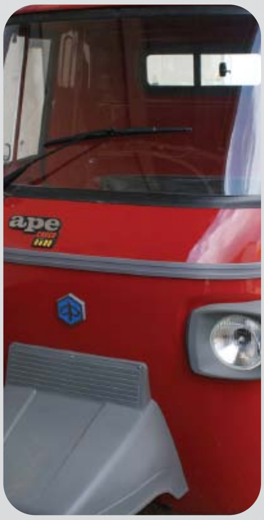
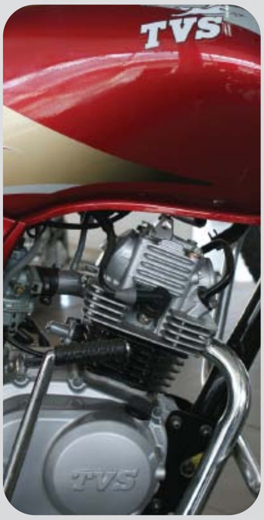
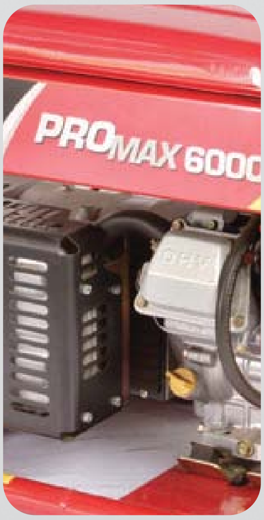
CAR *and* GENERAL

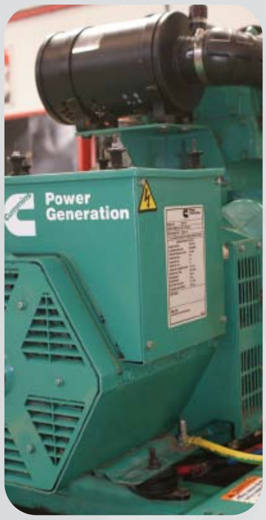
The Car & General Group of Companies

Kenya • Uganda • Tanzania • Rwanda









Power for better living

2012 Annual Report

www.cargen.com

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

30 September, 2012

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

* British ** Indian

SECRETARY
N P Kothari – FCPS (Kenya)

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

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

BANKERS
Kenya
Standard Chartered Bank Kenya Limited
Giro Commercial Bank Limited
I & M Bank Limited

Rwanda
KCB Bank Rwanda 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

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

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 - 00200, Nairobi	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles and vehicles, commercial laundry equipment, commercial engines and general goods.
Car & General (Automotive) Limited P O Box 20001 - 00200, Nairobi	Sale of brake linings and friction materials.
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) P O Box 20001 - 00200, Nairobi	Sale of welding alloys and welding equipment and provision of sales and marketing services related to three-wheeler vehicles.
Car & General (Tanzania) Limited P O Box 1552 Dar es Salaam	Sales and marketing service relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines and related services.
Car & General (Trading) Limited - Tanzania P O Box 1552 Dar es Salaam	Sales and marketing services relating to the provision of power equipment, motor cycles, three wheeler vehicles, commercial engines welding alloys and brake linings.
Car & General (Uganda) Limited P O Box 207 Kampala	Sales and service of power equipment, marine engines, motor cycles, agricultural tractors and implements, commercial engines and general goods.
Kibo Poultry Products Limited P O Box 742 Moshi	Day-old chick farming.
Sovereign Holdings International Limited P O Box 146 Road Town, Tortola British Virgin Islands	Property holding company.
Car & General (Engineering) Limited P O Box 20001 - 00200, Nairobi	Sales and marketing services relating to the provision of power equipment and related services.
Car & General (Marine) Limited P O Box 20001 - 00200, Nairobi	Sales and marketing services relating to the provision of marine engines and related products.
Car & General (Industries) Limited P O Box 20001 - 00200, Nairobi	Dormant.
Cargen Insurance Agencies Limited P O Box 20001 - 00200, Nairobi	Dormant.
Dewdrops Limited P O Box 20001 - 00200, Nairobi	Property holding company
Car & General (Rwanda) Limited Plot 1403, Muhima Road P O Box 7238,Kigali, Rwanda	Sales and service of power equipment, marine engines, motor cycles, three-wheeler vehicles, commercial engines and general goods.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-third Annual General Meeting of Car & General (Kenya) Limited will be held at the Southern Sun, Mayfair Hotel, Parklands Road, Parklands, Nairobi on Tuesday, 19th March 2013, 11.00 a.m., for the following purposes:

1 To receive the Directors' report and audited financial statements for the year ended 30 September 2012.

2 To declare a final dividend of KSh 18,380,683 (Kshs 0.55 per share) to shareholders registered at the close of business on 20 February 2013.

3 To approve Directors' fees.

4 To elect Directors:

(a) To re-elect Amb 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 Amb B Kiplagat who has attained the age of 76 years, be and is hereby re-elected a Director of the Company.

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

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

BY ORDER OF THE BOARD

N P Kothari
Secretary

12th February 2013
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 2012

"We are budgeting for a turnover of KSh 7.2 billion this financial year."

Nicholas Ng'ang'a - **Chairman of Car & General**

The year to September 2012 proved extremely challenging. The rapid and steep devaluation and subsequent revaluation of the Kenya Shilling against all major currencies had a significant negative impact on margins which reduced profitability. This reduction was exacerbated by the substantial increase in interest rates which increased funding costs and reduced demand for some of our products. As a result turnover declined marginally by 6% to Kshs 5.7 billion. Net profit at Kshs 266m also declined by 8% from Kshs 288m. These results are well below expectation largely due to unsatisfactory returns from our distribution business which faced extreme challenges.

The highlights of the financial year were the growth of our Cummins business; recognition by Cummins as the top distributor in Africa; the entry into the MRF tyre business for two wheelers in Kenya; the entry into the Doosan construction equipment business in Kenya; the growth of our aftermarket business in Kenya; our sustained market share in our three wheeler business particularly in Tanzania; the recovery of our Uganda business; the establishment of our branch in South Sudan; the improved understanding of our markets; the identification of tractor and forklift brands; the marginal expansion of our poultry business in Tanzania and, most significantly, the sale of Premier Power Products Limited in India which resulted in an exceptional profit.

The biggest challenges throughout the year were adverse foreign exchange movements and interest rate increases which led to over 20% decline in the market consumption of two wheelers and three wheelers.

Going forward, we foresee a challenging year ahead of us given the elections in Kenya. We also see greater competition in all keys markets which will result in both margin and market pressure. Key to success will be higher efficiency levels in all areas of our business, maintaining market share in core products and successfully developing our new products.

We are pleased to report that we have now defined our corporate social responsibility programs. We are focusing on two major initiatives – building waters pans in arid areas and we built two in 2012 supporting 18000 local community members; our countrywide eye clinic program run through Lions Clubs which, in 2012, assisted 2,500 patients and sponsored over 200 cataract operations. We hope to intensify activity in 2013.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (continued)

I now comment more specifically on each subsidiary below:

Car & General (Trading) Limited – Kenya

Our small engine business, in terms of power products, two-wheelers and three-wheelers, saw a decline in market size in excess of 25% which inevitably reduced our volumes as well. We expect a recovery of market size during the course of this financial year assuming smooth elections. We are strongly positioned to take advantage of this growth. Efficiencies in our stocking and our ability to deliver immediately to the customer will be critical to success.

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

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

C&G Engineering

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

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

We have big potential in our Doosan line of products and must establish a solid foothold this year.

Head Office

The operation continues to earn rent and provide services to all divisions. There remains significant room for improvement in our shared services operations particularly in the area of logistics and treasury management.

Car & General (Uganda) Limited

The operation has now made a recovery. We have taken the decision to exit the motorcycle business given the low margins and high penetration costs. Our other product lines are on the right track and we expect a positive year.

We need to focus more on our Rwanda branch and South Sudan operations which are being managed by C&G Uganda.

Car & General (Trading) Limited - Tanzania

The operation had a challenging year with margins and volume under pressure due to fluctuating exchange rates. We now have enough product throughput to generate a satisfactory return. We expect to see reasonable returns this year.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2012 (continued)

Kibo Poultry Products Limited

This operation had a difficult given the high costs of expansion. This is now complete and we expect a return to profitability in the second half of the year. We remain confident that the poultry business offers an opportunity in Tanzania and would like to pursue this as a means of diversifying group activity.

Premier Power Products Ltd

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

The Future

The critical success factor this year remains the continuous improvement of the quality of our organization to increase market share and volume. Competition is increasing rapidly. We have already implemented initiatives and discipline in implementation will be critical. The opportunity ahead is huge. We look forward to seeing the impact on profitability in the coming months.

Our now complete portfolio of niche engine products offers significant scope for further growth. This next year will be critical to future success. In the short term we will remain focused on achieving this with small additions. We are budgeting for a turnover of KSh 7.2 billion this financial year. This will be extremely challenging given the elections which will inevitably depress demand. We will need to significantly improve and expand the organization to achieve this. Market share growth will be crucial. Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects. The quality of competition is increasing.

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

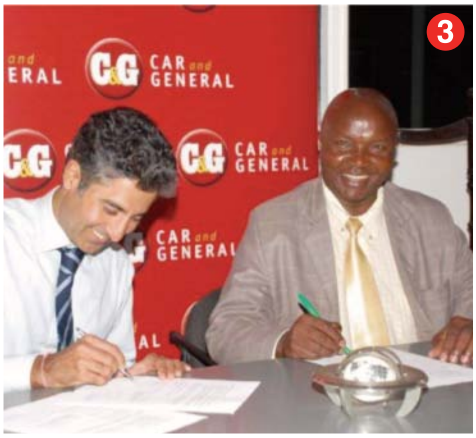
In spite of the significant investments being made, your company recommends a dividend of KSh 18m for the financial year 2011-12. This represents KSh 0.55 per share. We are maintaining conservative dividends in view of the considerable resources required to achieve budgeted growth levels and to develop into a great organization. We are investing heavily in all our operations and, as far as possible, we would like to do so through internal resources. Furthermore, with the current economic scenario, we would like to be prudent.

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

N Nganga – CHAIRMAN

19 December 2012

Cummins	Cummins Power Generation
DOOSAN	IR Ingersoll Rand
BRIGGS & STRATTON	PIAGGIO Complete transportation solutions
SUZUKI	TVS
Kubota	MRF
MOTOROL	Electrolux
KUKU BINGWA KIBO CHICK	MARINER



1. Car & General in conjunction with Cummins and the Lions Club has built two water pans at Bamba, Kilifi County at the Kenyan Coast.
2. Supporting the 'two wheel life', Erick Wainaina on his scooter: it is cool to ride.
3. We have signed several memoranda of co-operation with institutions of higher learning in Kenya.
4. Receiving the Africa Distribution Award for Cummins.
5. Our adopted garden at the Huruma Children's Home that is providing vegetables for the institution of the less priviledged children.
6. Our eye care program with the Lions Club has gone on well.
7. Opening of the certified Cummins Training School with Tom Linebarger – Chairman and CEO of Cummins Inc.
8. Car & General Tanzania came second in its taxpayer category of the outstanding compliance and contribution in Ilala Region, Tanzania.

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 Group's overall internal control of financial, operational and compliance issues.

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

Committees of the Board

The Group has the following standing committees which operate under the terms of reference set by the Board.

Audit Committee

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

Members of the audit committee comprise three non-executive directors, P Shah (Chairman), M Soundararajan and S P Gidoomal. The Group Finance director attends on invitation. Internal and external auditors and other executives attend as required.

Recruitment and Remuneration Committee

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

Nominations Committee

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

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

CORPORATE GOVERNANCE REPORT (continued)

Internal controls

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

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

Chief Financial Officer

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

Distribution of shareholders as at 30 September 2012

Shareholding (No. of shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	71,517	367	0.21
500 - 5,000	728,430	398	2.18
5,001 - 10,000	654,927	94	1.96
10,001 - 100,000	2,342,031	94	7.01
100,001 - 1,000,000	3,096,006	10	9.27
above 1,000,000	26,526,513	6	79.37
Total	**33,419,424**	**969**	**100.00**

Top ten shareholders

	Top ten shareholders	30 September 2012 No. of shares	%
1	Fincom Limited	10,861,183	32.50
2	Betrin Limited	5,322,633	15.93
3	Monyaka Investments Limited	4,180,927	12.51
4	Primaco Limited	3,042,205	9.10
5	Standard Chartered Nominees A/C 9397	1,585,800	4.75
6	Vapa Limited	1,533,765	4.59
7	Paul Wanderi Ndung'u	803,922	2.41
8	Nairobi Commercial Continental Limited	450,000	1.35
9	Cannon Assurance (K) Ltd	399,850	1.20
10	Mr C J Gidoomal	368,515	1.10

Directors' direct shareholding

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

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited group financial statements for the year ended 30 September 2012.

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

	2012 Sh'000
Profit before taxation	354,518
Taxation	(87,962)
Profit for the year	266,556
Attributable to:	
Owners of the parent	250,068
Non-controlling	16,488
	266,556

DIVIDEND

The directors propose payment of a first and final dividend of Sh 18,380,683 (Sh0.55 per share), (2011 – Sh 18,380,683 (Sh 0.55 per share)) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2.

AUDITORS

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

BY ORDER OF THE BOARD

Secretary

19 December 2012
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company audits and its subsidiaries as at the end of the financial year and of their operating results 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act and, for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and its subsidiaries of their 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 subidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

N Ng'ang'a Director	V V Gidoomal Director

19 December 2012

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
Nairobi, Kenya
Tel: (+254 20) 423 0000
(+254 20) 423 1344/05-12
Fax: (+254 20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of Car & General (Kenya) Limited set out on pages 15 to 58 which comprise the consolidated and company statements of financial position as at 30 September 2012, and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act and, for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, 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 of financial statements that give a true and fair view 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 its subsidiaries as at 30 September 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)
19 December 2012
Nairobi

Partners: S.O. Onyango F.O. Aloo H. Gadhoke* N.R. Hira* B.W. Irungu I. Karim J.M. Kiarie D.M. Mbogho A.N. Muraya R. Mwaura J.Nyang'aya J.W. Wangai
*British

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	2012 Sh'000	2011 Sh'000
TURNOVER	3(b)	5,711,529	6,086,106
COST OF SALES		(4,695,638)	(5,017,506)
GROSS PROFIT		1,015,891	1,068,600
OTHER OPERATING INCOME	4	23,823	17,593
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	13	196,750	292,578
PROFIT ON SALE OF SHARES IN SUBSIDIARY COMPANY	17(b)	119,755	-
SELLING AND DISTRIBUTION COSTS		(324,602)	(311,339)
ADMINISTRATIVE EXPENSES		(425,389)	(447,876)
INTEREST EXPENSE	5	(261,716)	(186,652)
NET EXCHANGE GAINS/(LOSSES)		10,006	(4,978)
PROFIT BEFORE TAXATION	6	354,518	427,926
TAXATION CHARGE	8	(87,962)	(139,220)
PROFIT FOR THE YEAR	9	266,556	288,706
OTHER COMPREHENSIVE INCOME:			
REVALUATION SURPLUS ON PROPERTY		43,935	79,650
DEFERRED TAX ON REVALUATION SURPLUS		(13,181)	(23,895)
EXCHANGE DIFFERENCE ARISING ON TRANSLATION OF FOREIGN OPERATIONS		(34,767)	27,430
		(4,013)	83,185
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		262,543	371,891
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		250,068	260,204
NON-CONTROLLING INTERESTS		16,488	28,502
PROFIT FOR THE YEAR		266,556	288,706
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		246,055	343,389
NON-CONTROLLING INTERESTS	10	16,488	28,502
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		262,543	371,891
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	11	7.48	7.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2012

	Notes	2012 Sh'000	2011 Sh'000
ASSETS			
Non-current assets			
Investment property	13	1,602,500	1,405,750
Property, plant and equipment	14(a)	677,998	644,616
Operating lease prepayments	15	13,729	14,602
Intangible assets	16	2,816	3,511
Deferred tax asset	22(b)	11,178	5,770
		2,308,221	2,074,249
Current assets			
Inventories	18	2,200,610	2,290,769
Trade and other receivables	19	1,007,150	969,062
Due from related parties	20	2,148	1,973
Tax recoverable	8(c)	15,379	28,697
Cash and bank balances		171,892	197,489
		3,397,179	3,487,990
Total assets		5,705,400	5,562,239
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	167,097	167,097
Revaluation surplus		283,089	256,430
Revenue reserve		1,666,406	1,430,624
Translation reserve		(26,589)	8,178
Equity attributable to owners of the parent		2,090,003	1,862,329
Non-controlling interests	10	53,151	57,993
Total equity		2,143,154	1,920,322
Non-current liabilities			
Deferred tax liabilities	22(b)	409,886	327,519
Borrowings	23	223,897	209,151
		633,783	536,670
Current liabilities			
Borrowings	23	1,476,963	1,678,310
Trade and other payables	24	1,441,981	1,424,065
Taxation payable	8(c)	9,519	2,872
		2,928,463	3,105,247
Total equity and liabilities		5,705,400	5,562,239

The financial statements on pages 15 to 58 were approved by the board of directors on 19 December 2012 and were signed on its behalf by:

N Ng'ang'a
Director

V V Gidoomal
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2012

	Notes	2012 Sh'000	2011 Sh'000
ASSETS			
Non current assets			
Investment property	13	957,500	830,750
Property, plant and equipment	14(b)	286,981	249,739
Operating lease prepayments	15	955	973
Intangible assets	16	1,729	1,916
Investment in subsidiaries	17	27,942	74,386
		1,275,107	1,157,764
Current assets			
Trade and other receivables	19	47,461	28,735
Due from group companies	20	2,894,798	2,249,790
Cash and bank balances		2,996	9,933
		2,945,255	2,288,458
Total assets		4,220,362	3,446,222
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	167,097	167,097
Revaluation surplus		183,414	155,193
Revenue reserve		589,561	396,971
Shareholders' funds		940,072	719,261
Non current liabilities			
Deferred taxation	22	336,468	278,729
Borrowings	23	223,897	208,794
		560,365	487,523
Current liabilities			
Borrowings	23	1,332,566	1,448,376
Trade and other payables	24	36,025	26,903
Due to group companies	20	1,351,334	764,159
		2,719,925	2,239,438
Total equity and liabilities		4,220,362	3,446,222

The financial statements on pages 15 to 58 were approved by the board of directors on 19 December 2012 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 2012

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Translation reserve Sh'000	Attributable to owners of the parent Sh'000	Non - controlling interests Sh'000	Total Sh'000
Year ended 30 September 2011							
At 1 October 2010	111,398	204,143	1,240,475	(19,252)	1,536,764	19,142	1,555,906
Profit for the year	-	-	260,204	-	260,204	28,502	288,706
Revaluation surplus on property	-	79,650	-	-	79,650	-	79,650
Deferred tax on revaluation surplus	-	(23,895)	-	-	(23,895)	-	(23,895)
Exchange difference arising on translation of foreign operations	-	-	-	27,430	27,430	-	27,430
Total comprehensive income for the year	-	55,755	260,204	27,430	343,389	28,502	371,891
Transfer of excess depreciation	-	(4,955)	4,955	-	-	-	-
Deferred tax on excess depreciation transfer	-	1,487	(1,487)	-	-	-	-
Non-controlling interests arising on formation of new subsidiary during the year (note 10)	-	-	-	-	-	3	3
Non-controlling interests arising on purchases of additional shareholding in subsidiary during the year (note 10)	-	-	-	-	-	10,346	10,346
Issue of bonus shares (note 21)	55,699	-	(55,699)	-	-	-	-
Dividend paid - 2010	-	-	(17,824)	-	(17,824)	-	(17,824)
At 30 September 2011	167,097	256,430	1,430,624	8,178	1,862,329	57,993	1,920,322
Year ended 30 September 2012							
At 1 October 2011	167,097	256,430	1,430,624	8,178	1,862,329	57,993	1,920,322
Profit for the year	-	-	250,068	-	250,068	16,488	266,556
Revaluation surplus on property	-	43,935	-	-	43,935	-	43,935
Deferred tax on revaluation surplus	-	(13,181)	-	-	(13,181)	-	(13,181)
Exchange difference arising on translation of foreign operations	-	-	-	(34,767)	(34,767)	-	(34,767)
Total comprehensive income for the year	-	30,754	250,068	(34,767)	246,055	16,488	262,543
Transfer of excess depreciation	-	(5,850)	5,850	-	-	-	-
Deferred tax on excess depreciation transfer	-	1,755	(1,755)	-	-	-	-
Non-controlling interests share of subsidiary disposed of during the year – note 10	-	-	-	-	-	(21,330)	(21,330)
Dividend paid - 2011	-	-	(18,381)	-	(18,381)	-	(18,381)
At 30 September 2012	167,097	283,089	1,666,406	(26,589)	2,090,003	53,151	2,143,154

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Share capital Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Total Sh'000
Year ended 30 September 2011				
At 1 October 2010	111,398	100,856	392,759	605,013
Profit for the year	-	-	76,317	76,317
Revaluation surplus on property	-	79,650	-	79,650
Deferred tax on revaluation surplus	-	(23,895)	-	(23,895)
Total comprehensive income for the year	-	55,755	76,317	132,072
Transfer of excess depreciation	-	(2,026)	2,026	-
Deferred tax on depreciation transfer	-	608	(608)	-
Issue of bonus shares (note 21)	55,699	-	(55,699)	-
Dividend paid - 2010	-	-	(17,824)	(17,824)
At 30 September 2011	167,097	155,193	396,971	719,261
Year ended 30 September 2012				
At 1 October 2011	167,097	155,193	396,971	719,261
Profit for the year	-	-	208,438	208,438
Revaluation surplus on property	-	43,935	-	43,935
Deferred tax on revaluation surplus	-	(13,181)	-	(13,181)
Total comprehensive income for the year	-	30,754	208,438	239,192
Transfer of excess depreciation	-	(3,619)	3,619	-
Deferred tax on depreciation transfer	-	1,086	(1,086)	-
Dividend paid - 2011	-	-	(18,381)	(18,381)
At 30 September 2012	167,097	183,414	589,561	940,072

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Notes	2012 Sh'000	2011 Sh'000
Cash flows from operating activities			
Cash generated from operations	25(a)	286,730	168,761
Tax paid	8(c)	(6,214)	(92,187)
Net cash generated from operating activities		280,516	76,574
Cash flows from investing activities			
Purchase of investment properties	13	-	(453,452)
Purchase of property, plant and equipment	14(a)	(109,284)	(88,054)
Purchase of intangible assets	16	(286)	(993)
Proceeds on disposal of property, plant and equipment		9,353	3,503
Proceeds from disposal of subsidiary company		166,577	-
Cash brought in by non-controlling interests		-	10,349
Net cash used in investing activities		66,360	(528,647)
Cash flows from financing activities			
Loans received	25(b)	3,269,046	1,863,143
Loans repaid	25(b)	(3,379,525)	(1,112,108)
Dividend paid		(18,381)	(17,824)
Interest paid	5	(261,716)	(186,652)
Repayment of hire-purchase finance	25(b)	(2,459)	(12,818)
Net cash generated from financing activities		(393,035)	533,741
Increase in cash and cash equivalents		(46,159)	81,668
Cash out flow on disposal of subsidiary		(550)	-
Cash and cash equivalents at the beginning of the year		151,188	76,476
Effects of exchange rate changes on the balance of cash held in foreign operations		1,211	(6,956)
Cash and cash equivalents at the end of the year	25(d)	105,690	151,188

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

1 ACCOUNTING POLICIES

Statement of compliance

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

For purposes of the Kenyan Companies Act the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

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

(a) Relevant new and revised IFRS affecting amounts reported in the current year (and /or prior years)

The following new and revised IFRSs have been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, the group has chosen to continue presenting this analysis in the statement of comprehensive income therefore this has not resulted to any change in presentation.

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*

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

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

IAS 24 Related Party Disclosures (as revised in 2009)

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

The group is not a government-related entity and also the adoption of the revised standard has not led to identification of related parties that were not identified as related parties under the previous Standard.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(a) Relevant new and revised IFRS affecting amounts reported in the current year (and/or prior years) *(Continued)*

Amendments to IAS 32 *Classification of Rights Issues*

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

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

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

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

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

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

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

Improvements to IFRSs issued in 2010

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

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

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

IFRS 10	*Consolidated Financial Statements*[1]
IFRS 11	*Joint Arrangements*[1]
IFRS 12	*Disclosure of Interests in Other Entities*[1]
IFRS 13	*Fair Value Measurement*[1]
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[2]

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(b) New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*[3]
IAS 19 (as revised in 2011)	*Employee Benefits*[1]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[1]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[1]
IFRS 9	*Financial Instruments*[4]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 July 2012.
[3] Effective for annual periods beginning on or after 1 January 2012.
[4] Effective for annual periods beginning on or after 1 January 2015.

IFRS 9

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

Key requirements of IFRS 9 are described as follows:

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

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the group's financial statements for the annual period beginning 1 October 2015 and that the application of IFRS 9 will not have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities as the company has no financial liabilities measured at fair value. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(b) New and revised IFRSs in issue but not yet effective *(continued)*

Package of five Standards

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

Key requirements of these five Standards are described below:

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

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

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

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

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

IAS 27 – Separate financial statements

The revised IAS 27 now deals with separate financial statements only. Consolidated financial statements are dealt with under IFRS 10. The group will adopt the standard in the financial year beginning 1 October 2013 in the parent company's separate financial statements.

IAS 28 – Investments in Associates and Joint ventures

The standard replaces the previous IAS 28 to take into account changes as a result of amendments to the other standards on consolidation . The group has no Associates or Joint Ventures and adoption of the standard will not lead to any significant change in the company's financial statements.

The adoption of these five standards when effective will not lead to any significant changes in the identification of the entities included in the group financial statements. The directors are however, still performing a detailed analysis of the impact.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments*: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

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

The directors anticipate that IFRS 13 will be adopted in the group's financial statements for the annual period beginning 1 October 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IAS 1

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

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

IAS 12

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

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The value of the group's investments properties is expected to be recovered through use and the directors are of the opinion that the revised IAS 12 presumption will be rebutted. Thus its adoption will have no significant impact on the group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(b) New and revised IFRSs in issue but not yet effective *(continued)*

IAS 19

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

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will not have significant impact on the group's financial statement since the group does not operate a defined benefits scheme.

(c) Early adoption of standards

The company did not early-adopt any new or amended standards in 2012.

Basis of preparation

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

Basis of consolidation

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

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

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

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 **ACCOUNTING POLICIES** (continued)

Basis of consolidation (Continued)

subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to revenue reserves) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2012.

The subsidiaries are set out in note 17 (a).

Turnover

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

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

Property, plant and equipment

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 **ACCOUNTING POLICIES** (Continued)

Property, plant and equipment (Continued)

Depreciation

Freehold land is not depreciated.

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

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

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

Impairment

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

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

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 lessee.

All other leases are classified as operating leases.

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

The Group as lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (Continued)

Investment property

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

Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment losses in the company's separate financial statements. The holding company accounts for dividends from subsidiary companies when its right to receive dividend as a shareholder has been established.

Intangible assets

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

Inventories

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

Livestock

Livestock is carried at market value.

Financial assets

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

Trade receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Financial liabilities

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

Borrowings

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

Trade payables

Trade payables are carried at their nominal value.

Derecognition of financial liabilities

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

Employee entitlements

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

Employee benefits obligations

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

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

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

Taxation

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

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

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

Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Cash and cash equivalents

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

Segmental reporting

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

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

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

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

Comparatives

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY

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

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

Critical accounting judgments in applying accounting policies

Property, plant and equipment

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

Impairment losses

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

Key sources of estimating uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Key sources of estimating uncertainty (continued)

Useful lives of property, plant and equipment

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

3 SEGMENTAL INFORMATION

(a) Reportable segments

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

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

(b) Segment revenues and results

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

	Trade and workshop Sh'000	Investment properties Sh'000	Poultry Sh'000	Group Sh'000
30 September 2012				
Revenue	5,483,899	60,307	167,323	5,711,529
Gain in fair value of investment property	-	196,750	-	196,750
Segment profit before tax	167,449	207,083	(20,014)	354,518
30 September 2011				
Revenue	5,849,320	59,365	177,421	6,086,106
Gain in fair value of investment property	-	292,578	-	292,578
Segment profit before tax	77,477	334,985	15,464	427,926

Revenue reported above represents revenue generated from external customers.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

(c) Segment assets and liabilities

	Trade and workshop Sh'000	Investment properties Sh'000	Poultry Sh'000	Group Sh'000
30 September 2012				
Assets	3,976,697	1,607,625	121,078	5,705,400
Liabilities	3,274,126	211,584	76,536	3,562,246
30 September 2011				
Assets	4,059,288	1,410,709	92,242	5,562,239
Liabilities	3,422,398	190,872	28,647	3,641,917

(d) Other segment information

	Trade and workshop Sh'000	Investment properties Sh'000	Poultry Sh'000	Group Sh'000
30 September 2012				
Segment expenses	5,257,969	1,322	186,338	5,445,629
Taxation charge	31,499	62,125	(5,662)	87,962
Finance costs	211,538	48,652	1,526	261,716
Depreciation/amortisation	45,392	1	4,716	50,109
Capital expenditure	50,044	-	59,526	109,570
30 September 2011				
Segment expenses	5,615,234	538	160,949	5,776,721
Taxation charge	35,844	100,495	2,881	139,220
Finance costs	170,232	16,420	-	186,652
Depreciation/amortisation	42,713	1	5,199	47,913
Capital expenditure	80,884	453,452	8,163	542,499

(e) Geographical information

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

	2012 Sh'000	2011 Sh'000
Kenya	3,900,864	4,012,347
Uganda	656,227	773,514
Tanzania	1,113,108	1,179,849
India	-	88,328
Rwanda	41,330	32,068
	5,711,529	6,086,106

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

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

	2012 Sh'000	2011 Sh'000
Non-current assets (excluding deferred tax assets)		
Kenya	1,993,433	1,750,894
Uganda	114,572	123,721
Tanzania	187,390	152,835
India	-	36,982
Rwanda	1,648	4,047
	2,297,043	2,068,479
Total assets		
Kenya	4,367,498	4,161,267
Uganda	634,483	553,589
Tanzania	677,085	711,638
India	-	111,397
Rwanda	26,334	24,348
	5,705,400	5,562,239
Total liabilities		
Kenya	2,956,719	2,988,104
Uganda	310,201	272,931
Tanzania	290,388	338,812
India	-	39,363
Rwanda	4,938	2,707
	3,562,246	3,641,917

4 OTHER OPERATING INCOME

	2012	2011
Gain on disposal of property, plant and equipment	1,699	1,006
Other income	22,124	16,587
	23,823	17,593

5 INTEREST EXPENSE

	2012	2011
Interest on borrowings	261,716	186,652

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 PROFIT BEFORE TAXATION

	2012 Sh'000	2011 Sh'000
The profit before tax is arrived at after charging:		
Depreciation - property, plant and equipment (note 14)	49,143	46,933
Amortisation - operating lease prepayments (note 15)	189	146
- intangible assets (note 16)	777	834
Staff costs (note 7)	399,180	380,516
Directors' remuneration - fees	2,600	2,495
- other emoluments	25,433	23,833
Auditors' remuneration	5,240	4,902
And after crediting:		
Fair value gains on investment properties	196,750	292,578
Gain on sale of subsidiary	119,755	-
Gain on disposal of property, plant and equipment	1,699	1,006

7 STAFF COSTS

	2012 Sh'000	2011 Sh'000
Salaries and wages	376,169	355,240
Retirement benefit costs:		
- Defined contribution scheme	7,499	6,158
- National Social Security Fund contribution	15,469	13,311
Leave pay provision	43	5,807
	399,180	380,516

8 TAXATION

(a) Taxation charge

	2012 Sh'000	2011 Sh'000
Current tax	25,500	56,594
Deferred tax charge	55,305	82,985
Prior year over provision – deferred tax	7,157	(359)
Total deferred tax charge (note 22)	62,462	82,626
Taxation charge	87,962	139,220

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

	2012 Sh'000	2011 Sh'000
Group profit before taxation	354,518	427,926
Tax calculated at the applicable of 30%	106,355	128,378
Tax effect of incomes not subject to tax	(35,927)	-
Tax effect of expenses not deductible for tax	10,377	11,201
Prior year over provision- deferred tax	7,157	(359)
Taxation charge	87,962	139,220

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION (continued)

	2012 Sh'000	2011 Sh'000
(c) Taxation (payable)/recoverable		
GROUP		
Balance at the beginning of the year	25,825	(8,192)
Expense for the year	(25,500)	(56,594)
Paid in the year	6,214	92,187
Currency translation differences	(679)	(1,576)
Balance at the end of the year – recoverable	5,860	25,825
This is analysed as:		
Taxation recoverable	15,379	28,697
Taxation payable	(9,519)	(2,872)
	5,860	25,825
COMPANY		
Balance at the beginning of the year	-	-
Paid in the year	-	-
Balance at the end of the year - (payable)	-	-

9 PROFIT FOR THE YEAR

A profit of Sh 208,438,000 (2011 - Sh 76,317,000) has been dealt with in the separate financial statements of the parent company.

10 NON-CONTROLLING INTERESTS

	2012 Sh'000	2011 Sh'000
At the beginning of the year	57,993	19,142
Share of profit for the year	16,488	28,502
Minority interest share on formation Dewdrops Limited	-	3
Minority interest share on issue of additional share capital		-
by Premier Power Equipments & Products Private Limited	-	10,346
Disposed of during the year- Premier Power Equipments &	-	-
Products Private Limited	(21,330)	-
At the end of the year	53,151	57,993

	2012 %	2011 %
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Premier Power Equipment's & Products Private Limited	-	35
Dewdrops Limited	34	34

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	2012	2011
Profit attributable to owners of the parent (Sh'000)	250,068	260,204
Number of shares	33,419,424	33,419,424
Basic and diluted earnings per share (Sh)	7.48	7.79

12 DIVIDEND PER SHARE

Proposed dividends are not recorded as liabilities until they have been ratified at the Annual General Meeting. At the Annual General Meeting, a first and final dividend is to be proposed in respect of the year ended 30 September 2012 of Sh 0.55 per share (2011 – Sh 0.55 per share) amounting to a total dividend of Sh 18,380,683 (2011 – Sh 18,380,683). The financial statements for the year ended 30 September 2012 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 2013.

13 INVESTMENT PROPERTY – GROUP AND COMPANY

	GROUP Sh'000	COMPANY Sh'000
At 1 October 2010	659,720	659,720
Additions	453,452	-
Fair value gains	292,578	171,030
At 30 September 2011	1,405,750	830,750
At 1 October 2011	1,405,750	830,750
Fair value gains	196,750	126,750
At 30 September 2012	1,602,500	957,500

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

A legal charge exists over investment properties with a net book value of Sh 1,602,500,000 (2011: Sh 1,405,750,000) to secure borrowings granted to the Group.

These properties were valued by R R Oswald & Company Limited, registered valuers in Kenya, as at 30 September 2012, on an open market basis. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTY – GROUP AND COMPANY (continued)

ANALYSIS OF INVESTMENT PROPERTY
AT VALUATION

	GROUP 2012 Sh'000	COMPANY 2012 Sh'000	GROUP 2011 Sh'000	COMPANY 2011 Sh'000
Leasehold over 50 years unexpired	850,000	205,000	750,000	175,000
Leasehold under 50 years unexpired	752,500	752,500	655,750	655,750
	1,602,500	957,500	1,405,750	830,750

14 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	WIP Sh'000	Total Sh'000
COST OR VALUATION							
At 1 October 2010	351,315	62,258	67,900	117,764	33,746	-	632,983
Exchange rate adjustments	16,678	838	3,402	3,208	839	-	24,965
Additions	28,393	13,740	17,735	21,311	6,875	-	88,054
Disposals	(130)	-	(206)	(8,169)	(111)	-	(8,616)
Revaluation surplus	76,511	-	-	-	-	-	76,511
At 30 September 2011	472,767	76,836	88,831	134,114	41,349	-	813,897
At 1 October 2011	472,767	76,836	88,831	134,114	41,349	-	813,897
Exchange rate adjustments	(20,528)	(16)	(4,888)	(4,938)	(1,070)	-	(31,440)
Additions	588	10,536	21,681	21,484	5,467	49,528	109,284
Disposals	-	(650)	(774)	(17,476)	(162)	-	(19,062)
Eliminated on sale of subsidiary	(25,076)	(8,777)	(3,418)	(542)	(2,933)	-	(40,746)
Revaluation surplus	39,250	-	-	-	-	-	39,250
At 30 September 2012	467,001	77,929	101,432	132,642	42,651	49,528	871,183
COMPRISING:							
At 30 September 2012							
At valuation 2012	369,208	-	-	-	-	-	369,208
At cost	97,793	77,929	101,432	132,642	42,651	49,528	501,975
	467,001	77,929	101,432	132,642	42,651	49,528	871,183
At 30 September 2011							
At valuation 2011	350,486	-	-	-	-	-	350,486
At cost	122,281	76,836	88,831	134,114	41,349	-	463,411
	472,767	76,836	88,831	134,114	41,349	-	813,897

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Land and buildings Sh'000	Plant and machinery Sh'000	Furniture and equipment Sh'000	Motor vehicles Sh'000	Computers Sh'000	WIP Sh'000	Total Sh'000
DEPRECIATION							
At 1 October 2010	7,133	19,638	34,680	45,898	19,185	-	126,534
Exchange rate adjustments	1,918	130	1,259	1,222	449	-	4,978
Charge for the year	7,278	9,021	4,894	20,805	4,935	-	46,933
Eliminated on disposals	(50)	-	(154)	(5,781)	(40)	-	(6,025)
Write back on revaluation	(3,139)	-	-	-	-	-	(3,139)
At 30 September 2011	13,140	28,789	40,679	62,144	24,529		169,281
At 1 October 2011	13,140	28,789	40,679	62,144	24,529	-	169,281
Exchange rate adjustments	(1,692)	(18)	(1,411)	(1,696)	(539)	-	(5,356)
Charge for the year	8,361	9,230	6,339	20,112	5,101	-	49,143
Eliminated on disposals	-	(32)	(473)	(10,806)	(123)	-	(11,434)
Eliminated on sale of subsidiary	(503)	(1,330)	(675)	(169)	(1,087)	-	(3,764)
Write back on revaluation	(4,685)	-	-	-	-	-	(4,685)
At 30 September 2012	14,621	36,639	44,459	69,585	27,881	-	193,185
NET BOOK VALUE							
At 30 September 2012	452,380	41,290	56,973	63,057	14,770	49,528	677,998
At 30 September 2011	459,627	48,047	48,152	71,970	16,820	-	644,616
NET BOOK VALUE (COST BASIS)							
At 30 September 2012	53,655	41,290	56,973	63,057	14,770	-	229,745
At 30 September 2011	79,323	48,047	48,152	71,970	16,820	-	264,312

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

ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:	2012 Sh'000	2011 Sh'000
Leasehold buildings over 50 years unexpired	45,112	42,979
Leasehold buildings under 50 years unexpired	421,889	429,788
	467,001	472,767

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

(b) PROPERTY AND EQUIPMENT - COMPANY

	Land and buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Computers Sh'000	Total Sh'000
COST OR VALUATION					
At 1 October 2010	159,365	4,597	11,596	17,366	192,924
Additions	2,548	-	1,012	919	4,479
Disposals	(130)	-	(138)	-	(268)
Revaluation surplus	76,511	-	-	-	76,511
At 30 September 2011	238,294	4,597	12,470	18,285	273,646
At 1 October 2011	238,294	4,597	12,470	18,285	273,646
Additions	-	73	183	871	1,127
Disposals	-	(504)	-	-	(504)
Revaluation surplus	39,250	-	-	-	39,250
At 30 September 2012	277,544	4,166	12,653	19,156	313,519
COMPRISING:					
At 30 September 2012					
At valuation	271,601	-	-	-	271,601
At cost	5,943	4,166	12,653	19,156	41,918
	277,544	4,166	12,653	19,156	313,519
At 30 September 2011					
At valuation	232,351	-	-	-	232,351
At cost	5,943	4,597	12,470	18,285	41,295
	238,294	4,597	12,470	18,285	273,646
DEPRECIATION					
At 1 October 2010	50	1,743	7,797	11,128	20,718
Charge for the year	3,220	713	580	1,979	6,492
Eliminated on disposals	(50)	-	(114)	-	(164)
Write back on revaluation	(3,139)	-	-	-	(3,139)
At 30 September 2011	81	2,456	8,263	13,107	23,907
At 1 October 2011	81	2,456	8,263	13,107	23,907
Charge for the year	4,766	536	550	1,719	7,571
Eliminated on disposals	-	(255)	-	-	(255)
Write back on revaluation	(4,685)	-	-	-	(4,685)
At 30 September 2012	162	2,737	8,813	14,826	26,538

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Land and buildings Sh'000	Motor vehicles Sh'000	Furniture, fittings and equipment Sh'000	Computers Sh'000	Total Sh'000
NET BOOK VALUE					
At 30 September 2012	277,382	1,429	3,840	4,330	286,981
At 30 September 2011	238,213	2,141	4,207	5,178	249,739
NET BOOK VALUE (COST BASIS)					
At 30 September 2012	17,094	1,429	3,840	4,330	26,693
At 30 September 2011	17,443	2,141	4,207	5,178	28,969

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd professional valuers on 30 September 2012. The basis of valuation has been open market value. The valuers have the relevant experience in valuing properties located in similar locations.

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

ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:	2012 Sh'000	2011 Sh'000
Leasehold buildings over 50 years unexpired	26,544	22,044
Leasehold buildings under 50 years unexpired	251,000	216,250
	277,544	238,294

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 OPERATING LEASE PREPAYMENTS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2010	18,863	1,440
Exchange rate adjustments	(255)	-
At 30 September 2011	18,608	1,440
At 1 October 2011	18,608	1,440
Exchange rate adjustments	(867)	-
At 30 September 2012	17,741	1,440
AMORTISATION		
At 1 October 2010	3,911	448
Exchange rate adjustments	(51)	-
Charge for the year	146	19
At 30 September 2011	4,006	467
At 1 October 2011	4,006	467
Exchange rate adjustments	(183)	-
Charge for the year	189	18
At 30 September 2012	4,012	485
NET BOOK VALUE		
At 30 September 2012	13,729	955
At 30 September 2011	14,602	973

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2010	6,645	5,205
Exchange rate adjustments	186	-
Additions	993	-
At 30 September 2011	7,824	5,205
At 1 October 2011	7,824	5,205
Exchange rate adjustments	(293)	-
Additions	286	227
Disposals	(54)	-
At 30 September 2012	7,763	5,432
AMORTISATION		
At 1 October 2010	3,374	2,810
Exchange rate adjustments	105	-
Charge for the year	834	479
At 30 September 2011	4,313	3,289
At 1 October 2011	4,313	3,289
Exchange rate adjustments	(111)	-
Charge for the year	777	414
Eliminated on disposals	(32)	-
At 30 September 2012	4,947	3,703
NET BOOK VALUE		
At 30 September 2012	2,816	1,729
At 30 September 2011	3,511	1,916

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 (a) INVESTMENT IN SUBSIDIARIES

Investments at cost

	Holding	2012 Sh'000	2011 Sh'000
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 30,520,000 shares of Tsh 5 each at cost	100%	15,072	15,072
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	100%	2,250	2,250
Car & General (Engineering) Limited (formerly Kamco Engineering Limited) 130,000 shares of Ksh 20 each at cost	100%	2,600	2,600
Car & General (Marine) Limited (formerly Cargen Plastics Limited) 157,757 shares of Ksh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 1000 shares of Ksh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of Ksh 20 each at cost less amounts written off	100%	1,098	1,098
Car & General (Trading) Limited - Kenya 2,000 shares of Ksh 20 each at cost	100%	40	40
Car & General (Piaggio) Limited (formerly Car & General (Weldtec) Limited) 25,000 shares of Ksh 20 each at cost	100%	500	500
Cargen Insurance Agencies Limited 100 shares of Ksh 20 each at cost	100%	2	2
Kibo Poultry Products Limited 998 shares of TSh 5,000 each at cost	100%	90	90
Sovereign Holdings International Limited 1 share of US$ 1 each	100%	-	-
Premier Power Equipment & Products Pvt. Limited	65%	-	46,444
Dewdrops Limited	66%	7	7
Car & General (Rwanda) Limited	100%	508	508
		27,942	74,386

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 (b) INVESTMENT IN SUBSIDIARIES

The movement of the investment in subsidiaries is as follows:

	2012 Sh'000	2011 Sh'000
At the beginning of the year	74,386	47,791
Acquired during the year	-	26,595
Disposed during the year (Premier Power Equipment's & Products Pvt. Limited)	(46,444)	-
At the end of the year	27,942	74,386

Profit on disposal of subsidiary

	2012 Sh'000	2011 Sh'000
Disposal proceeds	166,577	-
Share of net assets in the disposed subsidiary	(46,822)	-
Profit on disposal	119,755	-

18 INVENTORIES - GROUP

	2012 Sh'000	2011 Sh'000
Goods in transit and in bond	923,358	885,200
Finished products	889,425	970,482
Raw materials, spares and consumables	366,682	405,933
Work in progress	16,707	24,166
Livestock	4,438	4,988
	2,200,610	2,290,769

19 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Trade receivables	812,943	763,592	4,281	4,228
Other receivables	194,207	205,470	43,180	24,507
	1,007,150	969,062	47,461	28,735

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 RELATED PARTIES

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Due from directors	2,148	1,973	2,148	1,973
Due from subsidiaries	-	-	2,892,650	2,247,817
At the end of the year	2,148	1,973	2,894,798	2,249,790
Due to group companies	-	-	1,351,334	764,159

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

21 SHARE CAPITAL – GROUP AND COMPANY

	2012 Sh'000	2011 Sh'000
Authorised		
34,000,000 ordinary shares of Sh 5 each	170,000	170,000

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

	No. of shares in thousands		Value	
	2012	2011	2012 Sh'000	2011 Sh'000
At the beginning of the year	34,000	23,000	170,000	115,000
Increased during the year	-	11,000	-	55,000
At the end of the year	34,000	34,000	170,000	170,000

	2012 Sh'000	2011 Sh'000
Issued and fully paid		
33,419,424 (2011- Kshs 33,419,424) ordinary shares of Sh 5 each	167,097	167,097

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

	No. of shares in thousands		Value	
	2012	2011	2012 Sh'000	2011 Sh'000
At the beginning of the year	33,420	22,280	167,097	111,398
Issue of bonus shares (1 bonus share for every 2 shares held)	-	11,140	-	55,699
At the end of the year	33,420	33,420	167,097	167,097

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION

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

	2012 Sh'000	2011 Sh'000
GROUP		
At the beginning of the year	321,749	214,454
Exchange difference on translation	(1,214)	774
Charge/(credit) for the year - (note 8(a))	55,305	82,985
Property revaluation	13,181	23,895
Eliminated on disposal of subsidiary	435	-
Prior year over provision	9,252	(359)
At the end of the year	398,708	321,749
COMPANY		
At the beginning of the year	278,729	216,615
Charge for the year	44,558	38,219
Property revaluation	13,181	23,895
At the end of the year	336,468	278,729

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

	2012 Sh'000	2011 Sh'000
Deferred tax assets	(11,178)	(5,770)
Deferred tax liabilities	409,886	327,519
	398,708	321,749

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION (continued)

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

	At 1 October 2011 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2012 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	12,741	927	-	(862)	12,806
Relating to revaluation surplus	72,079	784	13,181	(1,870)	84,174
Relating to fair value gains on investment property	278,826	-	-	59,133	337,959
Unrealised exchange differences	608	-	-	2,071	2,679
	364,254	1,711	13,181	58,472	437,618
Deferred tax assets					
Tax losses carried forward	(31,165)	(77)	-	(601)	(31,843)
Unrealised exchange differences	-	-	-	-	-
Leave pay provision	(724)	(10)	-	406	(328)
Prior year under provision	-	-	-	-	-
Bad debts provision	(10,616)	(308)	-	4,185	(6,739)
	(42,505)	(395)	-	3,990	(38,910)
Net deferred tax liability	321,749	1,316	13,181	62,462	398,708
COMPANY					
Deferred tax liabilities					
Relating to revaluation surplus	298,265	-	13,181	38,025	349,471
Unrealised exchange differences	-	-	-	-	-
	298,265	-	13,181	38,025	349,471
Deferred tax assets					
Accelerated capital allowances	793	-	-	(93)	700
Tax losses carried forward	(18,317)	-	-	5,091	(13,226)
Leave pay provision	(537)	-	-	387	(150)
Unrealised exchange differences	(1,475)	-	-	1,148	(327)
	(19,536)	-	-	6,533	(13,003)
Net deferred tax liability	278,729	-	13,181	44,558	336,468

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS

	2012 Sh'000	2011 Sh'000
GROUP		
Loans:		
Loans in Kshs	320,898	290,420
Loans in USD	750,376	774,643
Loans in Ugx	-	103,715
Loans in Euro	3,971	7,474
Loans in Rs	-	20,010
	1,075,245	1,196,262
Short-term notes	559,056	642,082
Bank overdrafts (Secured)	66,202	46,301
Hire purchase obligations	357	2,816
	1,700,860	1,887,461
Current	(1,476,963)	(1,678,310)
Non-current	223,897	209,151
COMPANY		
Loans:		
Loans in Kshs	320,898	290,420
Loans in USD	606,636	679,046
Loans in Euro	3,971	7,474
	931,505	976,940
Short-term notes	559,056	642,082
Bank overdrafts (Secured)	65,902	38,148
	1,556,463	1,657,170
Current	(1,332,566)	(1,448,376)
Non-current	223,897	208,794

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Between 1 and 2 years	176,565	178,557	176,565	178,200
Between 2 and 5 years	47,332	30,594	47,332	30,594
	223,897	209,151	223,897	208,794

Interest rates

The effective interest rates at 30 September were as follows:

	2012	2011
Bank overdrafts	20.51%	15.12%
Loans:		
Loans in Kshs	18.42%	14.29%
Loans in Ugx	-	23.25%
Loans in USD	8.52%	6.72%
Loans in Euro	7.96%	7.50%
Short-term notes	16.53%	12.48%
Hire purchase obligations	22.50%	16.00%

Details of securities for loans and overdrafts

a) The Standard Chartered Bank Kenya Limited loans and overdraft are secured by a collateral legal charge over land and buildings and a debenture over all assets for Sh 1,250,000,000 ranking *pari passu* with I & M Bank Limited for Sh 250,000,000. The total borrowings with Standard Chatered bank Kenya Limited are Sh 885,628,000.

b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all Car & General (Trading) Limited - Tanzania for Sh 199,720,700, a fixed charge on associated company's property and corporate guarantee by associated companies. The total borrowings with Standard Chartered bank Tanzania Limited are Sh 68,987,000.

c) The I&M Bank Limited overdraft is secured by a collateral legal charge over land and buildings and a debenture over certain assets of the company for Sh 250,000,000, ranking pari passu with Standard Chartered Bank Kenya Limited.

d) The Giro Commercial Bank Limited overdraft is secured by legal charge over land and buildings located on the properties KSM / MUN / BLOCK 3/7, LR 209/4160 Nairobi, LR 209/4159 Nairobi, and Msa Kwale/ Diani / Block 728-738 for Sh 63,000,000. The total borrowings with Giro Commercial Bank Limited are Sh 45,877,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

e) The Standard Chartered Bank Uganda Limited overdraft is secured by a legal charge over land and building and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 581,740,000 and a corporate guarantee by holding company. The total borrowings with Standard Chartered bank Uganda Limited are Sh 74,753,000.

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

ANALYSIS OF HIRE PURCHASE OBLIGATIONS

	GROUP	
	2012 Sh'000	2011 Sh'000
Minimum lease payments		
Due within one year	482	3,270
Due after one year	-	482
	482	3,752
Less: Future finance charges	(125)	(936)
Present value of minimum lease payments	357	2,816
Less: Amount due for settlement within 12 months	(357)	(2,459)
Amounts due for settlement after 12 months	-	357

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 2012 was 22.50% (2011 – 16%) p.a.

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

Undrawn facilities

The group had undrawn committed borrowing facilities amounting to Sh 223,333,470 (2011 – Sh 266,963,000). The borrowing facilities consist of loans, bank overdrafts, letters of credit and guarantees.

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Trade payables	1,021,101	997,387	6,364	2,246
Other payables	420,880	426,678	29,661	24,657
	1,441,981	1,424,065	36,025	26,903

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 NOTES TO THE STATEMENT OF CASH FLOWS

	2012 Sh'000	2011 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before tax	354,518	427,926
Adjustments for:		
Depreciation on property, plant and equipment	49,143	46,933
Leasehold land amortisation	189	146
Fair value gains on investment properties	(196,750)	(292,578)
Gain on disposal of subsidiary	(119,755)	-
Gain on disposal of property and equipment	(1,699)	(1,006)
Intangible assets amortisation	777	834
Interest expense	261,716	186,652
Exchange translation on opening reserves	(16,327)	16,862
Non-controlling interests eliminated on disposal of Subsidiary	(21,330)	-
Property and equipment written off	-	104
Exchange adjustment on borrowings	(93,564)	(6,022)
Adjusted profit before working capital changes	216,918	379,851
Decrease/(increase) in inventories	90,159	(596,225)
Increase in trade and other receivables	(38,263)	(108,665)
Increase in trade and other payables	17,916	493,800
Cash generated from operations	286,730	168,761
(b) Analysis of changes in borrowings		
At the beginning of the year	1,841,160	1,108,965
Loans received	3,269,046	1,863,143
Repayments	(3,379,525)	(1,112,108)
Hire purchase facility repaid (note 25(c))	(2,459)	(12,818)
Exchange rate adjustments	(93,564)	(6,022)
At the end of the year	1,634,658	1,841,160
(c) Analysis of hire-purchase by cash flow:		
Financing at beginning of the year	2,816	15,634
Loans repaid in the year	(2,459)	(12,818)
At the end of the year	357	2,816

(d) Cash and cash equivalents

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

	2012 Sh'000	2011 Sh'000
Cash and bank balances	171,892	197,489
Bank overdrafts (note 23)	(66,202)	(46,301)
	105,690	151,188

26 CAPITAL COMMITMENTS

	2012 Sh'000	2011 Sh'000
Authorised and contracted for	817	74,150
Authorised but not contracted for	46,526	142,117

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 CONTINGENT LIABILITIES

	2012 Sh'000	2011 Sh'000
GROUP		
Sundry bank guarantees	380,039	433,756
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	1,655,096	1,726,425
Sundry bank guarantees	42,952	32,481
	1,698,048	1,758,906

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

28 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

The Group as a lessor

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

	2012 Sh'000	2011 Sh'000
Within one year	60,256	46,826
In the second to fifth year inclusive	232,220	183,909
	292,476	230,735

29 RELATED PARTY TRANSACTIONS

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

Balances with subsidiaries carried in the company's statement of financial position are disclosed on note 20 to the financial statements.

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

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Borrowings repaid	442,600	228,696	425,433	228,696
Borrowings received	431,430	200,520	397,257	200,520
Interest paid	20,816	15,413	13,604	8,174
Loan balance at year end	45,877	51,981	45,877	51,981
Overdraft balance at year end	39,937	38,313	39,937	38,148

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

	2012 Sh'000	2011 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	220,377	190,951
Fees for services as directors	2,600	2,495
Other emoluments for executive directors (included in key management compensation above)	25,433	23,833
	28,033	26,328

30 CAPITAL MANAGEMENT

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less bank balances. Total capital is calculated as equity attributable to owners of the parent and non-controlling interests.

	2012 Sh'000	2011 Sh'000
Equity	2,143,154	1,920,322
Total borrowings	1,700,860	1,887,461
Less: cash and bank balances	(171,892)	(197,489)
Net debt	1,528,968	1,689,972
Gearing Ratio	71%	88%

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

Credit risk

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

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2012 is made up as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	484,348	328,595	97,160	910,103
Due from directors	2,148	-	-	2,148
Bank balances	171,892	-	-	171,892
	658,388	328,595	97,160	1,084,143

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2011 was as follows:

Trade receivables	494,214	269,378	94,329	857,921
Due from directors	1,973	-	-	1,973
Bank balances	197,489	-	-	197,489
	693,676	269,378	94,329	1,057,383

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

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

Liquidity risk

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

The following table analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Liquidity risk (continued)

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

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2012						
Liabilities						
Trade payables	97,999	920,618	2,484	-	-	1,021,101
Finance lease obligations	70	208	136	-	-	414
Other borrowings	436,837	852,805	330,618	240,181	-	1,860,441
Total financial liabilities	534,906	1,773,631	333,238	240,181	-	2,881,956
At 30 September 2011						
Liabilities						
Trade payables	29	774,566	222,792	-	-	997,387
Finance lease obligations	595	732	1,944	481	-	3,752
Other borrowings	161,730	1,216,468	370,500	247,109	-	1,995,807
Total financial liabilities	162,354	1,991,766	595,236	247,590	-	2,996,946

Market risk

(i) Foreign exchange risk

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

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

Foreign Currency	USD KSh'000	EURO KSh'000	ZAR KSh'000	JPY KSh'000
2012				
Assets				
Bank and cash balances	16,948	1,190	-	-
Trade receivables	233,831	2,143	-	-
	250,779	3,333	-	-
Liabilities				
Trade payables	740,080	5,149	-	20,291
2011				
Assets				
Bank and cash balances	55,871	2,329	-	-
Trade receivables	249,576	6,085	-	-
	305,447	8,414	-	-
Liabilities				
Trade payables	801,689	40,937	5,426	31,779

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

Foreign currency sensitivity analysis

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

	2012 Sh'000 Effect on Profit	2011 Sh'000 Effect on Profit
Currency – US Dollar (USD)		
+ 10 % KSh Movement	48,930	49,624
– 10 % KSh Movement	(48,930)	(49,624)
Currency – Euro (Euro)		
+ 10 % KSh Movement	182	3,252
– 10 % KSh Movement	(182)	(3,252)
Currency South African Rand (ZAR)		
+ 10 % KSh Movement	-	543
– 10 % KSh Movement	-	(543)
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	2,029	3,178
– 10 % KSh Movement	(2,029)	(3,178)

(ii) Interest rate risk

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

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

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2012						
Financial assets						
Cash and bank balances	2,996	-	-	-	-	2,996
Total financial liabilities Subject to interest sensitivity	(432,095)	(825,311)	(300,443)	(143,368)	-	(1,701,217)
Interest sensitivity gap	(429,099)	(825,311)	(300,443)	(143,368)	-	(1,698,221)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2011						
Financial assets						
Cash and bank balances	197,489	-	-	-	-	197,489
Liabilities						
Finance lease obligations	(460)	(557)	(1,442)	(357)	-	(2,816)
Borrowings	(144,769)	(1,194,848)	(336,234)	(208,794)	-	(1,884,645)
Total financial liabilities	(145,229)	(1,195,405)	(337,676)	(209,151)	-	(1,887,461)
Interest sensitivity gap	52,260	(1,195,405)	(337,676)	(209,151)	-	(1,689,972)

Interest rate sensitivity analysis

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

	2012 Sh'000 Effect on Profit	2011 Sh'000 Effect on Profit
+ 1% Movement	17,012	16,900
-1 %Movement	(17,012)	(16,900)

(iii) Price risk

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

32 INCORPORATION

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

33 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 Southern Sun, Mayfair Hotel, Parklands Road, Parklands, Nairobi on 19th March 2013 at 11.00 a.m., and at any adjournment thereof.

Dated this .... day of 2013

Signature ....

NOTES:

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

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

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

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