CONTENTS

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

30 September, 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS	-	Chairman and independent non-executive director
V V Gidoomal*	-	Group Managing Director
E M Grayson*	-	Group Finance Director
S P Gidoomal	-	Non-executive director
H S Amrit, EBS	-	Independent non-executive director
Dr B Kiplagat	-	Independent non-executive director
P Shah	-	Independent non-executive director
M Soundararajan**	-	Independent non-executive director

* British ** Indian

SECRETARY

N P Kothari – FCPS (Kenya)
P O Box 30633 - 00100
Nairobi

REGISTERED OFFICE

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

AUDITORS

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

BANKERS

Kenya
Standard Chartered Bank Kenya Limited
CFC Stanbic Bank Limited
Giro Commercial Bank Limited

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

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

ADVOCATES

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

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

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 00200 - Nairobi	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles, motor cars, three-wheeler vehicles, commercial laundry equipment, commercial engines and general goods.
Car & General (Automotive) Limited P O Box 20001 00200 - Nairobi	Sale of brake linings and friction materials.
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) P O Box 20001 00200 - Nairobi	Sale of welding alloys and welding equipment and provision of sales and marketing services related to three-wheeler vehicles.
Car & General (Tanzania) Limited P O Box 1552 Dar es Salaam	Sales and 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.
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 (formerly Kamco Engineering Limited) P O Box 20001 00200 - Nairobi	Sales and marketing services relating to the provision of power equipment and related services.
Car & General (Marine) Limited (formerly Cargen Plastics Limited) P O Box 20001 00200 – Nairobi	Sales and marketing services relating to the provision of marine engines and related products.
Car & General (Industries) Limited P O Box 20001 00200 – Nairobi	Dormant
Cargen Insurance Agencies Limited P O Box 20001 00200 – Nairobi	Dormant
Premier Power Equipment & Products Pvt Ltd Flat No. 5 - Door No. 28 - Ajantha Flats Kanakammal Colony Nanganallur, Chennai - 600 061 India	Manufacturing and distribution of weeders, tillers, pump sets, lawn mowers and engines.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventieth Annual General Meeting of Car & General (Kenya) Limited will be held at the Company's Registered Office, New Cargen House, Lusaka Road, Nairobi 24 March 2010 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 2009.

2. To declare a final dividend of Sh 14,927,343 (Sh 0.67 per share) to shareholders registered at the close of business on 1 March 2010.

3. To approve Directors' fees.

4. To re-elect Directors:

    a. Mr E M Grayson a Director of the Company, retires by rotation and being eligible, offers himself for re-election.

    b. To re-elect Dr B Kiplagat 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 Dr B Kiplagat who has attained the age of 73 years, be and is hereby re-elected a Director of the Company.

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

BY ORDER OF THE BOARD

Secretary
28 January 2010
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 2009

The year to September 2009 proved extremely challenging, particularly in view of the global economic crisis. Notwithstanding, the Group made reasonable progress in terms of volume growth although we did face significant challenges. Turnover, at Sh 4.350 billion, grew 45% over 2008. The Group generated a profit before tax of Sh 279 million. Profits from operations fell 12%. The drop in profitability can be largely attributed to the following;

1 The significant forex volatility in Kenya and Uganda resulted in forex margin losses of approximately Sh 120 Million. This has now stabilized.

2 Our Uganda motorcycle business declined during the course of the year, which resulted in a loss in our Uganda operations from a substantial profit the year before. We have downsized the operation and performance has improved.

3 Our aggressive stocking policy, planned in 2008, resulted in working capital excesses in 2009 leading to much higher finance charges. We have now cleared 85 % of surplus stocks.

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

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

I now comment more specifically on each division below:

Car & General (Trading) Limited – Kenya

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

This year will be extremely challenging with the expected increase in stronger competition and a decline in margin. We must get closer to our markets and our customers throughout Kenya in order to increase market share and unit sales in order to ensure profitable growth.

We have now also launched the Tafe tractors. We expect to increase market share further this year given the positive aspects of this product.

AutoItalia

We have made little progress in this area. We continue to service customers to whom we have sold Alfa Romeo vehicles. Due to focus in other business areas, we have been reluctant to relaunch the Alfa Romeo brand and are unlikely to do so in the short term.
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CHAIRMAN'S REPORT (continued)

Car & General Engineering

The Cummins business in Kenya and regionally is growing significantly. Our challenge will be to maintain momentum and capture service. We have successfully established our Cummins engine workshop, now in its third year. We will be upgrading this further this financial year. We have identified several key accounts and are targeting all significant Cummins user in the regional market. 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. Our biggest problem has been supply and price. We continue to work hard in resolving these issues, following which we will be much more aggressive.

Head Office

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

Car & General (Uganda) Limited

The operation had a very difficult year due to the drastic decline of our motorcycle business for various product related reasons. This led to significantly higher inventory holding costs. The losses were exacerbated by forex volatilitiy which at one stage resulted in negative gross margins. We have downsized this operation and expect it to be profitable this year, although progress will be gradual.

We have now established a branch in Rwanda, which is being managed by C&G Uganda.

Car & General (Trading) Limited - Tanzania

The operation made a reasonable profit this year. We now have enough product throughput (with the introduction of Cummins, three wheelers and outboards) to generate a satisfactory return. We expect to see reasonable returns this year. We do feel that there is room for expansion into additional product lines.

Kibo Poultry Products Limited

This operation had a difficult year due to the rising cost of maize, a major feed ingredient. We were unable to translate this cost into higher pricing. Notwithstanding, we need to expand this operation if we are to remain in this business long term. We have already procured land and are in the process of finalizing expansion plans. We are confident that the poultry business offers an opportunity in Tanzania and would like to pursue this as a means of diversifying group activity.

Premier Power Products Limited

The operation manufactures and distributes weeders, tillers, pump sets, lawn mowers and engines. It is the authorized sales and service distributor for Briggs & Stratton products for southern and eastern states of India. The prospects for this business look positive.

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

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

2 To be more cash positive now that our key investments have been made. This will be particularly important with a more competitive economic environment looming ahead of us.

3 Selling higher volumes of all products to counter the effects of an expected drop in margin resulting from competitive pressures. Our markets continue to grow and we must increase market share.

CHAIRMAN'S REPORT (continued)

4 To streamline motorbike registration processes.

5 To make customers smile through intense activity in every street in every town.

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

7 To develop world class technical capabilities to manage our large engine business, specifically Cummins, including the development of a state of the art high horsepower rebuild facility. This will be particularly important if we are to service our mining customers in Tanzania.

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

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

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

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

The Future

Our current portfolio of niche engine products offers significant scope for further growth. In the short term we will remain focused on achieving this with small additions. We are budgeting for a turnover of Sh 5 billion this financial year. This will be extremely challenging. We are confident that we have the organization in place to achieve this.

Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects. In addition, we must continue to seek new product lines and businesses. Q1 was challenging. Our focus will remain on maximizing market share and improving the quality of our organization in order to ensure top line growth which will protect and hopefully grow profitability.

In spite of the significant investments being made, your company recommends a dividend of Sh 15 Million for the financial year 2008-9. This represents Sh 0.67 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 which, in 2009, assisted 2500 patients and sponsored over 100 cataract operations; and our countrywide health and safety program which trains Jua-kali mechanics and motorcycle riders. We hope to intensify activity in 2010.

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

N Ng'ang'a – CHAIRMAN
28 January 2010

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.

Six out of the eight 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. Three non-executive directors attend all meetings of the committee. Internal and external auditors and other executives attend as required.

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

Recruitment and Remuneration Committee

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

Nominations Committee

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

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

CORPORATE GOVERNANCE REPORT (continued)

Internal controls

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

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

Chief Financial Officer

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

Distribution of shareholders as at 30 September 2009

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	57,603	344	0.26
500 - 5,000	688,314	392	3.09
5,001 - 10,000	457,696	63	2.05
10,001 - 100,000	1,456,295	54	6.54
100,001 - 1,000,000	1,935,365	9	8.69
above 1,000,000	17,684,343	6	79.37
Total	**22,279,616**	**868**	**100.00**

Top ten shareholders

		2009 No of shares	%
1	Fincom Limited	7,240,789	32.50
2	Betrin Limited	3,548,422	15.93
3	Monyaka Investments Limited	2,787,285	12.51
4	Primaco Limited	2,028,137	9.10
5	Barclays (Kenya) Nominees Ltd A/C 9397	1,057,200	4.75
6	Vapa Limited	1,022,510	4.59
7	Paul Wanderi Ndungu	565,444	2.54
8	Nairobi Commercial Continental Limited	300,000	1.35
9	Mr C J Gidoomal	245,677	1.10
10	Cannon Assurance (K) Ltd	177,900	0.80

Directors' shareholdings

Mr V V Gidoomal	880
Mr N Ng'ang'a	3,027
Mr EM Grayson	880
Mr B Kiplagat	880
Mr H S Amrit	880

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited group financial statements for the year ended 30 September 2009.

ACTIVITIES

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

GROUP RESULTS

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

	2009 Sh'000
Group profit before taxation	279,390
Taxation	(81,406)
Profit for the year	197,984
Attributable to:	
Equity holders of the parent	197,140
Minority interest	844
	197,984

DIVIDEND

The directors propose payment of a first and final dividend of Sh 14,927,343 (Sh 0.67 per share), 2008 – Sh 14,927,343 (Sh 0.67 per share) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2.

Mr E M Grayson retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

A special notice has been received by the Company to the effect that Dr B Kiplagat who has attained the age of 73 years be re-elected a Director of the Company. Dr B Kiplagat offers himself for re-election.

AUDITORS

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

Secretary
28 January 2010
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

N Ng'ang'a Director	V V Gidoomal Director

28 January 2010

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii",
Ring Road, Westlands
P O Box 40092 - GPO 00100
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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 13 to 51 which comprise the consolidated and company balance sheets as at 30 September 2009, and the consolidated income statement, consolidated and company statements of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and of the group as at 30 September 2009 and of the profit and cash flows of the group 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 balance sheet is in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
28 January 2010

CAR and GENERAL

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Note	2009 Sh'000	2008 Sh'000
TURNOVER	3	4,349,489	2,997,342
COST OF SALES		(3,446,825)	(2,265,367)
GROSS PROFIT		902,664	731,975
OTHER OPERATING INCOME	4	20,105	866
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	16	58,042	56,228
SELLING AND DISTRIBUTION COSTS		(304,818)	(160,864)
ADMINISTRATIVE EXPENSES		(295,715)	(251,474)
NET INTEREST EXPENSE	5	(150,330)	(65,282)
NET EXCHANGE GAINS		49,442	10,116
PROFIT BEFORE TAXATION	6	279,390	321,565
TAXATION CHARGE	8	(81,406)	(106,725)
PROFIT FOR THE YEAR	9	197,984	214,840
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE PARENT		197,140	211,644
MINORITY INTEREST	10	844	3,196
		197,984	214,840
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	11	8.80	9.50
DIVIDEND PER SHARE - Proposed	12	0.67	0.67

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	401,643	359,846
Operating lease prepayments	14(a)	16,195	18,356
Intangible assets	15	3,458	2,986
Investment property	16	598,095	540,000
		1,019,391	921,188
Current assets			
Inventories	19	1,409,482	1,113,362
Trade and other receivables	20	702,145	629,394
Finance lease receivables	17	-	10,932
Cash and bank balances		79,480	75,644
		2,191,107	1,829,332
Total assets		3,210,498	2,750,520
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	111,398	111,398
Revaluation surplus		165,657	149,723
Revenue reserve		1,014,643	830,142
Translation (deficit)/reserve		(2,840)	29,801
Equity attributable to equity holders of the parent		1,288,858	1,121,064
Minority interest	10	18,944	7,854
Total equity		1,307,802	1,128,918
Non-current liabilities			
Deferred taxation	23	210,966	197,127
Borrowings	24	10,586	10,911
		221,552	208,038
Current liabilities			
Borrowings	24	980,173	601,433
Trade and other payables	25	691,334	797,751
Taxation payable	8(c)	9,637	14,380
		1,681,144	1,413,564
Total equity and liabilities		3,210,498	2,750,520

The financial statements on pages 13 to 51 were approved by the board of directors on 28 January 2010 and were signed on its behalf by:

N. Ng'ang'a
Director

V.V. Gidoomal
Director

COMPANY BALANCE SHEET
30 SEPTEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	13	154,667	131,971
Operating lease prepayments	14(b)	1,010	1,082
Intangible assets	15	2,994	2,613
Investment property	16	598,095	540,000
Investment in subsidiaries	18	47,791	27,427
Due from group companies	21	39,668	39,316
		844,225	742,409
Current assets			
Trade and other receivables	20	15,329	37,462
Due from group companies	21	776,921	483,047
Cash and bank balances		5,130	660
		797,380	521,169
Total assets		1,641,605	1,263,578
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	111,398	111,398
Revaluation surplus		91,289	74,018
Revenue reserve		368,936	344,626
Shareholders' funds		571,623	530,042
Non current liabilities			
Deferred taxation	23	201,744	178,764
Borrowings	24	-	291
		201,744	179,055
Current liabilities			
Borrowings	24	699,968	434,588
Trade and other payables	25	21,148	25,782
Due to group companies	21	147,016	93,599
Taxation payable	8(c)	106	512
		868,238	554,481
Total equity and liabilities		1,641,605	1,263,578

The financial statements on pages 13 to 51 were approved by the board of directors on 28 January 2010 and were signed on its behalf by:

N. Ng'ang'a
Director

V.V. Gidoomal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Attributable to equity holders of the parent						
	Share capital Shs'000	Revaluation surplus Shs'000	Revenue reserve Shs'000	Translation /(deficit) reserve Shs'000	Total Shs'000	Minority interest Shs'000	Total Shs'000
Year ended 30 September 2008							
At 1 October 2007	111,398	152,429	630,719	(12,605)	881,941	4,658	886,599
Transfer of excess depreciation	-	(3,866)	3,866	-	-	-	-
Deferred tax on excess depreciation	-	1,160	(1,160)	-	-	-	-
Exchange difference arising on translation of foreign operations	-	-	-	42,406	42,406	-	42,406
Profit for the year	-	-	211,644	-	211,644	3,196	214,840
Dividend paid - 2007	-	-	(14,927)	-	(14,927)	-	(14,927)
At 30 September 2008	111,398	149,723	830,142	29,801	1,121,064	7,854	1,128,918
Year ended 30 September 2009							
At 1 October 2008	111,398	149,723	830,142	29,801	1,121,064	7,854	1,128,918
Revaluation surplus on property	-	26,031	-	-	26,031	-	26,031
Deferred tax on revaluation surplus	-	(7,809)	-	-	(7,809)	-	(7,809)
Transfer of excess depreciation	-	(3,269)	3,269	-	-	-	-
Deferred tax on excess depreciation	-	981	(981)	-	-	-	-
Exchange difference arising on translation of foreign operations	-	-	-	(32,641)	(32,641)	-	(32,641)
Minority interest share of subsidiary acquired during the year	-	-	-	-	-	10,246	10,246
Profit for the year	-	-	197,140	-	197,140	844	197,984
Dividend paid – 2008	-	-	(14,927)	-	(14,927)	-	(14,927)
At 30 September 2009	111,398	165,657	1,014,643	(2,840)	1,288,858	18,944	1,307,802

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000
Year ended 30 September 2008				
At 1 October 2007	111,398	75,323	338,584	525,305
Transfer of excess depreciation	-	(1,864)	1,864	-
Deferred tax on excess depreciation	-	559	(559)	-
Profit for the year	-	-	19,664	19,664
Dividends paid – 2007	-	-	(14,927)	(14,927)
At 30 September 2008	111,398	74,018	344,626	530,042
Year ended 30 September 2009				
At 1 October 2008	111,398	74,018	344,626	530,042
Revaluation surplus on property	-	26,031	-	26,031
Deferred tax on revaluation surplus	-	(7,809)	-	(7,809)
Transfer of excess depreciation	-	(1,358)	1,358	-
Deferred tax on excess depreciation	-	407	(407)	-
Profit for the year	-	-	38,286	38,286
Dividends paid – 2008	-	-	(14,927)	(14,927)
At 30 September 2009	111,398	91,289	368,936	571,623

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Notes	2009 Sh'000	2008 Sh'000
Operating activities			
Cash (used in)/generated from operations	26(a)	(76,985)	84,908
Tax paid	8(c)	(77,728)	(93,903)
Net cash used in operating activities		(154,713)	(8,995)
Investing activities			
Purchase of property, plant and equipment	26(c)	(50,867)	(84,492)
Purchase of intangible assets		(1,288)	(1,512)
Proceeds on disposal of property, plant and equipment		2,718	2,799
Net cash used in investing activities		(49,437)	(83,205)
Financing activities			
Loans received	26(b)	1,100,617	475,629
Loans repaid	26(b)	(643,065)	(330,676)
Dividend paid		(14,927)	(14,927)
Interest paid - net	5	(150,330)	(65,282)
Repayment of hire-purchase finance	26(d)	(8,584)	(4,677)
Net cash generated from financing activities		283,711	60,067
Increase/(decrease) in cash and cash equivalents		79,561	(32,133)
Cash and cash equivalents at the beginning of the year		(29,304)	(2,861)
Effects of exchange rate changes on the balance of cash held in foreign operations		(2,385)	5,690
Cash and cash equivalents at the end of the year	26(f)	47,872	(29,304)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

Adoption of new and revised International Financial Reporting Standards

(i) Standards and interpretations effective in the current period

None of the new and revised standards and interpretations effective during the current period has resulted in the change in the company's accounting policies.

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

The following standards will be relevant to the financial statements of the company, when effective:

IAS 1 (Revised), 'Presentation of financial statements'

IAS 1 (Revised), 'Presentation of financial statements' was issued in September 2007 and will be effective for annual periods beginning on or after 1 July 2009.

The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes.

All non-owner changes in equity will be required to be shown in a performance statement, but provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements, the income statement and statement of comprehensive income.

The previous version of IAS 1 used the titles 'balance sheet' and 'cash flow statement' to describe two of the statements within a complete set of financial statements. The revised IAS 1 uses 'statement of financial position' and 'statement of cash flows' respectively for those statements.

IAS 23 (Revised), Borrowing Costs

IAS 23 (Revised) "Borrowing Costs" was issued in March 2007 and will be effective for annual periods beginning on or after 1 January 2009. It requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. The existing option of immediate recognition of those borrowing costs as an expense has been removed.

IFRS 8, Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

IFRS 3 (Revised), Business Combinations

IFRS 3 (Revised) "Business Combinations" was issued in January 2008 and will apply to business combinations occurring on or after 1 January 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business acquisition occurs and future reported results. Assets and liabilities arising from business combinations before 1 January 2010 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, this standard is likely to have a significant impact on the accounting for business acquisitions post adoption.

IAS 27 (Revised), Consolidated and Separate Financial Statements

An amendment to IAS 27 "Consolidated and Separate Financial Statements" was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs with non-controlling interests in group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. Transactions occurring before 1 January 2010 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, the group has historically entered into transactions that are within the scope of this standard and may do so in the future.

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008 and April 2009, when effective, will have no material impact on the financial statements of the group.

The IASBs annual improvements process deals with non-urgent, minor amendments to standards.

Basis of preparation

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

Consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Consolidation (continued)

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2009, 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 18.

Turnover

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

Rental income is recognised when it falls due.

Property, plant and equipment

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

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

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

Depreciation

Freehold land is not depreciated.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Impairment

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

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

Leasehold land

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

Leases

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

All other leases are classified as operating leases.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Intangible assets

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

Inventories

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

Livestock

Livestock is carried at market value.

Financial assets

The Group classifies its financial assets into the category of loans and receivables. Management determines the appropriate classification of its investments at initial recognition.

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009 (continued)

1 ACCOUNTING POLICIES (continued)

Financial liabilities

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

Borrowings

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

Trade payables

Trade payables are carried at their nominal value.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Company'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 balance sheet date.

Employee benefits obligations

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

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

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

Taxation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Foreign currencies

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

Cash and cash equivalents

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINITY

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

Plant and equipment

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

Impairment losses

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

Key sources of estimating uncertainty

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

Useful lives of plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

	Trade and workshop Sh'000	Rental Sh'000	Poultry Sh'000	Group Sh'000
2009				
Revenue	4,170,338	63,038	116,113	4,349,489
Expense	3,843,979	89,243	114,136	4,047,358
Result	326,359	(26,205)	1,977	302,131
Fair value gains	-	58,042	-	58,042
Profit before tax	239,640	38,207	1,543	279,390
Assets	1,502,877	1,641,605	66,016	3,210,498
Liabilities	933,624	721,116	27,353	1,682,093
Depreciation/amortisation	23,665	7,252	822	31,739
Capital expenditure	45,477	6,659	8,888	61,024
2008				
Revenue	2,838,493	58,744	100,105	2,997,342
Expense	2,507,827	76,761	93,117	2,677,705
Result	330,666	(18,017)	6,988	319,637
Fair value gains	-	56,228	-	56,228
Profit before tax	288,750	25,564	7,251	321,565
Assets	1,957,604	741,215	51,701	2,750,520
Liabilities	920,797	469,294	20,004	1,410,095
Depreciation/amortisation	13,165	7,680	892	21,737
Capital expenditure	79,187	6,449	17,290	102,926

(b) Secondary reporting – Geographical segments

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

	2009 Sh'000	2008 Sh'000
Kenya	2,998,816	1,844,532
Uganda	671,067	867,194
Tanzania	610,426	285,616
India	69,180	-
	4,349,489	2,997,342

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2009 Sh'000	2008 Sh'000
4	**OTHER OPERATING INCOME**		
	Gain on disposal of property, plant and equipment	973	580
	Other income	19,132	286
		20,105	866
5	**NET INTEREST EXPENSE**		
	Interest income	23	141
	Interest payable	(150,353)	(65,423)
		(150,330)	(65,282)
6	**PROFIT BEFORE TAXATION**		
	The profit before tax is arrived at after charging:		
	Depreciation - property, plant and equipment (note 13)	30,743	20,935
	Amortisation - operating lease prepayments (note 14)	207	212
	- intangible assets (note 15)	789	590
	Staff costs (note 7)	254,282	201,327
	Directors' remuneration - fees	1,700	1,000
	- other emoluments	20,783	18,677
	Auditors' remuneration	3,225	2,844
	And after crediting:		
	Fair value gains on investment properties	58,042	56,228
	Gain on disposal of property, plant and equipment	973	580
7	**STAFF COSTS**		
	Salaries and wages	239,960	191,346
	Retirement benefit costs:		
	- Defined contribution scheme	3,872	3,710
	- National Social Security Fund	7,387	5,304
	Leave pay provision	3,063	967
		254,282	201,327

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION

(a) Taxation charge

	2009 Sh'000	2008 Sh'000
Current tax	73,045	83,928
Deferred tax - (note 23)	21,585	20,194
Prior year (over)/under provision – deferred tax	(13,290)	2,603
Deferred tax on dormant subsidiaries not recognised	66	-
Taxation charge	81,406	106,725

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

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

	2009 Sh'000	2008 Sh'000
Group profit before taxation	279,390	321,565
Tax calculated at the applicable rate of 30%	83,817	96,469
Tax effect of:		
Expenses not deductible for tax purposes	10,879	7,653
Prior year (over)/under provision	(13,290)	2,603
Taxation charge	81,406	106,725

(c) Taxation (Payable)/Recoverable

	2009 Sh'000	2008 Sh'000
GROUP		
Balance at the beginning of the year – Payable	(14,380)	(21,750)
Expense for the year	(73,045)	(83,928)
Paid in the year	77,728	93,903
Currency translation differences	166	(1,149)
Withholding tax written off	(106)	(1,456)
Balance at the end of the year – Payable	(9,637)	(14,380)
COMPANY		
Balance at the beginning of the year	(512)	1,125
Expense for the year	-	(876)
Paid in the year	512	695
Withholding tax written off	(106)	(1,456)
Balance at the end of the year – Payable	(106)	(512)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 PROFIT FOR THE YEAR

A profit of Sh 38,286,000 (2008 - Sh 19,664,000) has been dealt with in the separate financial statements of the parent company.

10 MINORITY INTEREST

	2009 Sh'000	2008 Sh'000
At the beginning of the year	7,854	4,658
Share of profit for the year	844	3,196
Minority interest share on acquisition of new subsidiary	10,246	-
At the end of the year	18,944	7,854

Represented by:

	2009	2008
% holding in Car & General (Marine) Limited	16	16
% holding in Premier Power Equipments & Products Private Limited	35	-

11 EARNINGS PER SHARE

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

	2009	2008
Profit attributable to equity holders of the parent (Sh'000)	197,140	211,644
Number of shares	22,279,616	22,279,616
Basic and diluted earnings per share (Sh)	8.80	9.50

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 2009 of Shs 0.67 per share (2008 – Shs 0.67 per share) amounting to a total of Shs 14,927,343 (2008 – Shs 14,927,343). The financial statements for the year ended 30 September 2009 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 2010.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings Sh'000	Work in progress Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION							
At 1 October 2007	234,395	15,937	26,996	37,915	39,619	16,710	371,572
Exchange rate adjustments	10,462	2,336	756	1,204	2,135	533	17,426
Additions	13,755	33,743	13,156	4,321	30,608	5,830	101,413
Disposals	-	-	-	(30)	(4,484)	(187)	(4,701)
Write offs	-	-	-	-	-	-	-
Reclassification to investment property (note16)	(26,397)	-	-	-	-	-	(26,397)
At 30 September 2008	232,215	52,016	40,908	43,410	67,878	22,886	459,313
At 1 October 2008	232,215	52,016	40,908	43,410	67,878	22,886	459,313
Exchange rate adjustments	(4,091)	(5,820)	(896)	(1,001)	(2,210)	(635)	(14,653)
Additions	11,723	-	12,852	10,097	19,498	5,566	59,736
Disposals	-	-	(2,777)	(185)	(3,128)	(32)	(6,122)
Reclassified from work in progress	46,196	(46,196)	-	-	-	-	-
Revaluation surplus	21,243	-	-	-	-	-	21,243
At 30 September 2009	307,286	-	50,087	52,321	82,038	27,785	519,517
COMPRISING:							
At 30 September 2009							
At valuation - 2009	219,118	-	-	-	-	-	219,118
At cost	88,168	-	50,087	52,321	82,038	27,785	300,399
	307,286	-	50,087	52,321	82,038	27,785	519,517
At 30 September 2008							
At valuation - 2007	197,875	-	-	-	-	-	197,875
At cost	34,340	52,016	40,908	43,410	67,878	22,886	261,438
	232,215	52,016	40,908	43,410	67,878	22,886	459,313
DEPRECIATION							
At 1 October 2007	12,048	-	16,360	23,229	17,719	7,422	76,778
Exchange rate adjustments	1,740	-	346	598	1,213	339	4,236
Charge for the year	4,292	-	2,843	2,362	8,862	2,576	20,935
Eliminated on disposals	-	-	-	(9)	(2,372)	(101)	(2,482)
At 30 September 2008	18,080	-	19,549	26,180	25,422	10,236	99,467
At 1 October 2008	18,080	-	19,549	26,180	25,422	10,236	99,467
Exchange rate adjustments	(1,301)	-	(264)	(489)	(849)	(268)	(3,171)
Charge for the year	4,882	-	4,230	2,966	13,897	4,768	30,743
Eliminated on disposals	-	-	(2,272)	(96)	(1,986)	(23)	(4,377)
Write back on revaluation	(4,788)	-	-	-	-	-	(4,788)
At 30 September 2009	16,873	-	21,243	28,561	36,484	14,713	117,874

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT AND EQUIPMENT – GROUP (continued)

	Land and buildings Sh'000	Work in progress Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	Total Sh'000
NET BOOK VALUE (REVALUATION BASIS)							
At 30 September 2009	290,413	-	28,844	23,760	45,554	13,072	401,643
At 30 September 2008	214,135	52,016	21,359	17,230	42,456	12,650	359,846
NET BOOK VALUE (COST BASIS)							
At 30 September 2009	151,434	-	28,844	23,760	45,554	13,072	262,664
At 30 September 2008	100,696	52,016	21,359	17,230	42,456	12,650	246,407

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

Work in progress relates to construction of the Car & General (Uganda) Limited premises.

	2009 Sh'000	2008 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings over 50 years unexpired	100,777	85,718
Leasehold buildings under 50 years unexpired	206,379	146,367
	307,286	232,215

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

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

	2009 KSh	2008 KSh
1 Tanzania shilling	0.0572	0.0623
1 Uganda shilling	0.0389	0.0438
1 US dollar	75.1900	73.2500

Included in plant and equipment as at 30 September 2009 are idle assets with an original cost of Sh 1,053,000 (2008 - Sh 1,053,000) and accumulated depreciation of Sh 1,018,000 (2008 – Sh 1,010,000).

Included in plant and equipment as at 30 September 2009 are fully depreciated assets with an original cost of Sh 88,000 (2008 – Sh 88,000). The notional depreciation on these assets is Sh 11,000 (2008 – Sh 11,000).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY AND EQUIPMENT

COMPANY

	Land & buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings & equipment Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION					
At 1 October 2007	144,706	4,917	9,664	11,639	170,926
Additions	1,713	193	702	2,517	5,125
Reclassification to Investment property (note 16)	(26,397)	-	-	-	(26,397)
At 30 September 2008	120,022	5,110	10,366	14,156	149,654
At 1 October 2008	120,022	5,110	10,366	14,156	149,654
Additions	330	3,325	937	1,025	5,617
Transferred to subsidiary	-	(4,789)	-	-	(4,789)
Revaluation surplus	21,243	-	-	-	21,243
At 30 September 2009	141,595	3,646	11,303	15,181	171,725
COMPRISING:					
At 30 September 2009					
At valuation	138,752	-	-	-	138,752
At cost	2,843	3,646	11,303	15,181	32,973
	141,595	3,646	11,303	15,181	171,725
At 30 September 2008					
At valuation	117,179	-	-	-	117,179
At cost	2,843	5,110	10,366	14,156	32,475
	120,022	5,110	10,366	14,156	149,654
DEPRECIATION					
At 1 October 2007	42	1,551	6,239	4,333	12,165
Charge for the year	2,385	858	462	1,813	5,518
At 30 September 2008	2,427	2,409	6,701	6,146	17,683
At 1 October 2008	2,427	2,409	6,701	6,146	17,683
Charge for the year	2,408	990	552	2,622	6,572
Eliminated on transfer to subsidiary	-	(2,409)	-	-	(2,409)
Written back on revaluation	(4,788)	-	-	-	(4,788)
At 30 September 2009	47	990	7,253	8,768	17,058
NET BOOK VALUE					
At 30 September 2009	141,548	2,656	4,050	6,413	154,667
At 30 September 2008	117,595	2,701	3,665	8,010	131,971

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2009

13 PROPERTY AND EQUIPMENT - COMPANY (continued)

NET BOOK VALUE ON COST BASIS

	Land & buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings & equipment Sh'000	Computers Sh'000	Total Sh'000
At 30 September 2009	52,370	2,656	4,050	6,413	65,489
At 30 September 2008	53,109	2,701	3,665	8,010	67,485

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd, professional valuers on 30 September 2009. 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.

	2009 Sh'000	2008 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Freehold land	130	130
Leasehold buildings under 50 years unexpired	13,800	6,799
Leasehold buildings over 50 years unexpired	127,665	113,093
	141,595	120,022

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

14 (a) OPERATING LEASE PREPAYMENTS - GROUP

	Sh'000
COST	
At 1 October 2007	19,953
Exchange rate adjustments	2,685
At 30 September 2008	22,638
At 1 October 2008	22,638
Exchange rate adjustments	(2,320)
Reclassified to investment property	(100)
At 30 September 2009	20,218

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Sh'000
AMORTISATION	
At 1 October 2007	3,588
Exchange rate adjustments	482
Amortisation for the year	212
At 30 September 2008	4,282
At 1 October 2008	4,282
Exchange rate adjustments	(419)
Amortisation for the year	207
Reclassified to investment property	(47)
At 30 September 2009	4,023
NET BOOK VALUE	
At 30 September 2009	16,195
At 30 September 2008	18,356

14 (b) OPERATING LEASE PREPAYMENTS - COMPANY

COST	
At 1 October 2007 and 30 September 2008 and 30 September 2009	1,540
Reclassified to investment property	(100)
	1,440
AMORTISATION	
At 1 October 2007	438
Charge for the year	20
At 30 September 2008	458
At 1 October 2008	458
Charge for the year	19
Reclassified to investment property	(47)
At 30 September 2009	430
NET BOOK VALUE	
At 30 September 2009	1,010
At 30 September 2008	1,082

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 INTANGIBLE ASSETS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2007	3,265	2,839
Exchange rate adjustments	61	-
Additions	1,512	1,324
At 30 September 2008	4,838	4,163
At 1 October 2008	4,838	4,163
Exchange rate adjustments	(55)	-
Additions	1,288	1,042
At 30 September 2009	6,071	5,205
AMORTISATION		
At 1 October 2007	1,228	1,065
Exchange rate adjustments	34	-
Charge for the year	590	485
At 30 September 2008	1,852	1,550
At 1 October 2008	1,852	1,550
Exchange rate adjustments	(28)	-
Charge for the year	789	661
At 30 September 2009	2,613	2,211
NET BOOK VALUE		
At 30 September 2009	3,458	2,994
At 30 September 2008	2,986	2,613

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INVESTMENT PROPERTY – GROUP AND COMPANY

	Sh'000
At 1 October 2007	457,375
Reclassified from freehold land & buildings (note 13)	26,397
Fair value gains	56,228
At 30 September 2008	540,000
At 1 October 2008	540,000
Reclassified from operating lease prepayments at net book value (note 14)	53
Fair value gains	58,042
At 30 September 2009	598,095

Investment properties comprise residential and 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 598,095,000 (2008:Sh 360,000,000) to secure borrowings granted to the Group.

These properties were valued by R R Oswald & Company Limited, registered valuers, as at 30 September 2009, on an open market basis.

	2009	2008
	Sh'000	Sh'000
ANALYSIS OF INVESTMENT PROPERTY AT VALUATION:		
Leasehold over 50 years unexpired	173,095	165,000
Leasehold under 50 years unexpired	425,000	375,000
	598,095	540,000

17 FINANCE LEASE RECEIVABLES - GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	Sh'000	Sh'000	Sh'000	Sh'000
Amounts receivable under finance leases:				
Within one year	-	15,058	-	10,861
In the second to fifth year inclusive	-	74	-	71
	-	15,132	-	10,932
Less: unearned finance income	-	(4,200)	-	-
Present value of minimum lease payments receivable	-	10,932	-	10,932

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

Unguaranteed residual values of assets leased under finance leases are estimated at nil (2008 - Nil).

The interest rate inherent in the leases is variable at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 30 September 2009 was 18% (2008 – 18%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVESTMENT IN SUBSIDIARIES

(a) Investments at cost

Subsidiary	Country of incorporation	Holding	2009 Sh'000	2008 Sh'000
Cargen Insurance Agencies Limited 100 shares of Sh 20 each at cost	Kenya	100%	2	2
Car & General (Marine) Limited 157,757 shares of Sh 20 each at cost	Kenya	84%	3,155	3,155
Car & General (Automotive) Limited 95,480 shares of Sh 20 each at cost less amounts written off	Kenya	100%	1,098	1,098
Car & General (Industries) Limited 1,000 shares of Sh 20 each at cost	Kenya	100%	20	20
Car & General (Trading) Limited - Kenya 2,000 shares of Sh 20 each at cost	Kenya	100%	40	40
Car & General (Piaggio) Limited 25,000 shares of Sh 20 each at cost	Kenya	100%	500	500
Car & General (Engineering) Limited 130,000 shares of Sh 20 each at cost	Kenya	100%	2,600	2,600
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	Tanzania	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	Tanzania	100%	15,072	15,072
Kibo Poultry Products Limited 998 shares of Tsh 5,000 each at cost	Tanzania	100%	90	90
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	Uganda	100%	2,250	2,250
Sovereign Holdings International Limited 1 share of US$ 1 each at cost	British Virgin Islands	100%	-	-
Premier Power Equipments & Products Pvt. Limited: 113,425 shares of Rs 100 at cost	India	65%	20,364	-
			47,791	27,427

(b) Acquisition of subsidiary

During the year, the company completed the acquisition of 65% stake in Premier Power Products Limited, a company incorporated in India. The subsidiary has a 31 March year end. The results and net assets of the subsidiary were based on the management accounts as at 30 September 2009.

	Sh'000
Consideration - cash	20,364

The fair value of net assets acquired in respect of this acquisition approximate the consideration paid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVENTORIES - GROUP

	2009 Sh'000	2008 Sh'000
Goods in transit and in bond	593,180	636,324
Finished products	593,825	355,108
Raw materials, spares and consumables	208,064	115,970
Work in progress	9,767	1,720
Other	4,646	4,240
	1,409,482	1,113,362

20 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Trade receivables	547,040	501,730	7,488	6,313
Due from directors	987	1,057	987	1,057
Other receivables	154,118	126,607	6,854	30,092
	702,145	629,394	15,329	37,462

21 GROUP COMPANIES - COMPANY

	2009 Sh'000	2008 Sh'000
Due from Group companies:		
Current	776,921	483,047
Non current	39,668	39,316
	816,589	522,363

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

	2009 Sh'000	2008 Sh'000
Due to Group companies	147,016	93,599

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 SHARE CAPITAL

	2009 Sh'000	2008 Sh'000
Authorised		
23,000,000 ordinary shares of Sh 5 each	115,000	115,000
Issued and fully paid		
22,279,616 ordinary shares of Sh 5 each	111,398	111,398

23 DEFERRED TAXATION

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

	2009 Sh'000	2008 Sh'000
GROUP		
At the beginning of the year	197,127	172,236
Exchange difference on translation	(2,331)	2,094
Income statement charge (note 8(a))	21,585	20,194
Property revaluation	7,809	-
Deferred tax on dormant subsidiaries not recognised	66	-
Prior year (under)/over provision	(13,290)	2,603
At the end of the year	210,966	197,127
COMPANY		
At the beginning of the year	178,764	158,525
Income statement charge	15,171	20,239
Property revaluation	7,809	-
At the end of the year	201,744	178,764

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 DEFERRED TAXATION (continued)

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

	At 1 October 2008 Sh'000	Exchange adjustment Sh'000	Charged to revaluation reserve Sh '000	Charged/ (credited) to income statement Sh'000	At 30 September 2009 Sh'000
GROUP					
DEFERRED TAX LIABILITIES					
Accelerated capital allowances	12,291	(363)	-	(5,833)	6,095
Relating to revaluation surplus	181,222	(726)	7,809	17,235	205,540
Unrealised exchange differences	(2,299)	(166)	-	15,029	12,564
	191,214	(1,255)	7,809	26,431	224,199
DEFERRED TAX ASSETS					
Tax losses carried forward	(1,802)	-	-	6,535	4,733
Unrealised exchange differences	-	(194)	-	-	(194)
Leave pay provision	(372)	21	-	(221)	(572)
Prior year under provision	8,087	(13,290)	-	(7,184)	(12,387)
Bad debts provision	-	-	-	(3,910)	(3,910)
Translation difference	-	(903)	-	-	(903)
	5,913	(14,366)	-	(4,780)	(13,233)
Net deferred tax liability	197,127	(15,621)	7,809	21,651	210,966
COMPANY					
DEFERRED TAX LIABILITIES					
Relating to revaluation surplus	174,736	-	7,809	17,412	199,957
Unrealised exchange differences	(3,413)	-	-	9,725	6,312
	171,323	-	7,809	27,137	206,269
DEFERRED TAX ASSETS					
Accelerated capital allowances	7,622	-	-	(6,474)	1,148
Tax losses carried forward	-	-	-	(5,307)	(5,307)
Leave pay provision	(181)	-	-	(185)	(366)
	7,441	-	-	(11,966)	(4,525)
Net deferred tax liability	178,764	-	7,809	15,171	201,744

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 BORROWINGS

	2009 Sh'000	2008 Sh'000
GROUP		
Loans:		
Short - term notes (various lenders) - interest 12.45% (2008 – 10.40%) p.a.	302,572	422,846
Stanbic Bank Tanzania Limited secured, interest at 20.5% (2008 - 19%) p.a.	215	3,636
Standard Chartered Bank Kenya Limited - interest rate 11.26% - 16.50% (2008 - 16.50%) p.a.	397,396	9,567
Standard Chartered Bank Uganda Limited - interest rate 22.5 % - 24% (2008 - 21.5%) p.a.	180,369	51,699
Standard Chartered Bank Tanzania Limited - interest rate 6.5% p.a.	58,666	-
Hire purchase obligations	19,933	19,648
	959,151	507,396
Bank overdrafts (secured)	31,608	104,948
	990,759	612,344
Current	(980,173)	(601,433)
Non-current	10,586	10,911
COMPANY		
Loans:		
Short - term notes (various lenders) - interest 12.45% (2008 – 10.40%) p.a.	302,572	422,846
Standard Chartered Bank Kenya Limited - - interest rate 11.26% - 16.50% (2008 - 16.50%) p.a.	397,396	9,567
Hire purchase obligations	-	728
	699,968	433,141
Bank overdrafts (secured)	-	1,738
	699,968	434,879
Current	(699,968)	(434,588)
Non-current	-	291

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 **BORROWINGS** (continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2009	2008	2009	2008
	Sh'000	Sh'000	Sh'000	Sh'000
Between 1 and 2 years	2,012	10,911	-	291
Between 2 and 5 years	8,574	-	-	-
	10,586	10,911	-	291

Interest rates

The effective interest rates at 30 September were as follows:

	2009	2008
Bank overdrafts	15.23%	15.71%
Loans	13.12%	11.90%

Details of securities for loans and overdrafts

a) The Standard Chartered Bank Kenya Limited loans and overdrafts are secured by a collateral legal charge over land and buildings and a debenture over assets for Sh 512,500,000 ranking pari passu with CFC Stanbic Bank Limited for Sh 150,000,000.

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

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

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

e) 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 209/4159 and LR 209/4160, LR 209/4160 Nairobi, LR 209/4159 Nairobi, Msa Kwale/Diani/Block 728-738.

f) The Standard Chartered Bank Uganda Ltd overdraft is secured by a legal charge over land and buildings and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 436,102,000.

g) The Stanbic Bank Tanzania Limited loan is secured by a legal charge over land and buildings of Sovereign Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 BORROWINGS (continued)

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP		COMPANY	
	2009	2008	2009	2008
	Sh'000	Sh'000	Sh'000	Sh'000
Minimum lease payments				
Due within one year	12,104	11,526	-	573
Due after one year	13,836	13,816	-	382
	25,940	25,342	-	955
Less: Future finance charges	(6,007)	(5,694)	-	(227)
Present value of minimum lease payments	19,933	19,648	-	728
Less: Amount due for settlement within 12 months	(9,347)	(9,233)	-	(437)
Amounts due for settlement after 12 months	10,586	10,415	-	291

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 2009 was 15.25 % (2008 – 15.25 %) p.a.

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

Undrawn facilities

The group had undrawn committed borrowing facilities amounting to Sh 249,628,000 (2008 – Sh 32,974,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

25 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009	2008	2009	2008
	Sh'000	Sh'000	Sh'000	Sh'000
Trade payables	542,932	675,016	3,757	9,724
Other payables	148,402	122,735	17,391	16,058
	691,334	797,751	21,148	25,782

26 NOTES TO THE CASH FLOW STATEMENT

	2009 Sh'000	2008 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	279,390	321,565
Adjustments for:		
Depreciation on property, plant and equipment	30,743	20,935
Leasehold land amortisation	207	212
Fair value gains on investment properties	(58,042)	(56,228)
Gain on disposal of property and equipment	(973)	(580)
Intangible assets amortisation	789	590
Interest expense net	150,330	65,282
Exchange translation on opening reserves	(9,163)	24,293
Withholding tax written off	106	1,456
Deferred tax asset written off	66	246
Exchange adjustment on borrowings	(6,082)	1,043
Operating profit before working capital changes	387,371	378,814
Increase in inventories	(296,120)	(283,477)
Increase in trade and other receivables	(72,751)	(275,494)
Decrease in finance lease receivables	10,932	324
(Decrease)/increase in trade and other payables	(106,417)	264,741
Cash (used in)/generated from operations	(76,985)	84,908
(b) Analysis of changes in borrowings		
At the beginning of the year	507,396	349,156
Loans received	1,100,617	475,629
Repayments	(643,065)	(330,676)
Hire purchase facility	285	12,244
Exchange rate adjustments	(6,082)	1,043
At the end of the year	959,151	507,396
(c) Analysis of additions to property, plant and equipment		
Acquisition by cash	50,867	84,492
Acquisition through hire-purchase (see note 26 (d)	8,869	16,921
At the end of the year	59,736	101,413
(d) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	19,648	7,404
Hire-purchase financing received	8,869	16,921
Loans repaid in the year	(8,584)	(4,677)
At the end of the year	19,933	19,648
(e) Acquisition of subsidiary:		
Purchase consideration	20,364	-
Amounts paid in the prior year	(20,364)	-
Net cash movement during the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 NOTES TO THE CASHFLOW STATEMENT (continued)

(f) Cash and cash equivalents

Cash and cash equivalents

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

	2009 Sh'000	2008 Sh'000
Cash and bank balances	79,480	75,644
Bank overdrafts (note 24)	(31,608)	(104,948)
	47,872	(29,304)

27 CAPITAL COMMITMENTS

Authorised but not contracted for	-	-
Authorised and contracted for	-	4,860

28 CONTINGENT LIABILITIES

GROUP

Sundry bank guarantees	86,311	953
Pending legal suits	-	1,500
	86,311	2,453

COMPANY

Guarantees in respect of bank facilities for subsidiaries	1,240,103	662,500
Sundry bank guarantees	47,124	953
Pending legal suits	-	1,500
	1,287,227	664,953

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.

29 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

The Group/Company as a lessor

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

	2009 Sh'000	2008 Sh'000
Within one year	52,601	52,176
In the second to fifth year inclusive	190,028	199,916
	242,629	252,092

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 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 balance sheet are disclosed on note 21 to the financial statements.

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

	GROUP		COMPANY	
	2009 Sh'000	2008 Sh'000	2009 Sh'000	2008 Sh'000
Borrowings repaid	-	-	-	-
Interest paid	3,729	3,807	1,293	-
Loan balance at year end	19,156	12,803	19,156	-
Overdraft balance at year end	-	21,554	-	-

Compensation of key management personnel

	2009 Sh'000	2008 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	117,721	94,626
Fees for services as directors	1,700	1,000
Other emoluments for executive directors (included in key management compensation above)	20,783	18,677
	22,483	19,677

31 CAPITAL MANAGEMENT

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

The capital structure of the Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital revaluation reserves and revenue reserves.

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 cash and cash equivalents. Total capital is calculated as equity plus net debt.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 CAPITAL MANAGEMENT (continued)

	2009 Sh'000	2008 Sh'000
Equity	1,307,729	1,128,918
Total borrowings	990,759	612,344
Less: cash and cash equivalents	(79,480)	(75,644)
Net debt	911,279	536,700
Net Debt: Equity Ratio	0.697:1	0.475:1

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk management is carried out by the finance department under policies approved by the Board of Directors. The 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 2009 is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Total Sh'000
Trade receivables	547,040	83,322	630,362
Bank balances	79,480	-	79,480

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2008 was as follows:

	Fully performing Sh '000	Past due Sh'000	Total Sh'000
Trade receivables	501,730	73,980	575,710
Bank balances	75,644	-	75,644
Finance lease receivable	20,932	-	20,932

Bank balances 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 balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2009						
Liabilities						
Trade payables	14,929	409,149	118,854	-	-	542,932
Finance lease obligations	1,079	1,687	6,581	10,586	-	19,933
Borrowings	191,477	562,639	247,755	-	-	1,001,871
Total financial liabilities	207,485	973,475	373,190	10,586	-	1,564,736
At 30 September 2008						
Total financial liabilities	662,126	604,014	144,028	5,536	-	1,415,704

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) *Foreign exchange risk*

A sizable portion of the Group's purchases are denominated in foreign currencies. The Company 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 balance sheet date are as follows:

Foreign Currency	USD Ksh'000	EURO Ksh'000	ZAR Ksh'000	JPY Ksh'000
2009				
Assets				
Bank and cash balances	3,980	-	-	-
Trade receivables	82,833	-	-	-
Liabilities				
Trade payables	398,825	9,475	7,835	8,924
2008				
Assets				
Bank and cash balances	6,519	-	-	-
Trade receivables	35,160	-	-	-
Liabilities				
Trade payables	560,949	4,314	14,544	19,799

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Market risk (continued)

Foreign currency sensitivity analysis (continued)

	2009 Sh'000 Effect on profit	2008 Sh'000 Effect on profit
Currency - USD		
+ 10 % KSh Movement	40,766	51,927
- 10 % KSh Movement	(40,766)	(51,927)
Currency - EURO		
+ 10 % KSh Movement	948	431
- 10 % KSh Movement	(948)	(431)
Currency - ZAR		
+ 10 % KSh Movement	783	1,454
- 10 % KSh Movement	(783)	(1,454)
Currency - JPY		
+ 10 % KSh Movement	892	1,980
- 10 % KSh Movement	(892)	(1,980)

(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 summarises the exposure to interest rate risk at the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (Continued)

	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
At 30 September 2009						
Financial assets						
Cash and bank balances	79,480	-	-	-	-	79,480
Finance lease receivables	-	-	-	-	-	-
Total financial assets	79,480	-	-	-	-	79,480
Liabilities						
Finance lease obligations	(1,079)	(1,687)	(6,581)	(10,586)	-	(19,933)
Borrowings	(234,748)	(502,617)	(233,461)	-	-	(970,826)
Total financial liabilities	(235,827)	(504,304)	(240,042)	(10,586)	-	(990,759)
Interest sensitivity gap	(156,347)	(504,304)	(240,042)	(10,586)	-	(911,279)
At 30 September 2008						
Total financial assets	75,644	-	10,932	-	-	86,576
Total financial liabilities	(581,424)	(5,794)	(14,215)	(10,911)	-	(612,344)
Interest sensitivity gap	(505,780)	(5,794)	(3,283)	(10,911)	-	(525,768)

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 balance sheet date was outstanding for the whole year.

	2009 Shs'000 Effect on Profit	2008 Shs'000 Effect on profit
+ 1% Movement	9,908	654
-1 % Movement	(9,908)	(654)

(iii) Price risk

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

34 INCORPORATION

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

35 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 24 March 2010 at 12 noon, and at any adjournment thereof.

Dated this day of 2010

Signature

NOTES:

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

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

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

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