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

30 September, 2011

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	-	Non-executive director
P Shah	-	Non-executive director
M Soundararajan**	-	Non-executive director

* 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

Rwanda
KCB Bank Rwanda Limited

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

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. This subsidiary was disposed in October 2011.
Dewdrops Limited P O Box 20001 - 00200, Nairobi	Property holding company.
Car & General (Rwanda) Limited Plot 1403, Muhima Road P O Box 7238, Kigali, Rwanda	Sales and service of power equipment, marine engines, motor cycles, three-wheeler vehicles, commercial engines and general goods.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-second Annual General Meeting of Car & General (Kenya) Limited will be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi, Friday, 23rd March 2012 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 2011.

2 To declare a final dividend of KShs 18,380,683 (KShs 0.55 per share) to shareholders registered at the close of business on 23rd February 2012.

3 To approve Directors' fees.

4 To re-elect Directors:

(a) To re-elect Mr Ng'ang'a a Director of the Company, a special notice having been received pursuant to sections 142 and 186 (5) of the Companies Act (Cap 486), of the intention to propose the following as an Ordinary resolution:

That Mr Ng'ang'a who has attained the age of 73 years, be and is hereby re-elected a Director of the Company.

(b) Mr P Shah, 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 To consider and if thought fit pass the following resolution as an Ordinary Resolution:

That the share capital of the Company be increased from KShs 170,000,000/- divided into 34,000,000 Ordinary Shares of KShs 5/- each to KShs 175,000,000/- by the creation of 1,000,000 additional Ordinary Shares of KShs 5/- each, to rank *pari passu* in all respects with the existing Ordinary Shares in the capital of the Company.

7 To consider and if thought fit pass the following resolutions as Special Resolutions:

(a) That subject to the approval of the Capital Markets Authority and any other regulatory Authority, the Directors be and are hereby authorized to establish one or more Employee Share Ownership Schemes (ESOS), including prepare, amend, approve and register the Trust Deed(s) and Rules and any other documents pertaining to the establishment of the Scheme(s) and to appoint and remove Trustees of the Employee Share Ownership Scheme(s) pursuant to which the Trustees thereof shall be authorized to issue units representing Ordinary Shares of KShs 5/- each of the Company to qualifying employees of the Company and its subsidiaries including Executive Directors, the first Scheme to be named Car & General (Kenya) Limited Employee Share Ownership Scheme.

(b) That subject to the approval of the Capital Markets Authority, Nairobi Securities Exchange Limited, and Kenya Revenue Authority and notwithstanding provisions of Article 13 of the Company's Articles of Association, the Directors be and are hereby authorized to allot unissued Ordinary Shares in the authorized share capital of the Company from time to time to the Trustees required to be held by for the purposes of the ESOS(s) to be established by the Company provided that the number of Ordinary Shares held by the Trustees of the ESOS (s) shall not exceed 1,500,000 Ordinary Shares of KShs 5/- each.

(c) That provisions of Article 87(a) shall not apply to any matters relating ESOS(s).

NOTICE OF ANNUAL GENERAL MEETING (Continued)

(d) That the Ordinary Shares allotted to the Trustees of the ESOS(s) shall rank *pari passu* for all purposes with the issued Ordinary Shares but shall not qualify for the final dividend in respect of the year ended 30th September 2011.

(e) That Article 7 of the Company's Articles of Association be deleted in its entirety and substituted with the following:

The share capital of the Company at the date of the alteration of this Article is Kenya Shillings one hundred and seventy five million (KShs 175,000,000/-) divided into thirty five million (35,000,000) Ordinary Shares of Kenya Shillings five (KShs 5/-) each.

BY ORDER OF THE BOARD

N P Kothari
Secretary

26th January 2012
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 2011

The year to September 2011 proved extremely challenging. The rapid and steep devaluation of the Kenya Shilling against all major currencies had a significant negative impact on margins which reduced profitability. Whereas the Group made reasonable progress in terms of growth to turnover in excess of Sh 6 Billion, profit before tax of Sh 428 Million was well below expectation largely due to unsatisfactory returns from our distribution business. Our investment property business and poultry business performed reasonably well.

The highlights of the financial year were the growth of our Kenyan businesses and our business in Tanzania; recognition by the President as a distinguished taxpayer; the growth of our TVS two wheelers in Kenya; the establishment of a high horsepower rebuild centre in Kenya; the purchase of 24 acres of land in Mombasa; our sustained market share in our three wheeler business particularly in Tanzania; 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 Corporate Social Responsibility (CSR) program; improved understanding of our markets and the identification of quality tyre and lubricant brands.

The biggest challenge throughout the year was the adverse foreign exchange movements across the region.

Areas for improvement continue to be the increase of profitability at all operations; sales and marketing of our sales and after sales activity; the complete reduction of inefficiencies in our working capital and the creation of a more performance based culture within our organization.

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. Detailed planning and disciplined implementation will be to key to success.

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

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 - FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Continued)

Head Office

The operation continues to earn rent and provide services to all divisions. Our IT upgrade is certainly providing a better service. There remains significant room for improvement in our shared services operations particularly in the area of logistics and treasury management.

Car & General (Uganda) Limited

The operation had a difficult year. The biggest challenge remains re-establishing a strong presence in the motorcycle market particularly in view of the foreign exchange depreciation that negates margins. In spite of launching a new model we have made little progress in terms of increasing motorcycle market share. Our other product lines are on the right track.
We need to focus more on our Rwanda subsidiary 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 this year given the quality of our infrastructure. We are now expanding this operation in order to remain in this business long term. We have already procured land and have embarked on a marginal expansion which has 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

We sold this business to Briggs and Stratton Corporation in November 2011. We made a satisfactory return on our investment.

The critical success factor this year remains the continuous improvement of the quality of our organization. Competition is increasing rapidly. We have already implemented initiatives and discipline in implementation will be critical. The opportunity ahead is huge. 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. This next year will be critical to future success. In the short term we will remain focused on achieving this with small additions. We are budgeting for a turnover of Sh 8 Billion this financial year. This will be extremely challenging given the current high interest rate regime which will inevitably depress demand. We will need to significantly improve and expand the organization to achieve this. Market share growth will be crucial. Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects. The quality of competition is increasing.

This year we must materialize some of our property investments where we expect reasonable returns. The growth of our poultry business also offers a good diversification opportunity.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2011 (Continued)

In spite of the significant investments being made, your company recommends a dividend of Sh 18 Million for the financial year 2010-11. This represents Sh 0.55 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.

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 2011, assisted 2,400 patients and sponsored over 180 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 2012 and hope to build our first water pan in Eastern Kenya. This may form part of our CSR initiatives in years to come.
I must express my gratitude to my co-directors and all members of staff of the company for their dedication and support. I look forward to continued support and to further progress of the Group.

N Ng'ang'a – CHAIRMAN

26 January 2012








1. Action at the Car & General sponsored motocross.
2. Car & General adopted a farm at Huruma Children's home. It will produce vegetables to be used at the home.
3. Car & General has a countrywide training program which targets jua kali motorcycle and three wheeler mechanics across Kenya.
4. Car & General has signed several co-operation memoranda with technical institutions.
5. Car & General supports eye clinics across the country in conjunction with the Lions Group.
6. Car & General trains riders on safety in conjunction with St John's Ambulance.
7. Tim Solso (Chairman and CEO of Cummins Inc.) and Nicholas Ng'ang'a (Chairman of Car & General) cut the ribbon to open the Cummins Rebuild Centre.
8. KRA Distinguished Taxpayer Award, 2011.
9. Our Briggs & Stratton donation program.
10. Vijay Gidoomal, the Group Managing Director, leads members of staff in cutting the cake to mark Car & General's 75th Anniversary.

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.

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. Internal and external auditors and other executives attend as required.

Recruitment and Remuneration Committee

The recruitment and remuneration committee meets as required. The committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of 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 non-executive directors and the Group Managing Director, Mr V V Gidoomal. The committee is chaired by Mr. N. Ng'ang'a.

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 2011

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	62,174	318	0.19
500 - 5,000	723,716	384	2.16
5,001 - 10,000	698,310	101	2.09
10,001 -100,000	2,268,675	90	6.79
100,001 - 1,000,000	3,140,036	10	9.40
above 1,000,000	26,526,513	6	79.37
Total	**33,419,424**	**909**	**100.00**

Top ten shareholders

		30 September 2011 No. of shares	%
1	Fincom Limited	10,861,183	32.50
2	Betrin Limited	5,322,633	15.93
3	Monyaka Investments Limited	4,180,927	12.51
4	Primaco Limited	3,042,205	9.10
5	Standard Chartered Nominees A/C 9397	1,585,800	4.75
6	Vapa Limited	1,533,765	4.59
7	Paul Wanderi Ndung'u	848,166	2.54
8	Nairobi Commercial Continental Limited	450,000	1.35
9	Mr C J Gidoomal	368,515	1.10
10	Cannon Assurance (K) Ltd	310,350	0.93

Directors' direct shareholding

Mr V V Gidoomal	1,320
Mr N Ng'ang'a	4,540
Mr EM Grayson	1,320
Mr B Kiplagat	1,320

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 2011.

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

	2011 Sh'000
Profit before taxation	427,926
Taxation	(139,220)
Profit for the year	288,706
Attributable to:	
Owners of the parent	260,204
Non-controlling interests	28,502
	288,706

SHARE CAPITAL

During the year the Company increased its authorised share capital from Sh 115,000,000 to Sh 170,000,000. The Company also increased the issued share capital by 11,139,808 shares by way of a capitalistion issue of one ordinary share for every two ordinary shares held.

DIVIDEND

The directors propose payment of a first and final dividend of Sh 18,380,683 (Sh0.55 per share), 2010 – Sh 17,823,693 (Sh 0.80 per share) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2. Mr H S Amrit resigned as a director of the company on 24 November 2010.

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

Secretary

26 January 2012

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 and, for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Gidooma
Director

26 January 2012

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
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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 15 to 58 which comprise the consolidated and company statements of financial position as at 30 September 2011, 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 information.

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 and, for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 2011 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)
26 January 2012
Nairobi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 Sh'000	2010 Sh'000
TURNOVER	3(c)	6,086,106	4,779,318
COST OF SALES		(5,017,506)	(3,754,360)
GROSS PROFIT		1,068,600	1,024,958
OTHER OPERATING INCOME	4	17,593	9,815
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	13	292,578	61,625
SELLING AND DISTRIBUTION COSTS		(311,339)	(257,179)
ADMINISTRATIVE EXPENSES		(447,876)	(365,033)
INTEREST EXPENSE	5	(186,652)	(128,346)
NET EXCHANGE LOSSES		(4,978)	(16,665)
PROFIT BEFORE TAXATION	6	427,926	329,175
TAXATION CHARGE	8	(139,220)	(90,941)
PROFIT FOR THE YEAR	9	288,706	238,234
OTHER COMPREHENSIVE INCOME:			
REVALUATION SURPLUS ON PROPERTY		79,650	58,870
DEFERRED TAX ON REVALUATION SURPLUS		(23,895)	(17,661)
EXCHANGE DIFFERENCE ARISING ON TRANSLATION OF FOREIGN OPERATIONS		27,430	(16,412)
		83,185	24,797
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		371,891	263,031
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		260,204	238,036
NON-CONTROLLING INTERESTS		28,502	198
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		288,706	238,234
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		343,389	262,833
NON-CONTROLLING INTERESTS	10	28,502	198
		371,891	263,031
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	11	7.78	7.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2011

	Notes	2011 Sh'000	2010 Sh'000
ASSETS			
Non-current assets			
Investment property	13	1,405,750	659,720
Property, plant and equipment	14(a)	644,616	506,449
Operating lease prepayments	15(a)	14,602	14,952
Intangible assets	16	3,511	3,271
Deferred tax asset	22(b)	5,770	8,929
		2,074,249	1,193,321
Current assets			
Inventories	18	2,290,769	1,694,544
Trade and other receivables	19	971,035	862,370
Tax recoverable	8(c)	28,697	8,762
Cash and bank balances		197,489	121,058
		3,487,990	2,686,734
Total assets		5,562,239	3,880,055
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	167,097	111,398
Revaluation surplus		256,430	204,143
Revenue reserve		1,430,624	1,240,475
Translation reserve/(deficit)		8,178	(19,252)
Equity attributable to owners of the parent		1,862,329	1,536,764
Non-controlling interests	10	57,993	19,142
Total equity		1,920,322	1,555,906
Non-current liabilities			
Deferred tax liabilities	22(b)	327,519	223,383
Borrowings	23	209,151	52,658
		536,670	276,041
Current liabilities			
Borrowings	23	1,678,310	1,100,889
Trade and other payables	24	1,424,065	930,265
Taxation payable	8(c)	2,872	16,954
		3,105,247	2,048,108
Total equity and liabilities		5,562,239	3,880,055

The financial statements on pages 15 to 58 were approved by the board of directors on 26 January 2012 and were signed on its behalf by:

N Ng'ang'a
Director

V V Gidoomal
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2011

	Notes	2011 Sh'000	2010 Sh'000
ASSETS			
Non current assets			
Investment property	13	830,750	659,720
Property, plant and equipment	14(b)	249,739	172,206
Operating lease prepayments	15(b)	973	992
Intangible assets	16	1,916	2,395
Investment in subsidiaries	17	74,386	47,791
Due from group companies	20	40,989	40,658
		1,198,753	923,762
Current assets			
Trade and other receivables	19	30,708	19,138
Due from group companies	20	2,206,828	1,329,070
Cash and bank balances		9,933	2,043
		2,247,469	1,350,251
Total assets		3,446,222	2,274,013
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	167,097	111,398
Revaluation surplus		155,193	100,856
Revenue reserve		396,971	392,759
Shareholders' funds		719,261	605,013
Non current liabilities			
Deferred taxation	22	278,729	216,615
Borrowings	23	208,794	43,524
		487,523	260,139
Current liabilities			
Borrowings	23	1,448,376	922,241
Trade and other payables	24	26,903	25,759
Due to group companies	20	764,159	460,861
		2,239,438	1,408,861
Total equity and liabilities		3,446,222	2,274,013

The financial statements on pages 15 to 58 were approved by the board of directors on 26 January 2012 and were signed on its behalf by:

N Ng'ang'a
Director

V V Gidoomal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AT 30 SEPTEMBER 2011

	Share capital Sh'000'	Revaluation surplus Sh'000'	Revenue reserve Sh'000'	Translation reserve/ (deficit) Sh'000'	Attributable to owners of the parent Sh'000'	Non - controlling interests Sh'000'	Total Sh'000'
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)
Total comprehensive income for the year	-	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
Year ended 30 September 2011							
At 1 October 2010	111,398	204,143	1,240,475	(19,252)	1,536,764	19,142	1,555,906
Profit for the year	-	-	260,204	-	260,204	28,502	288,706
Revaluation surplus on property	-	79,650	-	-	79,650	-	79,650
Deferred tax on revaluation surplus	-	(23,895)	-	-	(23,895)	-	(23,895)
Exchange difference arising on translation of foreign operations				27,430	27,430	-	27,430
Total comprehensive income for the year	-	55,755	260,204	27,430	343,389	28,502	371,891
Transfer of excess depreciation	-	(4,955)	4,955	-	-		-
Deferred tax on excess depreciation transfer	-	1,487	(1,487)	-	-	-	-
Non-controlling interests arising on formation of new subsidiary during the year (note 10)	-	-	-	-	-	3	3
Non-controlling interests arising on purchases of additional shareholding in subsidiary during the year (note 10)	-	-	-	-	-	10,346	10,346
Issue of bonus shares (note 21)	55,699	-	(55,699)	-	-	-	-
Dividend paid - 2010	-	-	(17,824)	-	(17,824)	-	(17,824)
At 30 September 2011	167,097	256,430	1,430,624	8,178	1,862,329	57,993	1,920,322

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Share capital Sh'000'	Revaluation surplus Sh'000'	Revenue reserve Sh'000'	Total Sh'000'
Year ended 30 September 2010				
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 for the year	-	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
Year ended 30 September 2011				
At 1 October 2010	111,398	100,856	392,759	605,013
Profit for the year	-		76,317	76,317
Revaluation surplus on property	-	79,650	-	79,650
Deferred tax on revaluation surplus	-	(23,895)	-	(23,895)
Total comprehensive income for the year	-	55,755	76,317	132,072
Transfer of excess depreciation	-	(2,026)	2,026	-
Deferred tax on depreciation transfer	-	608	(608)	-
Issue of bonus shares (note 21)	55,699	-	(55,699)	-
Dividend paid - 2010	-	-	(17,824)	(17,824)
At 30 September 2011	167,097	155,193	396,971	719,261

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 Sh'000	2010 Sh'000
Cash flows from operating activities			
Cash generated from operations	25(a)	168,761	200,835
Tax paid	8(c)	(92,187)	(105,657)
Net cash generated from operating activities		76,574	95,178
Cash flows from investing activities			
Purchase of investment properties	13	(453,452)	-
Purchase of property, plant and equipment	14(a)	(88,054)	(91,976)
Purchase of intangible assets	16	(993)	(656)
Proceeds on disposal of property, plant and equipment		3,503	5,401
Net cash used in investing activities		(538,996)	(87,231)
Cash flows from financing activities			
Loans received	25(b)	1,863,143	1,620,512
Loans repaid	25(b)	(1,112,108)	(1,452,953)
Dividend paid		(17,824)	(14,927)
Interest paid	5	(186,652)	(128,346)
Repayment of hire-purchase finance	25(b)	(12,818)	(4,299)
Cash brought in by non-controlling interests	10	10,349	-
Net cash generated from financing activities		544,090	19,987
Increase in cash and cash equivalents		81,668	27,934
Cash and cash equivalents at the beginning of the year		76,476	47,872
Effects of exchange rate changes on the balance of cash held in foreign operations		(6,956)	670
Cash and cash equivalents at the end of the year	25(d)	151,188	76,476

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

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 represented by the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

a) Application of new and revised International Financial Reporting Standards (IFRSs)

(i) New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

Several new and revised IFRSs became effective in the current year none of which had a material effect on these financial statements. .Details of these new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in below.

(ii) New and revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)*

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, like in the previous years, the Group has chosen to continue presenting such an analysis in the in the consolidated statement of changes in equity.

IAS 24 *Related Party Disclosures (as revised in 2009)*

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of other related parties that were not identified as related parties under the previous Standard.

Amendments to IFRS 3 *Business Combinations*

As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has no share based payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

a) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) New and revised IFRSs applied with no material effect on the consolidated financial statements *(Continued)*

Amendments to IAS 32 *Classification of Rights Issues*

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

The application of *Improvements to IFRSs* issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

(iii) New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after:
Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*	1 July 2011
IFRS 9	*Financial Instruments*	1 January 2013
IFRS 10	*Consolidated Financial Statements*	1 January 2013
IFRS 11	*Joint Arrangements*	1 January 2013
IFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13	*Fair Value Measurement*	1 January 2013
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*	1 July 2012
Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*	1 January 2012
IAS 27 (as revised in 2011)	*Separate Financial Statements*	1 January 2013
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(ii) New and revised IFRSs in issue but not yet effective *(Continued)*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected . However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: to be subsequently measured* at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 October 2013 and that the application of IFRS 9 will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as the group does not currently have financial instruments classified as available-for-sale investments that will have to be measured at fair value at the end of subsequent reporting periods.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) New and revised IFRSs in issue but not yet effective *(Continued)*

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 October 2013. The application of these five standards is not expected to have a significant impact on amounts reported in the consolidated financial statements. Currently, the group has no jointly controlled entities, Joint arrangements, unconsolidated entities, and special purpose entities. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

b) Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(iii) New and revised IFRSs in issue but not yet effective *(Continued)*

The Group currently has no financial instruments carried at fair value. The directors anticipate that the adoption of IFRS 13 on Group's consolidated financial statements for the annual period beginning October 2013 will have no significant impact on the amounts reported in the financial statements or disclosures in the financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The Group has no defined benefits obligations and the directors anticipate that the amendments to IAS 19 will not have any impact on group's financial statements.

(iv) Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Basis of preparation

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

Basis of 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.

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 revenue reserves) 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.

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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%
Furniture and equipment	12.5% - 30%
Motor vehicles	25%
Computers	30%

At the end of each reporting period the difference between depreciation charge for the year based on revalued amount of property, and that based on historical cost is transferred from the revaluation reserve to the revenue reserve net of the related deferred tax.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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. The cost of inventories includes 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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.

Foreign currencies

Assets and liabilities at year end which are expressed in foreign currencies are translated at the exchange rates ruling at year end. 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 translation reserve/(deficit).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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

Critical accounting judgments in applying accounting policies

Property, plant and equipment

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

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

3 SEGMENTAL INFORMATION

(a) Adoption of IFRS 8 Operating Segments

The group 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.

(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 reportable segments is as follows:

	Trade and workshop Sh'000'	Rental Sh'000'	Poultry Sh'000'	Group Sh'000'
30 September 2011				
Revenue	5,849,320	59,365	177,421	6,086,106
Gain in fair value of investment property	-	292,578	-	292,578
Segment profit before tax	61,057	351,405	15,464	427,926
30 September 2010				
Revenue	4,570,937	58,331	150,050	4,779,318
Gain in fair value of investment property	-	61,625	-	61,625
Segment profit before tax	185,078	119,781	24,316	329,175

Revenue reported above represents revenue generated from external customers.

There were no revenues derived from transactions with a single external customer that amounts to 10% or more of the groups' revenue.

(d) *Segment assets and liabilities*

30 September 2011				
Assets	4,059,288	1,410,709	92,242	5,562,239
Liabilities	3,422,398	190,872	28,647	3,641,917
30 September 2010				
Assets	3,130,454	667,714	81,887	3,880,055
Liabilities	2,290,885	69	33,195	2,324,149

(e) *Other segment information*

30 September 2011				
Segment expenses	5,615,234	538	160,949	5,776,721
Taxation charge	30,918	105,421	2,881	139,220
Finance costs	186,652	-	-	186,652
Depreciation/amortisation	42,713	1	5,199	47,913
Capital expenditure	80,884	453,452	8,163	542,499

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SEGMENTAL INFORMATION (Continued)

(e) Other segment information (Continued)

30 September 2010	Trade and workshop Sh'000'	Rental Sh'000'	Poultry Sh'000'	Group Sh'000'
Segment expenses	4,251,325	175	125,072	4,376,572
Taxation charge	44,134	35,934	10,873	90,941
Finance costs	128,346	-	-	128,346
Depreciation/amortisation	35,188	1	2,839	38,028
Capital expenditure	74,336	-	18,296	92,632

(d) Geographical information

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

	2011 Sh'000'	2010 Sh'000'
Kenya	4,012,347	3,341,756
Uganda	773,514	613,369
Tanzania	1,179,849	760,236
India	88,328	63,957
Rwanda	32,068	-
	6,086,106	4,779,318

(e) The group's assets and liabilities are located in the following countries:

	2011 Sh'000'	2010 Sh'000'
Non-current assets (excluding deferred tax assets)		
Kenya	1,750,894	926,637
Uganda	123,721	125,543
Tanzania	152,835	122,430
India	36,982	9,782
Rwanda	4,047	-
	2,068,479	1,184,392
Total assets		
Kenya	4,161,267	2,765,225
Uganda	553,589	486,293
Tanzania	711,638	555,985
India	111,397	72,552
Rwanda	24,348	-
	5,562,239	3,880,055

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SEGMENTAL INFORMATION (Continued)

(e) The group's assets and liabilities are located in the following countries (Continued):

	2011 Sh'000'	2010 Sh'000'
Total liabilities		
Kenya	2,988,104	1,829,257
Uganda	272,931	206,417
Tanzania	338,812	254,476
India	39,363	33,999
Rwanda	2,707	-
	3,641,917	2,324,149

4 OTHER OPERATING INCOME

Gain on disposal of property, plant and equipment	1,006	2,008
Other income	16,587	7,807
	17,593	9,815

5 INTEREST EXPENSE

Interest on borrowings	186,652	128,346

6 PROFIT BEFORE TAXATION

The profit before tax is arrived at after charging:

Depreciation -property, plant and equipment (note 13)	46,933	37,067
Amortisation -operating lease prepayments (note 14)	146	154
-intangible assets (note 15)	834	807
Staff costs (note 7)	380,516	302,571
Directors' remuneration - fees	2,495	1,729
- other emoluments	23,833	21,489
Auditors' remuneration	4,902	3,638

And after crediting:

Fair value gains on investment properties	292,578	61,625
Gain on disposal of property, plant and equipment	1,006	2,008

7 STAFF COSTS

Salaries and wages	355,240	285,974
Retirement benefit costs:		
- Defined contribution scheme	6,158	4,914
- National Social Security Fund contribution	13,311	8,228
Leave pay provision	5,807	3,455
	380,516	302,571

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 TAXATION

	2011 Sh'000	2010 Sh'000
(a) Taxation charge		
Current tax	56,594	104,527
Deferred tax charge/(credit)-(note 22)	82,985	(13,586)
Prior year over provision – deferred tax	(359)	-
Taxation charge	139,220	90,941

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

	2011 Sh'000	2010 Sh'000
(b) Reconciliation of expected tax based on accounting profit to the taxation charge		
Group profit before taxation	427,926	329,175
Tax calculated at the applicable of 30%	128,378	98,753
Tax effect of incomes not subject to tax	-	(18,488)
Tax effect of expenses not deductible for tax	11,201	10,676
Prior year over provision - deferred tax	(359)	-
Taxation charge	139,220	90,941

(c) TAXATION (PAYABLE)/RECOVERABLE

	2011 Sh'000	2010 Sh'000
GROUP		
Balance at the beginning of the year – payable	(8,192)	(9,531)
Expense for the year	(56,594)	(104,527)
Paid in the year	92,187	105,657
Currency translation differences	(1,576)	209
Balance at the end of the year – recoverable/(payable)	25,825	(8,192)
This is analysed as:		
Taxation recoverable	28,697	8,762
Taxation payable	(2,872)	(16,954)
	25,825	(8,192)
COMPANY		
Balance at the beginning of the year	-	-
Paid in the year	-	-
Balance at the end of the year - (payable)	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 PROFIT FOR THE YEAR

A profit of Sh 76,317,000 (2010 - Sh 37,547,000) has been dealt with in the separate financial statements of the parent company.

10 NON-CONTROLLING INTERESTS

	2011 Sh'000	2010 Sh'000
At the beginning of the year	19,142	18,944
Share of profit for the year	28,502	198
Minority interest share on formation Dew Drops Limited	3	-
Minority interest share on issue of additional share capital	(359)	-
by Premier Power Equipments & Products Private Limited	10,346	-
At the end of the year	57,993	19,142

	2011 %	2010 %
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Premier Power Equipments & Products Private Limited	35	35
Dewdrops Limited	34	-

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:

	2011	2010
Profit attributable to owners of the parent (Sh'000)	260,204	238,036
Number of shares	33,419,424	33,419,424
Basic and diluted earnings per share (Sh)	7.78	7.12

The weighted average number of shares used in computing basic and diluted earnings per share has been computed as:

	Number
At 30 September 2010 as previously stated	22,279,616
1 for 2 bonus issue	11,139,808
At 30 September 2010 as restated	33,419,424

During the year there was a bonus issue of one ordinary share for every 2 shares held. This increased the number of shares in issue from 22,279,616 in 2010 to 33,319,424 shares in 2011. In accordance with International Accounting Standard No 33 on earnings per share, the earnings per share for 2010 has been adjusted from Sh 10.70 per share reported in 2010 to Sh 7.12 per share to reflect this change.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2011 of Sh 0.55 per share (2010 – Sh 0.80 per share) amounting to a total dividend of Sh 18,380,683 (2010 – Shs 17,823,693). The financial statements for the year ended 30 September 2011 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 2012.

13 INVESTMENT PROPERTY – GROUP AND COMPANY

	GROUP Sh'000	COMPANY Sh'000
At 1 October 2009	598,095	598,095
Fair value gains	61,625	61,625
At 30 September 2010	659,720	659,720
At 1 October 2010	659,720	659,720
Additions	453,452	-
Fair value gains	292,578	171,030
At 30 September 2011	1,405,750	830,750

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 1,405,750,000 (2010: Sh 659,720,000) to secure borrowings granted to the Group.

These properties were valued by R R Oswald & Company Limited, registered valuers in Kenya, as at 30 September 2011, on an open market basis. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

	GROUP 2011 Sh'000	COMPANY 2011 Sh'000	GROUP 2010 Sh'000	COMPANY 2010 Sh'000
ANALYSIS OF INVESTMENT PROPERTY AT VALUATION:				
Leasehold over 50 years unexpired	750,000	175,000	115,000	115,000
Leasehold under 50 years unexpired	655,750	655,750	544,720	544,720
At 30 September 2010	1,405,750	830,750	659,720	659,720

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings 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 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
At 1 October 2010	351,315	62,258	67,900	117,764	33,746	632,983
Exchange rate adjustments	16,678	838	3,402	3,208	839	24,965
Additions	28,393	13,740	17,735	21,311	6,875	88,054
Disposals	(130)	-	(206)	(8,169)	(111)	(8,616)
Revaluation surplus	76,511	-	-	-	-	76,511
At 30 September 2011	472,767	76,836	88,831	134,114	41,349	813,897
COMPRISING:						
At 30 September 2011						
At valuation 2011	350,486	-	-	-	-	350,486
At cost	122,281	76,836	88,831	134,114	41,349	463,411
	472,767	76,836	88,831	134,114	41,349	813,897
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
DEPRECIATION						
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
At 1 October 2010	7,133	19,638	34,680	45,898	19,185	126,534
Exchange rate adjustments	1,918	130	1,259	1,222	449	4,978
Charge for the year	7,278	9,021	4,894	20,805	4,935	46,933
Eliminated on disposals	(50)	-	(154)	(5,781)	(40)	(6,025)
Write back on revaluation	(3,139)	-	-	-	-	(3,139)
At 30 September 2011	13,140	28,789	40,679	62,144	24,529	169,281

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP (Continued)

	Land and buildings 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						
At 30 September 2011	459,627	48,047	48,152	71,970	16,820	644,616
At 30 September 2010	344,182	42,620	33,220	71,866	14,561	506,449
NET BOOK VALUE (COST BASIS)						
At 30 September 2011	79,323	48,047	48,152	71,970	16,820	264,312
At 30 September 2010	52,549	42,620	33,220	71,866	14,561	214,816

Land and buildings are carried at valuations derived by external professional valuers. The basis of valuation has been open market value. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:	2011 Sh'000'	2010 Sh'000'
Freehold land	-	130
Leasehold buildings over 50 years unexpired	42,979	36,025
Leasehold buildings under 50 years unexpired	429,788	315,160
	472,767	351,315

The exchange rate adjustments arise as a result of translation of the property, plant and equipment opening balances of subsidiaries outside Kenya.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 (b) PROPERTY AND EQUIPMENT - COMPANY

	Land and buildings Sh'000'	Motor vehicles Sh'000'	Furniture, fittings and equipment Sh'000'	Computers Sh'000'	Total Sh'000'
COST OR VALUATION					
At 1 October 2009	307,286	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
At 1 October 2010	159,365	4,597	11,596	17,366	192,924
Additions	2,548	-	1,012	919	4,479
Disposals	(130)	-	(138)	-	(268)
Revaluation surplus	76,511	-	-	-	76,511
At 30 September 2011	238,294	4,597	12,470	18,285	273,646
COMPRISING:					
At 30 September 2011					
At valuation 2011	232,351	-	-	-	232,351
At cost	5,943	4,597	12,470	18,285	41,295
	472,767	4,597	12,470	18,285	273,646
At 30 September 2010					
At valuation 2010	154,018	-	-	-	154,018
At cost	5,347	4,597	11,596	17,366	38,906
	351,315	4,597	11,596	17,366	192,924
DEPRECIATION					
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 disposals	-	(33)	-	-	(33)
Eliminated on transfer to subsidiary	-	-	-	111	111
Write back on revaluation	(2,833)	-	-	-	(2,833)
At 30 September 2010	50	1,743	7,797	11,128	20,718
At 1 October 2010	50	1,743	7,797	11,128	20,718
Charge for the year	3,220	713	580	1,979	6,492
Eliminated on disposals	(50)	-	(114)	-	(164)
Write back on revaluation	(3,139)	-	-	-	(3,139)
At 30 September 2011	81	2,456	8,263	13,107	23,907

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 (b) PROPERTY AND EQUIPMENT - COMPANY (Continued)

	Land and buildings Sh'000'	Motor vehicles Sh'000'	Furniture fittings and equipment Sh'000'	Computers Sh'000'	Total Sh'000'
NET BOOK VALUE					
At 30 September 2011	238,213	2,141	4,207	5,178	249,739
At 30 September 2010	159,315	2,854	3,799	6,238	172,206
NET BOOK VALUE (COST BASIS)					
At 30 September 2011	17,443	2,141	4,207	5,178	28,969
At 30 September 2010	15,235	2,854	3,799	6,238	28,126

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd professional valuers on 30 September 2011. 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.

ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:	2011 Sh'000'	2010 Sh'000'
Freehold land	-	130
Leasehold buildings over 50 years unexpired	22,044	17,695
Leasehold buildings under 50 years unexpired	216,250	141,540
	238,294	159,365

15 (a) OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000'
COST	
At 1 October 2009	20,218
Exchange rate adjustments	(1,355)
At 30 September 2010	18,863
At 1 October 2010	18,863
Exchange rate adjustments	(255)
At 30 September 2011	18,608

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (a) OPERATING LEASE PREPAYMENTS - GROUP (Continued)

	Sh'000'
AMORTISATION	
At 1 October 2009	4,023
Exchange rate adjustments	(266)
Amortisation for the year	154
At 30 September 2010	3,911
At 1 October 2010	3,911
Exchange rate adjustments	(51)
Amortisation for the year	146
At 30 September 2011	4,006
NET BOOK VALUE	
At 30 September 2011	14,602
At 30 September 2010	14,952

(b) OPERATING LEASE PREPAYMENTS - COMPANY

	Sh'000'
COST	
30 September 2010 and 30 September 2011	1,440
AMORTISATION	
At 1 October 2009	430
Charge for the year	18
At 30 September 2010	448
At 1 October 2010	448
Charge for the year	19
At 30 September 2011	467
NET BOOK VALUE	
At 30 September 2011	973
At 30 September 2010	992

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INTANGIBLE ASSETS

	GROUP Sh'000'	COMPANY Sh'000'
COST		
At 1 October 2009	6,071	5,205
Exchange rate adjustments	(53)	-
Additions	656	-
Disposals	(29)	-
At 30 September 2010	6,645	5,205
At 1 October 2010	6,645	5,205
Exchange rate adjustments	186	-
Additions	993	-
At 30 September 2011	7,824	5,205
AMORTISATION		
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
At 1 October 2010	3,374	2,810
Exchange rate adjustments	105	-
Charge for the year	834	479
At 30 September 2011	4,313	3,289
NET BOOK VALUE		
At 30 September 2011	3,511	1,916
At 30 September 2010	3,271	2,395

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENT IN SUBSIDIARIES

Investments at cost

	Holding	2011 Sh'000'	2010 Sh'000'
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	100%	15,072	15,072
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	100%	2,250	2,250
Car & General (Engineering) Limited (formerly Kamco Engineering Limited) 130,000 shares of Ksh 20 each at cost	100%	2,600	2,600
Car & General (Marine) Limited (formerly Cargen Plastics Limited) 157,757 shares of Ksh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 1000 shares of Ksh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of Ksh 20 each at cost less amounts written off	100%	1,098	1,098
Car & General (Trading) Limited - Kenya 2,000 shares of Ksh 20 each at cost	100%	40	40
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) 25,000 shares of Ksh 20 each at cost	100%	500	500
Cargen Insurance Agencies Limited 100 shares of Ksh 20 each at cost	100%	2	2
Kibo Poultry Products Limited 998 shares of TSh 5,000 each at cost	100%	90	90
Sovereign Holdings International Limited 1 share of US$ 1 each	100%	-	-
Premier Power Equipment & Products Pvt. Limited	65%	46,444	20,364
Dewdrops Limited	66%	7	-
Car & General (Rwanda) Limited	100%	508	-
		74,386	47,791

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES - GROUP

	2011 Sh'000'	2010 Sh'000'
Goods in transit and in bond	885,200	681,081
Finished products	970,482	753,228
Raw materials, spares and consumables	405,933	243,914
Work in progress	24,166	12,424
Livestock	4,988	3,897
	2,290,769	1,694,544

19 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2011 Sh'000'	2010 Sh'000'	2011 Sh'000'	2010 Sh'000'
Trade receivables	763,592	695,071	4,228	7,922
Due from directors	1,973	964	1,973	964
Other receivables	205,470	166,335	24,507	10,252
	971,035	862,370	30,708	19,138

20 RELATED PARTIES - COMPANY

	2011 Sh'000'	2010 Sh'000'
Due from Group companies		
Current	2,206,828	1,329,070
Non current	40,989	40,658
	2,247,817	1,369,728

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

	2011 Sh'000'	2010 Sh'000'
Due to Group companies	764,159	460,861

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 SHARE CAPITAL – GROUP AND COMPANY

	2011 Sh'000'	2010 Sh'000'
Authorised		
34,000,000 (2010- Kshs 23,000,000) ordinary shares of Sh 5 each	170,000	115,000

The movement in authorised share capital during the year is as follows:

	No. of shares in thousands		Value	
	2011	2010	2011 Sh'000'	2010 Sh'000'
At the beginning of the year	23,000	23,000	115,000	115,000
Increased during the year	11,000	-	55,000	-
At the end of the year	34,000	23,000	170,000	115,000

	2011 Sh'000'	2010 Sh'000'
Issued and fully paid		
33,419,424 (2010- Kshs 22,279,616) ordinary shares of Sh 5 each	167,097	111,398

The movement in issued share capital during the year was as follows:

	No. of shares in thousands		Value	
	2011	2010	2011 Sh'000'	2010 Sh'000'
At the beginning of the year	22,280	22,280	111,398	111,398
Issue of bonus shares (I bonus share for every 2 shares held)	11,140	-	55,699	-
At the end of the year	33,420	22,280	167,097	111,398

At the Annual General meeting held on 25 March 2011, the company's shareholders approved the increase in the company's authorized share capital from Sh 115,000,000 divided into 23,000,000 shares of Sh 5 each to Sh 170,000,000 divided into 34,000,000 shares of Sh 5 each. The shareholders also approved capitalization of reserves of Sh 55,699,040 creating an additional 11,139,808 ordinary shares of Sh 5 each. This was one bonus share for every two shares held.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION

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

	2011 Sh'000'	2010 Sh'000'
GROUP		
At the beginning of the year	214,454	210,966
Exchange difference on translation	774	(587)
Charge/(credit) for the year - (note 8(a))	82,985	(13,586)
Property revaluation	23,895	17,661
Prior year over provision	(359)	-
At the end of the year	321,749	214,454
COMPANY		
At the beginning of the year	216,615	201,744
Charge for the year	38,219	10,255
Property revaluation	23,895	4,616
At the end of the year	278,729	216,615

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

	2011 Sh'000'	2010 Sh'000'
Deferred tax assets	(5,770)	(8,929)
Deferred tax liabilities	327,519	223,383
	321,749	214,454

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 2010 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2011 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	12,781	856	-	(896)	12,741
Relating to revaluation surplus	50,112	(332)	23,895	(1,596)	72,079
Relating to fair value gains on investment property	191,161	-	-	87,665	278,826
Unrealised exchange differences	(7,521)	-	-	8,129	608
	246,533	524	23,895	93,302	364,254
Deferred tax assets					
Tax losses carried forward	(21,428)	163	-	(9,900)	(31,165)
Unrealised exchange differences	-	-	-	-	-
Leave pay provision	(355)	4	-	(373)	(724)
Prior year under provision	-	(359)	-	359	-
Bad debts provision	(10,296)	83	-	(403)	(10,616)
	(32,079)	(109)	-	(10,317)	(42,505)
Net deferred tax liability	214,454	415	23,895	82,985	321,749
COMPANY					
Deferred tax liabilities					
Relating to revaluation surplus	223,061		23,895	51,309	298,265
Unrealised exchange differences	-	-	-	-	-
	223,061	-	23,895	51,309	298,265
Deferred tax assets					
Accelerated capital allowances	981	-	-	(188)	793
Tax losses carried forward	(5,838)	-	-	(12,479)	(18,317)
Leave pay provision	(164)	-	-	(373)	(537)
Unrealised exchange differences	(1,425)			(50)	(1,475)
	(6,446)	-	-	(13,090)	(19,536)
Net deferred tax liability	216,615	-	23,895	38,219	278,729

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 BORROWINGS

	2011 Sh'000'	2010 Sh'000'
GROUP		
Loans:		
Short - term notes - interest 12.48% (2010 - 10.81%) p.a	642,082	498,292
Standard Chartered Bank Kenya Limited		
- Loan in Ksh - interest at 14.25% p.a.	274,463	-
Standard Chartered Bank Kenya Limited		
- Import loan in USD - interest at 6.75% (2010 - 8.30%) p.a.	679,046	418,436
Giro Commercial Bank Limited		
- Loan in Ksh - interest at 15.0% (2010 - 14.73%) p.a	15,957	12,717
- Loan in USD - interest at 6.00% p.a	-	28,272
- Loan in Euro - interest at 7.50% (2010 - 7.5%) p.a.	7,474	8,043
Standard Chartered Bank Uganda Limited		
- Import loan in Ush - Interest rate 23.25% (2010 - 19.25%) p.a.	103,715	83,306
Standard Chartered Bank Tanzania Limited		
- Import loan in USD - interest at 6.5% (2010 - 6.5%) p.a.	95,597	44,265
Corporate Bank - Coimbatore	20,010	-
Hire purchase obligations - interest at 16% (2010 - 5.25%) p.a.	2,816	15,634
	1,841,160	1,108,965
Bank overdrafts (Secured)	46,301	44,582
	1,887,461	1,153,547
Current	(1,678,310)	(1,100,889)
Non-current	209,151	52,658
COMPANY		
Loans:		
Short - term note - interest 12.48% (2010 - 10.81%) p.a	642,082	498,292
Standard Chartered Bank Kenya Limited		
- Loan in Ksh - interest at 14.25%	274,463	-
Standard Chartered Bank Kenya Limited		
-Import loan in USD - interest at 6.75% (2010 - 8.30%) p.a.	679,046	418,436
Giro Commercial Bank Limited		
- Loan in Ksh - interest at 15.0% (2010 - 14.73%) p.a	15,957	12,717
- Loan in USD - interest at 6.00% p.a	-	28,272
- Loan in Euro - interest at 7.50% (2010 - 7.50%) p.a	7,474	8,043
	1,619,022	965,760
Bank overdrafts (Secured)	38,148	5
	1,657,170	965,765
Current	(1,448,376)	(922,241)
Non-current	208,794	43,524

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 BORROWINGS (Continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2011 Sh'000'	2010 Sh'000'	2011 Sh'000'	2010 Sh'000'
Between 1 and 2 years	178,557	14,682	178,200	5,548
Between 2 and 5 years	30,594	37,976	30,594	37,976
	209,151	52,658	208,794	43,524

Interest rates

The effective interest rates at 30 September were as follows:

	2011	2010
Bank overdrafts	15.12%	15.30%

Loans - As indicated against each loan

Details of securities for loans and overdrafts

a) The Standard Chartered Bank Kenya Limited loans and overdraft are secured by a collateral legal charge over land and buildings and a debenture over all assets for Sh 1,250,000,000 ranking pari passu with I & M Bank Limited for Sh 250,000,000.

b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all Car & General (Trading) Limited - Tanzania for Sh 225,193,395, a fixed charge on associated company's property and corporate guarantee by associated companies.

c) 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.

d) 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.

e) The Standard Chartered Bank Uganda Ltd overdraft is secured by a legal charge over land and building and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 581,740,000 and a corporate guarantee by holding company.

f) 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	
	2011 Sh'000'	2010 Sh'000'
Minimum lease payments		
Due within one year	3,270	8,423
Due after one year	482	10,192
	3,752	18,615
Less: Future finance charges	(936)	(2,981)
Present value of minimum Lease payments	2,816	15,634
Less: Amount due for settlement within 12 months	(2,459)	(6,500)
Amounts due for settlement after 12 months	357	9,134

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 2011 was 16% (2010 – 15.25%) p.a.

The carrying values of the finance 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 266,963,000 (2010 – Sh 87,283,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011 Sh'000'	2010 Sh'000'	2011 Sh'000'	2010 Sh'000'
Trade payables	997,387	722,846	2,246	6,455
Other payables	426,678	207,419	24,657	19,304
	1,424,065	930,265	26,903	25,759

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 NOTES TO THE STATEMENT OF CASH FLOWS

	2011	2010
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	427,926	329,175
Adjustments for:		
Depreciation on property, plant and equipment	46,933	37,067
Leasehold land amortisation	146	154
Fair value gains on investment properties	(292,578)	(61,625)
Gain on disposal of property and equipment	(1,006)	(2,008)
Intangible assets amortisation	834	807
Interest expense	186,652	128,346
Exchange translation on opening reserves	16,862	(11,173)
Property and equipment written off	104	
Exchange adjustment on borrowings	(6,022)	(13,446)
Adjusted profit before working capital changes	379,851	407,297
Increase in inventories	(596,225)	(285,062)
Increase in trade and other receivables	(108,665)	(160,225)
Increase in trade and other payables	493,800	238,825
Cash generated from operations	168,761	200,835
(b) Analysis of changes in borrowings		
At the beginning of the year	1,108,965	959,151
Loans received	1,863,143	1,620,512
Repayments	(1,112,108)	(1,452,953)
Hire purchase facility repaid (note 25(c)	(12,818)	(4,299)
Exchange rate adjustments	(6,022)	(13,446)
At the end of the year	1,841,160	1,108,965
(c) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	15,634	19,933
Loans repaid in the year	(12,818)	(4,299)
At the end of the year	2,816	15,634

(d) Cash and cash equivalents

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

	2011	2010
Cash and bank balances	197,489	121,058
Bank overdrafts (note 23)	(46,301)	(44,582)
At the end of the year	151,188	76,476

26 CAPITAL COMMITMENTS

	2011	2010
Authorised and contracted for	74,150	-
Authorised but not contracted for	142,117	17,660

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 CONTINGENT LIABILITIES

	2011 Sh'000'	2010 Sh'000'
GROUP		
Sundry bank guarantees	433,756	188,197
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	1,726,425	1,562,561
Sundry bank guarantees	32,481	100,643
	1,758,906	1,663,204

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 as a lessor

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

	2011 Sh'000'	2010 Sh'000'
Within one year	46,826	51,485
In the second to fifth year inclusive	183,909	204,552
	230,735	256,037

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 20 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	
	2011 Sh'000'	2010 Sh'000'	2011 Sh'000'	2010 Sh'000'
Borrowings repaid	30,433	11,548	30,433	11,548
Borrowings received	2,257	13,559	2,257	13,559
Interest paid	7,620	5,449	2,419	2,923
Loan balance at year end	51,981	57,912	51,981	57,912
Overdraft balance at year end	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

	2011 Sh'000'	2010 Sh'000'
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	190,951	146,553
Fees for services as directors	2,495	1,729
Other emoluments for executive directors (included in key management compensation above)	23,833	21,489
	26,328	23,218

30 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, 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.

	2011 Sh'000'	2010 Sh'000'
Equity	1,920,322	1,555,906
Total borrowings	1,887,461	1,153,547
Less: cash and bank balances	(197,489)	(121,058)
Net debt	1,689,972	1,032,489
Gearing Ratio	88%	66%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES

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 2011 is made up as follows:

	Fully performing Sh'000'	Past due but not impaired Sh'000'	Impaired Sh'000'	Total Sh'000'
Trade receivables	588,543	175,049	94,329	857,921
Bank balances	197,489	-	-	197,489

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2010 was as follows:

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (Continued)

Liquidity risk (Continued)

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 1month 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 2011						
Liabilities						
Trade payables	29	774,566	222,792	-	-	997,387
Finance lease obligations	595	732	1,944	481	-	3,752
Other borrowings	161,730	1,216,468	370,500	247,109	-	1,995,807
Total financial liabilities	162,354	1,991,766	595,236	247,590	-	2,996,946
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
Other 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

Market risk

(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 Sh'000'	EURO Sh'000'	ZAR Sh'000'	JPY Sh'000'
2011				
Assets				
Bank and cash balances	55,871	2,329	-	-
Trade receivables	249,576	6,085	-	-
	305,447	8,414	-	-
Liabilities				
Trade payables	801,689	40,937	-	-
2011				
Assets				
Bank and cash balances	3,233	2,186	-	-
Trade receivables	162,565	-	-	-
	165,798	2,186	-	-
Liabilities				
Trade payables	503,795	4,581	1,254	13,307

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (Continued)

Market risk (Continued)

(i) Foreign exchange risk (continued)

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.

	2011 Sh'000' Effect on Profit	2010 Sh'000' Effect on Profit
Currency – US Dollar (USD)		
+ 10 % KSh Movement	49,624	56,041
– 10 % KSh Movement	(49,624)	(56,041)
Currency – Euro (Euro)		
+ 10 % KSh Movement	3,252	677
– 10 % KSh Movement	(3,252)	(677)
Currency South African Rand (ZAR)		
+ 10 % KSh Movement	543	125
– 10 % KSh Movement	(543)	(125)
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	3,178	811
– 10 % KSh Movement	(3,178)	(811)

(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 1month 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 2011						
Financial assets						
Cash and bank balances	197,489	-	-	-	-	197,489
Liabilities						
Finance lease obligations	(460)	(557)	(1,442)	(357)	-	(2,816)
Borrowings	(144,769)	(1,194,848)	(336,234)	(208,794)	-	(1,884,645)
Total financial liabilities	(145,229)	(1,195,405)	(337,676)	(209,151)	-	(1,887,461)
Interest sensitivity gap	52,260	(1,195,405)	(337,676)	(209,151)	-	(1,689,972)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

	Up to 1month 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						
Total financial assets	121,058	-	-	-	-	121,058
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)

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.

	2011 Sh'000' Effect on Profit	2010 Sh'000' Effect on Profit
+ 1% Movement	16,900	10,324
– 1 % Movement	(16,900)	(10,324)

(iii) Price risk

As at 31 December 2011 and 2012, the group did not hold financial instruments that are subject to price fluctuations.

32 EVENTS AFTER THE REPORTING PERIOD

On 31 October 2011 the Company sold its 65% holding in Premier Power Equipments & Products Private Limited for Sh 159,825,289. The Company's share of the subsidiary's net assets at 30 September 2011 was Sh 46,822,000.

33 INCORPORATION

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

34 CURRENCY

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

PROXY

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 23 March 2012 at 12 noon, and at any adjournment thereof.

Dated this .... day of 2012

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 authorised 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, not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.