.

This year we must diversify into the property business in which we see a good opportunity. The growth of our poultry business also offers a good diversification opportunity.

In spite of the significant investments being made, your company recommends a dividend of KSh 18m for the financial year 2009-10. This represents KSh 0.80 per share. We are maintaining conservative dividends in view of the considerable 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 economic scenario, we would like to be prudent.

CHAIRMAN'S REPORT (continued)

We are pleased to report that we have now defined our corporate social responsibility programs. We are focusing on two major initiatives - our countrywide eye clinic program run through Lions Clubs which, in 2010, assisted 2000 patients and sponsored over 120 cataract operations; and our countrywide health and safety program run through St John's Ambulance which trains jua kali mechanics and motorcycle riders. We hope to intensify activity in 2011.

I must express my gratitude to my co-directors and all members of staff of the company for their dedication and support. In particular, I would like to thank Mr Harbans Singh Amrit, who resigned as a director in November, for his valuable contribution over many years. I look forward to continued support and to further progress of the Group.

N Ng'ang'a – CHAIRMAN

27 January 2011

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Group's Board of Directors is responsible for the governance of the Group and is accountable to the shareholders for ensuring that the Group 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 four 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 Group has the following standing committees which operate under the terms of reference set by the Board.

Audit Committee

The Board has constituted an audit committee that meets at least four times a year. Its responsibilities include review of financial information, budgets, development plans, compliance with accounting standards, liaison with the external auditors, fixing the 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.

Members of the audit committee comprise three non-executive directors, P Shah (Chairman), M Soundararajan and S P Gidoomal. The Group Finance Director attends on invitation.

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 executive directors. The Chairman, N Ng'ang'a, and the Group Managing Director, V V Gidoomal, attend all the meetings of the committee.

Nominations Committee

The Committee meets as necessary and is comprised of two directors, chaired by Mr. N. Ng'ang'a, with the Group Managing Director, Mr V V Gidoomal.

The committee's main role is to make recommendations to the Board to fill vacancies for executive and non-executive directors. In making recommendations, the committee looks at the mix of skills, expertise and how the new appointment will add value to the present complement.

CORPORATE GOVERNANCE REPORT (continued)

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.

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.

Chief Financial Officer

The chief financial officer, Mr. E.M Grayson, is a Fellow of the Institute of Chartered Accountants in England and Wales.

Distribution of shareholders as at 30 September 2010

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	56,436	346	0.25
500 - 5,000	681,521	389	3.06
5,001 - 10,000	462,940	63	2.08
10,001 -100,000	1,387,525	52	6.23
100,001 - 1,000,000	2,006,851	9	9.01
above 1,000,000	17,684,343	6	79.37
Total	**22,279,616**	**865**	**100.00**

Top ten shareholders

		30 September 2010 No of shares	%
1	Fincom Limited	7,240,789	32.50
2	Betrin Limited	3,548,422	15.93
3	Monyaka Investments Limited	2,787,285	12.51
4	Primaco Limited	2,028,137	9.10
5	Barclays (Kenya) Nominees Ltd A/C 9397	1,057,200	4.75
6	Vapa Limited	1,022,510	4.59
7	Paul Wanderi Ndungu	565,444	2.54
8	Nairobi Commercial Continental Limited	300,000	1.35
9	Mr C J Gidoomal	245,677	1.10
10	Cannon Assurance (K) Ltd	227,300	1.02

Directors' shareholdings

Mr V V Gidoomal	880
Mr N Ng'ang'a	3,027
Mr EM Grayson	880
Mr B Kiplagat	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 2010.

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

	2010 Sh'000
Profit before taxation	329,175
Taxation	(90,941)
Profit for the year	238,234
Attributable to:	
Owners of the parent	238,036
Non-controlling interest	198
	238,234

DIVIDEND

The directors propose payment of a first and final dividend of KSh 17,823,693 (KSh 0.80 per share), 2009 – KSh 14,927,343 (KSh 0.67 per share) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2.

AUDITORS

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

BY ORDER OF THE BOARD

N P Kothari
Secretary

27 January 2011

Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan 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 companies in the group 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 and the requirements of the Kenyan Companies Act. 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 Kenyan 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 group will not remain a going concern for at least the next twelve months from the date of this statement.

N Ng'ang'a
Director

V V Gidoomal
Director

27 January 2011

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P. O. Box 40092 - GPO 00100
Nairobi
Kenya

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Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of Car & General (Kenya) Limited set out on pages 13 to 52 which comprise the consolidated and company statements of financial position as at 30 September 2010, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and of the group as at 30 September 2010 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) the parent company's statement of financial position is in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
27 January 2011
Nairobi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Note	2010 Sh'000	2009 Sh'000
TURNOVER	3(c)	4,779,318	4,349,489
COST OF SALES		(3,754,360)	(3,446,825)
GROSS PROFIT		1,024,958	902,664
OTHER OPERATING INCOME	4	9,815	20,128
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	16	61,625	58,042
SELLING AND DISTRIBUTION COSTS		(257,179)	(304,818)
ADMINISTRATIVE EXPENSES		(365,033)	(295,715)
INTEREST EXPENSE	5	(128,346)	(150,353)
NET EXCHANGE (LOSS)/GAINS		(16,665)	49,442
PROFIT BEFORE TAXATION	6	329,175	279,390
TAXATION CHARGE	8	(90,941)	(81,406)
PROFIT FOR THE YEAR	9	238,234	197,984
OTHER COMPREHENSIVE INCOME:			
REVALUATION SURPLUS ON PROPERTY		58,870	26,031
DEFERRED TAX ON REVALUATION SURPLUS		(17,661)	(7,809)
EXCHANGE DIFFERENCE ARISING ON TRANSLATION OF FOREIGN OPERATIONS		(16,412)	(32,641)
		24,797	(14,419)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		263,031	183,565
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		238,036	197,140
NON-CONTROLLING INTERESTS		198	844
		238,234	197,984
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		262,833	182,721
NON-CONTROLLING INTERESTS	10	198	844
		263,031	183,565
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	11	10.7	8.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

	Notes	2010 Sh'000	2009 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	506,449	401,643
Operating lease prepayments	14(a)	14,952	16,195
Intangible assets	15	3,271	3,458
Investment property	16	659,720	598,095
Deferred tax asset	22(b)	8,929	3,750
		1,193,321	1,023,141
Current assets			
Inventories	18	1,694,544	1,409,482
Trade and other receivables	19	862,370	702,145
Cash and bank balances		121,058	79,480
		2,677,972	2,191,107
Total assets		3,871,293	3,214,248
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	111,398	111,398
Revaluation surplus		204,143	165,657
Revenue reserve		1,240,475	1,014,643
Translation deficit		(19,252)	(2,840)
Equity attributable to owners of the parent		1,536,764	1,288,858
Non-controlling interests	10	19,142	18,944
Total equity		1,555,906	1,307,802
Non-current liabilities			
Deferred tax liabilities	22(b)	223,383	214,716
Borrowings	23	52,658	10,586
		276,041	225,302
Current liabilities			
Borrowings	23	1,100,889	980,173
Trade and other payables	24	930,265	691,440
Taxation payable	8(c)	8,192	9,531
		2,039,346	1,681,144
Total equity and liabilities		3,871,293	3,214,248

The financial statements on pages 13 to 52 were approved by the board of directors on 27 January 2011 and were signed on its behalf by:

N. Ng'ang'a
Director

V.V. Gidoomal
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2010

	Notes	2010 Sh'000	2009 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	13	172,206	154,667
Operating lease prepayments	14(b)	992	1,010
Intangible assets	15	2,395	2,994
Investment property	16	659,720	598,095
Investment in subsidiaries	17	47,791	47,791
Due from group companies	20	40,658	39,668
		923,762	844,225
Current assets			
Trade and other receivables	19	19,138	15,329
Due from group companies	20	1,329,070	776,921
Cash and bank balances		2,043	5,130
		1,350,251	797,380
Total assets		2,274,013	1,641,605
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	111,398	111,398
Revaluation surplus		100,856	91,289
Revenue reserve		392,759	368,936
Shareholders' funds		605,013	571,623
Non current liabilities			
Deferred taxation	22	216,615	201,744
Borrowings	23	43,524	-
		260,139	201,744
Current liabilities			
Borrowings	23	922,241	699,968
Trade and other payables	24	25,759	21,254
Due to group companies	20	460,861	147,016
		1,408,861	868,238
Total equity and liabilities		2,274,013	1,641,605

The financial statements on pages 13 to 52 were approved by the board of directors on 27 January 2011 and were signed on its behalf by:

N. Ng'ang'a
Director

V.V. Gidoomal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Attributable to owners of the parent						
	Share capital Shs'000	Revaluation surplus Shs'000	Revenue reserve Shs'000	Translation (deficit)/ reserve Shs'000	Attributable to owners of the parent Shs'000	**Non–controlling interests** Shs'000	Total Shs'000
Year ended 30 September 2009							
At 1 October 2008	111,398	149,723	830,142	29,801	1,121,064	7,854	1,128,918
Profit for the year	-	-	197,140	-	197,140	844	197,984
Revaluation surplus on property	-	26,031	-	-	26,031	-	26,031
Deferred tax on revaluation surplus	-	(7,809)	-	-	(7,809)	-	(7,809)
Exchange difference arising on translation of foreign operations	-	-	-	(32,641)	(32,641)	-	(32,641)
Total comprehensive income	-	18,222	197,140	(32,641)	182,721	844	183,565
Transfer of excess depreciation	-	(3,269)	3,269	-	-	-	-
Deferred tax on excess depreciation transfer	-	981	(981)	-	-	-	-
Minority interest share of subsidiary acquired during the year	-	-	-	-	-	10,246	10,246
Dividend paid – 2008	-	-	(14,927)	-	(14,927)	-	(14,927)
At 30 September 2009	111,398	165,657	1,014,643	(2,840)	1,288,858	18,944	1,307,802
Year ended 30 September 2010							
At 1 October 2009	111,398	165,657	1,014,643	(2,840)	1,288,858	18,944	1,307,802
Profit for the year	-	-	238,036	-	238,036	198	238,234
Revaluation surplus on property	-	58,870	-	-	58,870	-	58,870
Deferred tax on revaluation surplus	-	(17,661)	-	-	(17,661)	-	(17,661)
Exchange difference arising on translation of foreign operations	-	-	-	(16,412)	(16,412)	-	(16,412)
	-	41,209	238,036	(16,412)	262,833	198	263,031
Transfer of excess depreciation	-	(3,408)	3,408	-	-	-	-
Deferred tax on excess depreciation transfer	-	685	(685)	-	-	-	-
Dividend paid – 2009	-	-	(14,927)	-	(14,927)	-	(14,927)
At 30 September 2010	111,398	204,143	1,240,475	(19,252)	1,536,764	19,142	1,555,906

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000
At 1 October 2008	111,398	74,018	344,626	530,042
Profit for the year	-	-	38,286	38,286
Revaluation surplus on property	-	26,031	-	26,031
Deferred tax on revaluation surplus	-	(7,809)	-	(7,809)
Total comprehensive income	-	18,222	38,286	56,508
Transfer of excess depreciation	-	(1,358)	1,358	-
Deferred tax on depreciation transfer	-	407	(407)	-
Dividend paid - 2008	-	-	(14,927)	(14,927)
At 30 September 2009	111,398	91,289	368,936	571,623
At 1 October 2009	111,398	91,289	368,936	571,623
Profit for the year	-	-	37,547	37,547
Revaluation surplus on property	-	15,386	-	15,386
Deferred tax on revaluation surplus	-	(4,616)	-	(4,616)
Total comprehensive income	-	10,770	37,547	48,317
Transfer of excess depreciation	-	(1,718)	1,718	-
Deferred tax on depreciation transfer	-	515	(515)	-
Dividend paid - 2009	-	-	(14,927)	(14,927)
At 30 September 2010	111,398	100,856	392,759	605,013

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Notes	2010 Sh'000	2009 Sh'000
Cash flows from operating activities			
Cash generated from/ (used in) operations	25(a)	200,835	(76,962)
Tax paid	8(c)	(105,657)	(77,728)
Net cash generated from/ (used in) operating activities		95,178	(154,690)
Cash flows from investing activities			
Purchase of property, plant and equipment	25(c)	(91,976)	(50,867)
Purchase of intangible assets		(656)	(1,288)
Proceeds on disposal of property, plant and equipment		5,401	2,718
Net cash used in investing activities		(87,231)	(49,437)
Cash flows from financing activities			
Loans received	25(b)	1,620,512	1,100,617
Loans repaid	25(b)	(1,452,953)	(643,065)
Dividend paid		(14,927)	(14,927)
Interest paid	5	(128,346)	(150,353)
Repayment of hire-purchase finance	25(d)	(4,299)	(8,584)
Net cash generated from financing activities		19,987	283,688
Increase in cash and cash equivalents		27,934	79,561
Cash and cash equivalents at the beginning of the year		47,872	(29,304)
Effects of exchange rate changes on the balance of cash held in foreign operations		670	(2,385)
Cash and cash equivalents at the end of the year	25(f)	76,476	47,872

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. For purposes of the Kenyan Companies Act, the balance sheet is equivalent to the statement of financial position and the profit and loss account is represented in the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and interpretations effective in the current period

The following revised standards have been adopted in the current period and have affected the amounts and disclosures reported in these financial statements.

IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. The adoption does not have any impact on revenue reserve.

This standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The board also elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flow' to describe the 'balance sheet' and cash flows statement respectively.

IFRS 8 'Operating segments' – effective 1 January 2009

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision-Maker.

This standard has resulted in change in the nature of information disclosed for each reportable segment.

(ii) New and revised standards and interpretations in issue but not yet effective

IFRS 9, 'Financial instruments part 1: Classification and measurement' – effective 1 January 2013.

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

(ii) New and revised standards and interpretations in issue but not yet effective (continued)

IAS 27 (Revised), Consolidated and Separate Financial Statements

An amendment to IAS 27 "Consolidated and Separate Financial Statements" was issued in January 2009 and is effective for annual periods beginning on or after 1 July 2010. The amendment requires that when a transaction occurs with non-controlling interests in group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. Transactions occurring before 1 January 2011 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, the group has historically entered into transactions that are within the scope of this standard and may do so in the future.

IFRS 3 (revised) 'Business Combinations' – effective 1 July 2009

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

(iii) Early adoption of standards

The group has not early adopted any new or revised standards and interpretations.

Basis of preparation

The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain properties.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2010, except for Premier Power Equipment and Product PVT Limited which has a 31 March financial year end, and in this case the consolidation is based on management figures. The results of this subsidiary are not considered significant in the context of the overall group.

The subsidiaries are set out in note 17.

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 from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to revenue reserves. No transfer is made from the revaluation reserve to revenue reserves except when an asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 **ACCOUNTING POLICIES** (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 reporting 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 profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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 when its right to receive dividend as a shareholder has been established.

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 the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective inventories.

Livestock

Livestock is carried at market value.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.
The Group's financial assets are mainly trade receivables.

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides goods or services directly to a debtor with no intention of trading the receivable. Trade receivables are measured at amortised cost using the effective interest method, less any impairment.

The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period as well as observable changes in the national or local economic conditions that correlate with default on receivables. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (continued)

1 ACCOUNTING POLICIES (continued)

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade payables

Trade payables are carried at their nominal value.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

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 reporting date.

Employee 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 companies in the group.

The Group also contributes to statutory defined contribution pension schemes in the countries where the entities in the group operate, the National Social Security Fund (NSSF). Contributions are determined by local statute.

The Group's obligations to retirement benefit schemes are recognised in profit or loss 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 **ACCOUNTING POLICIES** (continued)

Foreign currencies

Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated at the rates ruling on the statement of financial position date. Transactions during the year which are denominated in foreign currency are translated at the rates of exchange ruling at the transaction dates. Gains and losses on exchange are dealt with in the profit or loss in the year in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Kenya Shillings using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) under the foreign currency translation reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, overdrafts and demand deposits.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group Board of directors). The directors then allocate resources to and assess the performance of the operating segments of the Group.

The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; trade and workshop, rental and poultry.

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).

Comparatives

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

2 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY**

In the process of applying the Group'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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY (continued)

The key areas of judgment in applying the Group's accounting policies are dealt with below:

Critical accounting judgments 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 reporting 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 estimating uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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

The Group reviews the estimated useful lives of plant and equipment at the end of each annual reporting period.

3 SEGMENTAL INFORMATION

(a) Adoption of IFRS 8 Operating Segments

The group has adopted IFRS 8 Operating Segments with effect from 1 October 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the group's reportable segments has not changed.

(b) Reportable segments

Information reported to the group's chief operating decision maker (the board of directors) for the purposes of resource allocation and segment performance is focused on the principal activities of the group.The Group's reportable segments under IFRS 8 are as follows:

- Trade and workshop – sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles, motor cars, three-wheeler vehicles, commercial laundry equipment, commercial engines and general goods.
- Poultry – day old chick farming.
- Rental – property rentals.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (Continued)

(c) Segment revenues and results

The segment information provided to the group board of directors for the reportable segments is as follows:

	Trade and workshop Sh'000	Rental Sh'000	Poultry Sh'000	Group Sh'000
30 September 2010				
Revenue	4,595,915	58,331	125,072	4,779,318
Segment profit before tax	272,307	32,552	24,316	329,175
30 September 2009				
Revenue	4,170,338	63,038	116,113	4,349,489
Segment profit before tax	239,640	38,207	1,543	279,390

Revenue reported above represents revenue generated from external customers.

There were no revenues deriving from transactions with a single external customer that amount to 10% or more of the group's revenue.

(d) Segment assets and liabilities

	Trade and workshop Sh'000	Rental Sh'000	Poultry Sh'000	Group Sh'000
30 September 2010				
Assets	1,512,579	2,274,013	84,701	3,871,293
Liabilities	1,068,586	1,208,139	38,662	2,315,387
30 September 2009				
Assets	1,506,627	1,641,605	66,016	3,214,248
Liabilities	1,154,254	721,295	30,897	1,906,446

(e) Other segment information

	Trade and workshop Sh'000	Rental Sh'000	Poultry Sh'000	Group Sh'000
30 September 2010				
Segment expenses	4,221,772	94,193	60,607	4,376,572
Taxation charge	70,165	10,255	10,521	90,941
Finance costs	127,755	591	-	128,346
Depreciation/amortisation	28,157	7,032	2,839	38,028
Capital expenditure	65,935	8,401	18,296	92,632
30 September 2009				
Segment expenses	3,843,979	89,243	114,136	4,047,358
Taxation charge	65,837	15,171	398	81,406
Finance costs	149,347	1,006	-	150,353
Depreciation/amortisation	23,665	7,252	822	31,739
Capital expenditure	45,477	6,659	8,888	61,024

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 **SEGMENTAL INFORMATION** (Continued)

(f) Geographical information

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

	2010 Sh'000	2009 Sh'000
Kenya	3,341,756	2,998,816
Uganda	613,369	671,067
Tanzania	760,236	610,426
India	63,957	69,180
	4,779,318	4,349,489

4 **OTHER OPERATING INCOME**

	2010 Sh'000	2009 Sh'000
Gain on disposal of property, plant and equipment	2,008	973
Other income	7,807	19,155
	9,815	20,128

5 **NET INTEREST EXPENSE**

	2010 Sh'000	2009 Sh'000
Interest on borrowings	(128,346)	(150,353)

6 **PROFIT BEFORE TAXATION**

The profit before tax is arrived at after charging:

	2010 Sh'000	2009 Sh'000
Depreciation - property, plant and equipment (note 13)	37,067	30,743
Amortisation - operating lease prepayments (note 14)	154	207
- intangible assets (note 15)	807	789
Staff costs (note 7)	302,571	254,282
Directors' remuneration - fees	1,729	1,700
- other emoluments	21,489	20,783
Auditors' remuneration	3,638	3,225

And after crediting:

	2010 Sh'000	2009 Sh'000
Fair value gains on investment properties	61,625	58,042
Gain on disposal of property, plant and equipment	2,008	973

7 **STAFF COSTS**

	2010 Sh'000	2009 Sh'000
Salaries and wages	285,974	239,960
Retirement benefit costs:		
- Defined contribution scheme	4,914	3,872
- National Social Security Fund contribution	8,228	7,387
Leave pay provision	3,455	3,063
	302,571	254,282

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION

	2010 Sh'000	2009 Sh'000
(a) Taxation charge		
Current tax	104,527	73,045
Deferred tax (credit)/charge - (note 22)	(13,586)	21,585
Prior year over provision – deferred tax	-	(13,290)
Deferred tax on dormant subsidiaries not recognised	-	66
Taxation charge	90,941	81,406

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

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

	2010 Sh'000	2009 Sh'000
Group profit before taxation	329,175	279,390
Tax calculated at the applicable of 30%	98,753	83,817
Tax effect of incomes not subject to tax	(18,488)	(17,413)
Tax effect of expenses not deductible for tax	10,676	28,292
Prior year (under)/over provision	-	(13,290)
Taxation charge	90,941	81,406

(c) Taxation (Payable)/Recoverable

	2010 Sh'000	2009 Sh'000
GROUP		
Balance at the beginning of the year – Payable	(9,531)	(14,380)
Expense for the year	(104,527)	(73,045)
Paid in the year	105,657	77,728
Currency translation differences	209	166
Balance at the end of the year – Payable	(8,192)	(9,531)
COMPANY		
Balance at the beginning of the year	-	(512)
Paid in the year	-	512
Balance at the end of the year - (payable)	-	-

9 PROFIT FOR THE YEAR

A profit of Sh 37,547,000 (2009 - Sh 38,286,000) has been dealt with in the separate financial statements of the parent company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2010 Sh'000	2009 Sh'000
10	**NON-CONTROLLING INTERESTS**		
	At the beginning of the year	18,944	7,854
	Share of profit for the year	198	844
	Minority interest share on acquisition of new subsidiary	-	10,246
	At the end of the year	19,142	18,944
	Represented by non-controlling interests in:		
	% holding in Car & General (Marine) Limited	16	16
	% holding in Premier Power Equipments & Products Private Limited	35	35

11 EARNINGS PER SHARE

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

	2010	2009
Profit attributable to owners of the parent (Sh'000)	238,036	197,140
Number of shares	22,279,616	22,279,616
Basic and diluted earnings per share (Sh)	10.70	8.80

12 DIVIDEND PER SHARE

Proposed dividends are not recorded as liabilities until they have been ratified at the Annual General Meeting. At the Annual General Meeting, a first and final dividend is to be proposed in respect of the year ended 30 September 2010 of Sh 0.80 per share (2009 – Sh 0.67 per share) amounting to a total dividend of Sh 17,823,693 (2009 – Shs 14,927,343). The financial statements for the year ended 30 September 2010 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of revenue reserves in the year ending 30 September 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings Sh'000	Work in progress Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION							
At 1 October 2008	232,215	52,016	40,908	43,410	67,878	22,886	459,313
Exchange rate adjustments	(4,091)	(5,820)	(896)	(1,001)	(2,210)	(635)	(14,653)
Additions	11,723	-	12,852	10,097	19,498	5,566	59,736
Disposals	-	-	(2,777)	(185)	(3,128)	(32)	(6,122)
Reclassified from work in progress	46,196	(46,196)	-	-	-	-	-
Revaluation surplus	21,243	-	-	-	-	-	21,243
At 30 September 2009	307,286	-	50,087	52,321	82,038	27,785	519,517
At 1 October 2009	307,286	-	50,087	52,321	82,038	27,785	519,517
Exchange rate adjustments	(4,451)	-	253	(1,452)	(1,289)	(453)	(7,392)
Additions	5,720	-	27,309	7,760	44,678	6,509	91,976
Disposals	-	-	(5,431)	(689)	(7,663)	(95)	(13,878)
Reclassified from plant and machinery	-	-	(9,960)	9,960	-	-	-
Revaluation surplus	42,760	-	-	-	-	-	42,760
At 30 September 2010	351,315	-	62,258	67,900	117,764	33,746	632,983
COMPRISING:							
At 30 September 2010							
At valuation - 2010	257,427	-	-	-	-	-	257,427
At cost	93,888	-	62,258	67,900	117,764	33,746	375,556
	351,315	-	62,258	67,900	117,764	33,746	632,983
At 30 September 2009							
At valuation - 2009	219,118	-	-	-	-	-	219,118
At cost	88,168	-	50,087	52,321	82,038	27,785	300,399
	307,286	-	50,087	52,321	82,038	27,785	519,517
DEPRECIATION							
At 1 October 2008	18,080	-	19,549	26,180	25,422	10,236	99,467
Exchange rate adjustments	(1,301)	-	(264)	(489)	(849)	(268)	(3,171)
Charge for the year	4,882	-	4,230	2,966	13,897	4,768	30,743
Eliminated on disposals	-	-	(2,272)	(96)	(1,986)	(23)	(4,377)
Write back on revaluation	(4,788)	-	-	-	-	-	(4,788)
At 30 September 2009	16,873	-	21,243	28,561	36,484	14,713	117,874
At 1 October 2009	16,873	-	21,243	28,561	36,484	14,713	117,874
Exchange rate adjustments	(109)	-	29	(588)	(857)	(281)	(1,806)
Charge for the year	6,479	-	5,651	4,434	15,725	4,778	37,067
Eliminated on disposals	-	-	(4,484)	(528)	(5,454)	(25)	(10,491)
Reclassified from plant and machinery	-	-	(2,801)	2,801	-	-	-
Write back on revaluation	(16,110)	-	-	-	-	-	(16,110)
At 30 September 2010	7,133	-	19,638	34,680	45,898	19,185	126,534

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 **PROPERTY, PLANT AND EQUIPMENT – GROUP** (continued)

	Land and buildings Sh'000	Work in progress Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	Total Sh'000
NET BOOK VALUE (REVALUATION BASIS)							
At 30 September 2010	344,182	-	42,620	33,220	71,866	14,561	506,449
At 30 September 2009	290,413	-	28,844	23,760	45,554	13,072	401,643
NET BOOK VALUE (COST BASIS)							
At 30 September 2010	52,549	-	42,620	33,220	71,866	14,561	214,816
At 30 September 2009	53,760	-	28,844	23,760	45,554	13,072	164,990

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

	2010 Sh'000	2009 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings over 50 years unexpired	36,025	33,283
Leasehold buildings under 50 years unexpired	315,160	273,873
	351,315	307,286

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.

Included in plant and equipment as at 30 September 2010 are idle assets with an original cost of Sh 1,053,000 (2009 - Sh 1,053,000) and accumulated depreciation of Sh 1,025,000 (2009 – Sh 1,018,000).

Included in plant and equipment as at 30 September 2010 are fully depreciated assets with an original cost of Sh 88,000 (2009 – Sh 88,000). The notional depreciation on these assets is Sh 11,000 (2009 – Sh 11,000).

There is a fixed debenture and a floating charge over the Groups's assets to secure borrowings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY AND EQUIPMENT

COMPANY

	Land & buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings & equipment Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION					
At 1 October 2008	120,022	5,110	10,366	14,156	149,654
Additions	330	3,325	937	1,025	5,617
Transferred to subsidiary	-	(4,789)	-	-	(4,789)
Revaluation surplus	21,243	-	-	-	21,243
At 30 September 2009	141,595	3,646	11,303	15,181	171,725
At 1 October 2009	141,595	3,646	11,303	15,181	171,725
Additions	5,217	1,004	293	1,887	8,401
Transferred to subsidiary	-	-	-	298	298
Disposals	-	(53)	-	-	(53)
Revaluation surplus	12,553	-	-	-	12,553
At 30 September 2010	159,365	4,597	11,596	17,366	192,924
COMPRISING:					
At 30 September 2010					
At valuation	154,018	-	-	-	154,018
At cost	5,347	4,597	11,596	17,366	38,906
	159,365	4,597	11,596	17,366	192,924
At 30 September 2009					
At valuation	138,752	-	-	-	138,752
At cost	2,843	3,646	11,303	15,181	32,973
	141,595	3,646	11,303	15,181	171,725
DEPRECIATION					
At 1 October 2008	2,427	2,409	6,701	6,146	17,683
Charge for the year	2,408	990	552	2,622	6,572
Eliminated on transfer to subsidiary	-	(2,409)	-	-	(2,409)
Written back on revaluation	(4,788)	-	-	-	(4,788)
At 30 September 2009	47	990	7,253	8,768	17,058
At 1 October 2009	47	990	7,253	8,768	17,058
Charge for the year	2,836	786	544	2,249	6,415
Eliminated on disposal	-	(33)	-	-	(33)
Eliminated on transfer to subsidiary	-	-	-	111	111
Written back on revaluation	(2,833)	-	-	-	(2,833)
At 30 September 2010	50	1,743	7,797	11,128	20,718
NET BOOK VALUE					
At 30 September 2010	159,315	2,854	3,799	6,238	172,206
At 30 September 2009	141,548	2,656	4,050	6,413	154,667

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2010

13 PROPERTY AND EQUIPMENT - COMPANY (continued)

NET BOOK VALUE ON COST BASIS

	Freehold Land & Buildings Sh'000	Motor vehicles Sh'000	Furniture fittings & equipment Sh'000	Furniture, Computers Sh'000	Total Sh'000
At 30 September 2010	15,235	2,854	3,799	6,238	28,126
At 30 September 2009	11,135	2,656	4,050	6,413	24,254

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Limited Registered Valuers on 30 September 2010. The basis of valuation has been open market value.

There is a fixed debenture and a floating charge over all the Company's assets to secure borrowings granted to the Company and its subsidiaries.

Included in motor vehicles as at 30 September 2009, is a vehicle with a cost of Sh 3,275,862 which was the subject of a finance lease through NIC Bank Limited. This motor vehicle was transferred to a subsidiary company, Car & General (Trading) Limited during the year.

	2010 Sh'000	2009 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings over 50 years unexpired	17,695	13,800
Leasehold buildings under 50 years unexpired	141,540	127,665
	159,365	141,595

14 (a) OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000
COST	
At 1 October 2008	22,638
Exchange rate adjustments	(2,320)
Reclassified to investment property	(100)
At 30 September 2009	20,218
At 1 October 2009	20,218
Exchange rate adjustments	(1,355)
At 30 September 2010	18,863

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 (a) OPERATING LEASE PREPAYMENTS – GROUP (continued)

	Sh'000
AMORTISATION	
At 1 October 2008	4,282
Exchange rate adjustments	(419)
Amortisation for the year	207
Reclassified to investment property	(47)
At 30 September 2009	4,023
At 1 October 2009	4,023
Exchange rate adjustments	(266)
Amortisation for the year	154
Reclassified to investment property	-
At 30 September 2010	3,911
NET BOOK VALUE	
At 30 September 2010	14,952
At 30 September 2009	16,195

14 (b) OPERATING LEASE PREPAYMENTS - COMPANY

COST	
30 September 2009 and 30 September 2010	1,440
	1,440
AMORTISATION	
At 1 October 2008	458
Charge for the year	19
Reclassified to investment property	(47)
At 30 September 2009	430
At 1 October 2009	430
Charge for the year	18
At 30 September 2010	448
NET BOOK VALUE	
At 30 September 2010	992
At 30 September 2009	1,010

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 INTANGIBLE ASSETS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2008	4,838	4,163
Exchange rate adjustments	(55)	-
Additions	1,288	1,042
At 30 September 2009	6,071	5,205
At 1 October 2009	6,071	5,205
Exchange rate adjustments	(53)	-
Additions	656	-
Disposals	(29)	-
At 30 September 2010	6,645	5,205
AMORTISATION		
At 1 October 2008	1,852	1,550
Exchange rate adjustments	(28)	-
Charge for the year	789	661
At 30 September 2009	2,613	2,211
At 1 October 2009	2,613	2,211
Exchange rate adjustments	(30)	-
Charge for the year	807	599
Eliminated on disposals	(16)	-
At 30 September 2010	3,374	2,810
NET BOOK VALUE		
At 30 September 2010	3,271	2,395
At 30 September 2009	3,458	2,994

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INVESTMENT PROPERTY – GROUP AND COMPANY

	Sh'000
At 1 October 2008	540,000
Reclassified from operating lease prepayments at net book value (note 14)	53
Fair value gains	58,042
At 30 September 2009	598,095
At 1 October 2009	598,095
Fair value gains	61,625
At 30 September 2010	659,720

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

A legal charge exists over investment properties with a net book value of Sh 659,720,000 (2009 : Sh 598,095,000) to secure borrowings granted to the Group.

These properties were valued by R R Oswald & Company Limited, registered valuers, as at 30 September 2010, on an open market basis.

	2010 Sh'000	2009 Sh'000
ANALYSIS OF INVESTMENT PROPERTY AT VALUATION:		
Leasehold over 50 years unexpired	115,000	95,000
Leasehold under 50 years unexpired	544,720	503,095
	659,720	598,095

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 INVESTMENT IN SUBSIDIARIES

Investments at cost

Subsidiary	Country of incorporation	Holding	2010 Sh'000	2009 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 at cost	British Virgin Islands	100%	-	-
Premier Power Equipments & Products Pvt. Limited: 113,425 shares of Rs 100 at cost	India	65%	20,364	20,364
			47,791	47,791

Premier Power Equipment and Product PVT Limited has a 31 March financial year end, and the results and financial position incorporated in the consolidated financial statements are based on management figures. The net profit of this subsidiary included in the consolidation is Sh 601,000 and the net assets amount to Sh 34,473,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVENTORIES - GROUP

	2010 Sh'000	2009 Sh'000
Goods in transit and in bond	681,081	593,180
Finished products	753,228	593,825
Raw materials, spares and consumables	243,914	208,064
Work in progress	12,424	9,767
Other	3,897	4,646
	1,694,544	1,409,482

19 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
Trade receivables	695,071	547,040	7,922	7,488
Due from directors	964	987	964	987
Other receivables	166,335	154,118	10,252	6,854
	862,370	702,145	19,138	15,329

20 RELATED PARTIES - COMPANY

	2010 Sh'000	2009 Sh'000
Due from Group companies:		
Current	1,329,070	776,921
Non current	40,658	39,668
	1,369,728	816,589

The intercompany balances are non-interest bearing with no fixed maturity periods.

	2010 Sh'000	2009 Sh'000
Due to Group companies	460,861	147,016

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 SHARE CAPITAL

	2010 Sh'000	2009 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

22 DEFERRED TAXATION

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

	2010 Sh'000	2009 Sh'000
GROUP		
At the beginning of the year	210,966	197,127
Exchange difference on translation	(587)	(2,331)
Charge/(credit) for the year - (note 8(a))	(13,586)	21,585
Property revaluation	17,661	7,809
Deferred tax on dormant subsidiaries not recognised	-	66
Prior year over provision	-	(13,290)
At the end of the year	214,454	210,966
COMPANY		
At the beginning of the year	201,744	178,764
Charge for the year	10,255	15,171
Property revaluation	4,616	7,809
At the end of the year	216,615	201,744

(b) The analysis of the group's deferred assets and liabilities taking into consideration the offsetting of balances within the same jurisdiction is as follows:

	2010 Sh'000	2009 Sh'000
Deferred tax assets	(8,929)	(3,750)
Deferred tax liabilities	223,383	214,716
	214,454	210,966

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION (continued)

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

	At 1 October 2009 Sh'000	Exchange adjustment Sh'000	Charged to revaluation reserve Sh '000	Charged/ (credited) to income statement Sh'000	At 30 September 2010 Sh'000
GROUP					
DEFERRED TAX LIABILITIES					
Accelerated capital allowances	6,095	(303)	-	6,989	12,781
Relating to revaluation surplus	32,867	(416)	17,661	-	50,112
Relating to fair value gain on investment property	172,673	-	-	18,488	191,161
Unrealised exchange differences	12,564	-	-	(20,085)	(7,521)
	224,199	(719)	17,661	5,392	246,533
DEFERRED TAX ASSETS					
Tax losses carried forward	(7,654)	(174)	-	(13,600)	(21,428)
Unrealised exchange differences	(194)	-	-	194	-
Leave pay provision	(572)	15	-	202	(355)
Bad debts provision	(3,910)	291	-	(6,677)	(10,296)
Translation difference	(903)	-	-	903	-
	(13,233)	132	-	(18,978)	(32,079)
Net deferred tax liability	210,966	(587)	17,661	(13,586)	214,454
COMPANY					
DEFERRED TAX LIABILITIES					
Relating to revaluation surplus	199,957	-	4,616	18,488	223,061
Unrealised exchange differences	6,312	-	-	(6,312)	-
	206,269	-	4,616	12,176	223,061
DEFERRED TAX ASSETS					
Accelerated capital allowances	1,148	-	-	(167)	981
Tax losses carried forward	(5,307)	-	-	(531)	(5,838)
Leave pay provision	(366)	-	-	202	(164)
Unrealised exchange differences	-	-	-	(1,425)	(1,425)
	(4,525)	-	-	(1,921)	(6,446)
Net deferred tax liability	201,744	-	4,616	10,255	216,615

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS

GROUP

	2010 Sh '000	2009 Sh '000
Loans:		
Short - term note in Ksh - interest 10.81% (2009 - 12.45%) p.a.	498,292	302,572
Stanbic Bank Tanzania Ltd		
- Loan in Ksh - interest at 20.5% p.a.	-	215
Standard Chartered Bank Kenya Limited		
- Import loan in USD - interest at 8.30% (2009-8.40%) p.a.	418,436	182,963
Giro Commercial Bank Limited		
- Loan in Ksh - interest at 14.73% p.a	12,717	-
- Loan in USD - interest at 6.00% p.a	28,272	-
- Loan in Euro - interest at 7.50% p.a	8,043	-
Standard Chartered Bank Uganda Limited		
- Import loan in Ush - interest at 19.25% (2009 - 22%) p.a.	83,306	73,411
Standard Chartered Bank Uganda Limited		
- Loan in Ush - interest at 24% p.a.	-	106,958
Standard Chartered Bank Tanzania Limited		
- Import loan in USD - interest at 6.5% p.a.	44,265	58,666
Standard Chartered Bank Kenya Limited		
- Loan in Ksh - interest at 16.50% p.a.	-	1,100
Standard Chartered Bank Kenya Limited		
- Loan - interest at 11.26% p.a.	-	213,333
Hire purchase obligations - interest at 15.25% (2009 - 15.25%) p.a.	15,634	19,933
	1,108,965	959,151
Bank overdrafts (Secured)	44,582	31,608
	1,153,547	990,759
Current	(1,100,889)	(980,173)
Non-current	52,658	10,586

COMPANY

	2010 Sh '000	2009 Sh '000
Loans:		
Short - term note - interest 10.81% (2009 - 12.45%) p.a.	498,292	302,572
Standard Chartered Bank Kenya Limited		
Import loan in USD - interest at 8.30% (2009-8.40%) p.a.	418,436	182,963
Giro Commercial Bank Limited		
- Loan in Ksh - interest at 14.73% p.a	12,717	-
- Loan in USD - interest at 6.00% p.a	28,272	-
- Loan in EUR - interest at 7.5.00% p.a	8,043	-
Standard Chartered Bank Kenya Limited		
Loan in Ksh - interest at 16.50% p.a.	-	1,100
Standard Chartered Bank Kenya Limited		
Loan - interest at 11.26% p.a.	-	213,333
	965,760	699,968
Bank overdrafts (Secured)	5	-
	965,765	699,968
Current	(922,241)	(699,968)
Non-current	43,524	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
Between 1 and 2 years	14,682	2,012	5,548	-
Between 2 and 5 years	37,976	8,574	37,976	-
	52,658	10,586	43,524	-

Interest rates

The effective interest rates at 30 September were as follows:

	2010	2009
Bank overdrafts	15.30%	13.11%
Loans	10.29%	13.99%

Details of securities for loans and overdrafts

a) The Stanbic Bank Tanzania Limited loan is secured by collateral legal charge over land and building located on Plot 2309, Block 50, Azikiwe Street, Dar es salaam.

b) 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 950,000,000 ranking pari passu with I & M Bank Limited for Sh 250,000,000.

c) The Standard Chartered Bank Uganda Ltd 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 383,695,975.

d) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over Car & General (Trading) Limited - Tanzania fixed and floating assets shared pari passu with Stanbic Bank Tanzania Limited to Sh 98,326,800.

e) The I & M 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 250,000,000, ranking pari passu with Standard Chartered Bank Kenya Limited.

f) The Giro Commercial Bank Ltd overdraft is secured by legal charge over land and buildings located on the properties KSM/MUN/BLOCK 3/7, LR 209/4160 Nairobi, LR 209/4159 Nairobi, and Msa Kwale/Diani/Block 728-738 for Sh 63,000,000.

g) The short term notes are from various lenders and are unsecured.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP 2010 Sh'000	GROUP 2009 Sh'000	COMPANY 2010 Sh'000	COMPANY 2009 Sh'000
Minimum lease payments				
Due within one year	8,423	12,104	-	-
Due after one year	10,192	13,836	-	-
	18,615	25,940	-	-
Less: Future finance charges	(2,981)	(6,007)	-	-
Present value of minimum lease payments	15,634	19,933	-	-
Less: Amount due for settlement within 12 months	(6,500)	(9,347)	-	-
Amounts due for settlement after 12 months	9,134	10,586	-	-

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

The weighted effect interest rate at 30 September 2010 was 15.25% (2009 – 15.25%) p.a.

The carrying values of the lease obligation 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 411,267,000 (2009 – KSh 249,628,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

24 TRADE AND OTHER PAYABLES

	GROUP 2010 Sh'000	GROUP 2009 Sh'000	COMPANY 2010 Sh'000	COMPANY 2009 Sh'000
Trade payables	722,846	542,932	6,455	3,757
Other payables	207,419	148,508	19,304	17,497
	930,265	691,440	25,759	21,254

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 NOTES TO THE STATEMENT OF CASH FLOWS

	2010 Sh'000	2009 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	329,175	279,390
Adjustments for:		
Depreciation on property, plant and equipment	37,067	30,743
Leasehold land amortisation	154	207
Fair value gains on investment properties	(61,625)	(58,042)
Gain on disposal of property and equipment	(2,008)	(973)
Intangible assets amortisation	807	789
Interest expense	128,346	150,353
Exchange translation on opening reserves	(11,173)	(9,236)
Deferred tax asset written off	-	66
Exchange adjustment on borrowings	(13,446)	(6,082)
Adjusted profit before working capital changes	407,297	387,215
Increase in inventories	(285,062)	(296,120)
Increase in trade and other receivables	(160,225)	(72,751)
Decrease in finance lease receivables	-	10,932
Increase/(decrease)in trade and other payables	238,825	(106,238)
Cash (used in)/generated from operations	200,835	(76,962)
(b) Analysis of changes in borrowings		
At the beginning of the year	959,151	507,396
Loans received	1,620,512	1,100,617
Repayments	(1,452,953)	(643,065)
Hire purchase facility	(4,299)	285
Exchange rate adjustments	(13,446)	(6,082)
At the end of the year	1,108,965	959,151
(c) Analysis of additions to property, plant and equipment		
Acquisition by cash	91,976	50,867
Acquisition through hire-purchase (see note 25 (d))	-	8,869
At the end of the year	91,976	59,736
(d) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	19,933	19,648
Hire-purchase financing received	-	8,869
Loans repaid in the year	(4,299)	(8,584)
At the end of the year	15,634	19,933
(e) Acquisition of subsidiary:		
Purchase consideration	-	20,364
Amounts paid in the prior year	-	(20,364)
Net cash movement during the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 **NOTES TO THE CASHFLOW STATEMENT** (continued)

(f) Cash and cash equivalents

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

	2010 Sh'000	2009 Sh'000
Cash and bank balances	121,058	79,480
Bank overdrafts (note 23)	(44,582)	(31,608)
	76,476	47,872

26 **CAPITAL COMMITMENTS**

Authorised but not contracted for	17,660	-

27 **CONTINGENT LIABILITIES**

GROUP

Sundry bank guarantees	188,197	86,311

COMPANY

Guarantees in respect of bank facilities for subsidiaries	1,562,561	1,240,103
Sundry bank guarantees	100,643	47,124
	1,663,204	1,287,227

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.

28 **OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY**

The Group/Company as a lessor

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

	2010 Sh'000	2009 Sh'000
Within one year	51,485	52,601
In the second to fifth year inclusive	204,552	190,028
	256,037	242,629

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 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.

Balances with subsidiaries carried in the company's statement of financial position are disclosed on note 21 to the financial statements.

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

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
Borrowings repaid	11,548	-	11,548	-
Borrowings received	13,559	-	13,559	-
Interest paid	5,449	3,729	2,923	1,293
Loan balance at year end	57,912	19,156	57,912	19,156
Overdraft balance at year end	-	-	-	-

30 COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2010 Sh'000	2009 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	146,553	117,721
Fees for services as directors	1,729	1,700
Other emoluments for executive directors (included in key management compensation above)	21,489	20,783
	23,218	22,483

31 CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital revaluation reserves and revenue reserves and non-controlling interests.

Consistent with others in similar industries, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less bank balances. Total capital is calculated as equity attributable to owners of the parent and non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 CAPITAL MANAGEMENT (continued)

	2010 Sh'000	2009 Sh'000
Equity	1,555,906	1,307,802
Total borrowings	1,153,547	990,759
Less: cash and bank balances	(121,058)	(79,480)
Net debt	1,032,489	911,279
Gearing Ratio	66%	70%

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the finance department under policies approved by the Board of Directors. The finance department identifies, evaluates and hedges financial risks. The Board provides policies for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

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

Credit risk

In the normal course of its business, the Group is exposed to 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.

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2010 is made up as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Past due impaired Sh'000	Total Sh'000
Trade receivables	601,711	93,360	107,371	802,442
Bank balances	121,058	-	-	121,058

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2009 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Past due impaired Sh'000	Total Sh'000
Trade receivables	433,069	113,971	85,949	632,989
Bank balances	79,480	-	-	79,480

Bank balances are fully performing, they are held in reputable banks that have a high credit rating.

The customers under the fully performing category are paying their debts as they continue trading. Part of trade and other receivables in the past due category are fully impaired and have been provided for. The group does not hold any collateral or other enhancements to cover the credit risk.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2010						
Liabilities						
Trade payables	-	635,430	87,416	-	-	722,846
Finance lease obligations	542	1,083	4,875	9,134	-	15,634
Borrowings	299,122	507,713	287,554	43,524	-	1,137,913
Total financial liabilities	299,664	1,144,226	379,845	52,658	-	1,876,393
At 30 September 2009						
Liabilities						
Trade payables	14,929	409,149	117,786	1,068	-	542,932
Finance lease obligations	1,079	1,687	6,581	10,586	-	19,933
Borrowings	184,350	548,791	237,685	-	-	970,826
Total financial liabilities	200,358	959,627	362,052	11,654	-	1,533,691

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

Market risk (continued)

(i) *Foreign exchange risk*

A sizable portion of the Group's purchases are denominated in foreign currencies. The group manages the currency risk on net exposure by monitoring exchange rate movements and mitigates the risks by using foreign exchange forward contracts when appropriate and by invoicing customers in the relevant foreign currency, where possible.

The carrying amounts of the Group's major foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Foreign Currency	USD Ksh'000	EURO Ksh'000	ZAR Ksh'000	JPY Ksh'000
2010				
Assets				
Bank and cash balances	3,233	2,186	-	-
Trade receivables	162,565	-	-	-
Liabilities				
Trade payables	503,795	4,581	1,254	13,307
2009				
Assets				
Bank and cash balances	3,980	-	-	-
Trade receivables	82,833	-	-	-
Liabilities				
Trade payables	398,825	9,475	7,835	8,924

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Ksh against the relevant foreign currencies(all the other variables held constant).10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit and other equity where the Ksh strengthens against the relevant currency. For a 10% weakening of the Ksh against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances would be negative.

	2010 Sh'000 Effect on profit	2009 Sh'000 Effect on profit
Currency – US Dollar (USD)		
+ 10 % KSh Movement	33,800	31,201
– 10 % KSh Movement	(33,800)	(31,201)
Currency Euro (Euro)		
+ 10 % KSh Movement	239	948
– 10 % KSh Movement	(239)	(948)
Currency South African Rand (ZAR)		
+ 10 % KSh Movement	125	783
– 10 % KSh Movement	(125)	(783)
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	1331	892
– 10 % KSh Movement	(1331)	(892)

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) 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.

The table below summarises the exposure to interest rate risk at the reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re pricing or maturity dates.

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2010						
Financial assets						
Cash and bank balances	121,058	-	-	-	-	121,058
Liabilities						
Finance lease obligations	(542)	(1,083)	(4,875)	(9,134)	-	(15,634)
Borrowings	(299,122)	(507,713)	(287,554)	(43,524)	-	(1,137,913)
Total financial liabilities	(299,664)	(508,796)	(292,429)	(52,658)	-	(1,153,547)
Interest sensitivity gap	(178,606)	(508,796)	(292,429)	(52,658)	-	(1,032,489)
At 30 September 2009						
Total financial assets	79,480	-	-	-	-	79,480
Total financial liabilities	(235,827)	(504,304)	(240,042)	(10,586)	-	(990,759)
Interest sensitivity gap	(156,347)	(504,304)	(240,042)	(10,586)	-	(911,279)

Interest rate sensitivity analysis

The following table details the Group's sensitivity to a 1% increase and decrease in interest rates(all the other variables held constant).1% is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. For floating rate liabilities the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

	2010 Sh'000 Effect on profit	2009 Sh'000 Effect on profit
+ 1% Movement	11,535	9,908
–1 % Movement	(11,535)	(9,908)

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(iii) Price risk

The Group does not hold any investments that would be subject to price risk; hence this risk is not relevant.

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).

The rates of exchange applied for translation of foreign operations were as follows:

	At 30th September		Average for year	
	2010	2009	2010	2009
	Ksh	Ksh	Ksh	Ksh
1 Tanzania Shilling	0.0538	0.0572	0.0556	0.0595
1 Uganda Shilling	0.0360	0.0389	0.0374	0.0383
1 US dollar	80.7781	75.1900	78.0908	78.0920
1 Indian Rupee	1.8129	1.7089	1.6929	1.7748

PROXY

I/We

of

being a member/members of Car & General (Kenya) Limited hereby appoint

of

or 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 25 March 2011 at 12 noon, and at any adjournment thereof.

Dated this day of 2011

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 names of all the joint holders should be stated.

4 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.

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