CAR and GENERAL

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Car & General (Kenya) Limited Annual Report and Financial Statements
for the year ended 30 September 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

* British ** Indian

SECRETARY
N P Kothari – FCPS (Kenya)

REGISTERED OFFICE
New Cargen House
Lusaka Road
P O Box 20001 - 00200
Nairobi
Telephone +254 – 020 6943000

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
Guaranty Trust Bank (Kenya)
Limited
Family Bank Limited
Kenya Commercial Bank Limited

Rwanda
KCB Bank Rwanda Limited

Tanzania
Standard Chartered Bank
Tanzania Limited
Stanbic Bank Tanzania Limited
NBC Limited
Diamond Trust Bank
Tanzania Limited
I&M Bank Tanzania Limited
NMB Tanzania Limited
Ban ABC Tanzania Limited
KCB Bank Tanzania Limited
CRDB Bank Limited

Uganda
Standard Chartered Bank
Uganda Limited
Stanbic Bank (Uganda)
Limited

South Sudan
KCB Buluk

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, construction equipment, fork lifts, 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 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.

BRANCH	ACTIVITIES
Car & General (Kenya) Limited - Juba Plot No. 15, Kator, Tumbla Road Juba – South Sudan	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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-fifth Annual General Meeting of Car & General (Kenya) Limited will be held at Hotel Royal Orchid Azure, Conference Room, Lantana Road, Westlands, Nairobi on Thursday, 26th March 2015, 11.00 a.m., for the following purposes:

1 To receive the Directors' report and audited financial statements for the year ended 30 September 2014.

2 To declare a final dividend of KSh 24,061,985 (Kshs 0.60 per share) to shareholders registered at the close of business on 19 February 2015.

3 To approve Directors' fees.

4 To elect Directors:

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

That Mr. N Ng'ang'a who has attained the age of 76 years, be and is hereby re-elected a Director of the Company.

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

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

BY ORDER OF THE BOARD

N P Kothari
Secretary

26th January 2015
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 2014

"Our turnover grew by 18% from Kshs 7.1 billion to Kshs 8.3 billion."

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

The year to September 2014 proved extremely challenging but relatively positive. The gradual depreciation of the Kenya shilling from Kshs 86 per dollar to Kshs 90 per dollar has put a strain on margins. Furthermore, establishment and funding costs have risen significantly as a result of investments in additional branches and new business lines namely Doosan, Kubota, Toyota and MRF. Our turnover grew by 18% from Kshs 7.1 billion to Kshs 8.3 billion. This was below our budgeted turnover of Kshs 9 billion. Our net profit after tax decreased by 12% from Kshs 315 million to Kshs 278 million. As our new products gain traction and volume grows we expect profitability of our distribution business to improve.

The highlights of the financial year were the launch of two new motorcycle models; the launch of a new three wheeler model; recognition by Briggs & Stratton as the top distributor in Africa; gaining traction in the Doosan construction and Kubota tractor businesses; the growth of our MRF motorcycle tyre and lubricants business; the growth in market share in our two wheeler business; our sustained market share in our three wheeler business in Kenya and Tanzania; the capacity improvement of our Cummins aftermarket business. We now offer a complete range of specialized engine related products through a solid distribution network and must develop dominant market shares in each segment.

The biggest challenges throughout the year were the slowdown in the two wheeler market in Kenya due to the introduction of VAT; the slowdown of our 3 wheeler business in Tanzania; insufficient production at our poultry operations and managing establishment costs due to our overall expansion.

Going forward, we foresee a stable year from a political perspective which should result in a positive economic environment. 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 achieving profitability in our new products. We have made all necessary manpower and infrastructure investments – we now need to achieve volume on an efficient base.

We are pleased to report that we have continued our corporate social responsibility programs namely the building of water pans in arid areas and our countrywide eye clinic program. We hope to intensify activity in 2015.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2014 (continued)

I now comment more specifically on each subsidiary below:

The Consumer Business

Our small engine business, in terms of power products, two-wheelers and three-wheelers, saw a general decline in market size. Notwithstanding our volumes increased due to a gain in market share. We launched new models which strengthen our product proposition. We expect market share to increase in 2014/2015.

This year will be challenging with the expected increase in stronger competition which may lead to a decline in margin. We also support the introduction of new safety regulations which may result in less consumption in the short run. 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 key to success.

Our aftermarket strategy is solid and we see growth in our sales of parts, tyres and oils.

The Equipment Business

The Cummins business in Kenya and regionally is growing. Our challenge remains the entry of competition from all over the world and our ability to differentiate ourselves. Our market share is strong but there is room for further improvement.

Our Ingersoll Rand business is heading in the right direction.

Our Doosan business is gaining traction and we will emerge as a mainstream competitor in 2014/15.

Our Kubota tractor and Toyota forklift businesses are also gaining traction.

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 information technology.

Car & General (Uganda) Limited

The operation has now made a recovery. All our product lines are on the right track and we expect a positive year.

We need to focus more on our Rwanda branch. Our entry into South Sudan has been impacted by political issues in the country.

Car & General (Trading) Limited - Tanzania

The operation had a positive year with good growth across all sectors. We expect to see reasonable returns this year.

Kibo Poultry Products Limited - Tanzania

This operation had a difficult year. We expect a return to profitability this 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.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2014 (continued)

The Future

Our portfolio of niche engine products is now complete and offers significant scope for further growth. This next year will be critical to future success. We are budgeting for a turnover in excess of KSh 10 billion. This will require a growth in market share in all sectors. 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.

In spite of the significant investments being made, your company recommends a dividend of KSh 24M for the financial year 2013-14. This represents KSh 0.60 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.

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

18 December 2014

Cummins	Cummins Power Generation	KUKU BINGWA KIBO CHICK

TOYOTA	IR Ingersoll Rand
BRIGGS & STRATTON	PIAGGIO Complete transportation solutions
SUZUKI	TVS
Kubota	MRF
MOTOROL	MERCURY
GARMIN	DOOSAN

1. Abel Gikenyi, leader of the Ingersoll-Rand business receives the Cargen Premier League Cup from the Group Managing Director. His team won the Cargen Premier League 2014.
2. Car & General was awarded the Briggs & Stratton 2014 distributor of the year 2014 in MEA.
3. Car and General has been appointed by Toyota Industries Corporation (TICO) as the distributor of Toyota forklifts in East Africa.
4. Delegates from Cummins SA visited Car & General's Cummins Engine Rebuild Center during the Cummins Africa Distributor Summit held in Nairobi in May 2014.
5. Samuel Mukundi of Mombasa receives his long service award from the Group Managing Director. Samuel has been with C&G for 25 years.
6. TVS Training Centre official opening - Group Managing Director Vijay Giddomal and TVS Senior Vice Presdent International Business, R. Dilip cut the tape.
7. Car & General held a training course for sales executives and engineers for Briggs & Stratton products in East Africa. At C&G we believe in continous people development.

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 over 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 2014

Shareholding (No. of shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	73,070	382	0.18
500 - 5,000	801,829	407	2.00
5,001 - 10,000	749,294	104	1.87
10,001 - 100,000	2,862,102	99	7.14
100,001 - 1,000,000	3,785,199	13	9.44
above 1,000,000	31,831,814	6	79.37
Total	**40,103,308**	**1,011**	**100.00**

Top ten shareholders

		30 September 2014 No. of shares	%
1	Fincom Limited	13,033,419	32.50
2	Betrin Limited	6,387,159	15.93
3	Monyaka Investments Limited	5,017,112	12.51
4	Primaco Limited	3,650,646	9.10
5	Standard Chartered Nominees A/C 9397	1,902,960	4.75
6	Vapa Limited	1,840,518	4.59
7	Paul Wanderi Ndung'u	629,666	1.57
8	Nairobi Commercial Continental Limited	540,000	1.35
9	Cannon Assurance (K) Ltd	479,940	1.20
10	Chandan Jethanand Gidoomal	442,218	1.10
		33,923,638	84.60

Directors' direct shareholding

N Ng'ang'a	5,448
V V Gidoomal	1,584
EM Grayson	1,584
B Kiplagat	1,584

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 2014, which disclose the state of financial affairs of the group.

ACTIVITIES

The company acts as a holding company and derives its revenue from rental income, management fees and also operates a trading branch in Juba, South Sudan. The activities of the subsidiary companies are detailed on page 3.

SHARE CAPITAL

On 20th March 2014, the authorised share capital was increased from Sh 175,000,000 to Sh 210,000,000 by the creation of an additional 7,000,000 ordinary shares of Sh 5 each.

On the same day the company made a capitalization issue of 6,683,884 ordinary shares of Sh 5 each.

GROUP RESULTS

	2014 Sh'000
Profit before taxation	420,267
Taxation charge	(141,904)
Profit for the year	278,363
Attributable to:	
Owners of the parent	263,338
Non-controlling interests	15,025
	278,363

DIVIDEND

The directors propose payment of a first and final dividend of Sh 24,061,985 (Sh 0.60 per share) in respect of the year (2013 – Sh 26,735,539 (Sh 0.80 per share on 33,419,424 shares before bonus issue)).

DIRECTORS

The present board of directors is shown on page 2.

AUDITORS

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

BY ORDER OF THE BOARD

N P Kothari
Secretary

18 December 2014
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare of financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of their operating results for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and of 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 directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for at least the next twelve months from the date of this statement.

N Ng'ang'a Director	V V Gidoomal Director

18 December 2014

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari
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Nairobi, Kenya
Tel: (+254 20) 423 0000
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Dropping Zone No. 92
Email: admin@deloitte.co.ke
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAR & GENERAL (KENYA) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Car & General (Kenya) Limited and its subsidiaries, set out on pages 15 to 59, which comprise the consolidated and company statements of financial position as at 30 September 2014, and the consolidated statement of profit or loss and other 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 effectiveness of 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 financial position of Car & General (Kenya) Limited and its subsidiaries as at 30 September 2014, 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 company's statement of financial position (balance sheet) is in agreement with the books of account.

*The engagement partner responsible for the audit resulting in this independent auditors' report is **Fredrick Okwiri – P/No 1699.***

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya
18 December 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 Sh'000	2013 Sh'000
REVENUE	3(b)	8,298,564	7,056,021
COST OF SALES	3(d)	(6,818,603)	(5,861,852)
GROSS PROFIT		1,479,961	1,194,169
OTHER INCOME	4	58,686	13,502
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	293,250	292,500
SELLING AND DISTRIBUTION COSTS		(574,817)	(362,448)
ADMINISTRATIVE EXPENSES		(561,916)	(473,181)
INTEREST EXPENSE	5	(277,590)	(213,287)
NET FOREIGN EXCHANGE GAINS		2,693	7,714
PROFIT BEFORE TAXATION	6	420,267	458,969
TAXATION CHARGE	8	(141,904)	(143,179)
PROFIT FOR THE YEAR	9	278,363	315,790
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property		93,101	86,970
Deferred tax on revaluation surplus		(16,005)	(26,091)
		77,096	60,879
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on transition of foreign operations		(503)	2,736
		76,593	63,615
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		354,956	379,405
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		263,338	295,113
Non-controlling interests	10	15,025	20,677
Profit for the year		278,363	315,790
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		339,931	358,728
Non-controlling interests	10	15,025	20,677
Total comprehensive income for the year		354,956	379,405
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	11	6.57	7.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

	Notes	2014 Sh'000	2013 Sh'000 Restated	2012 Sh'000 Restated
ASSETS				
Non-current assets				
Investment property	13	2,188,250	1,895,000	1,602,500
Property, plant and equipment	14(a)	913,699	789,469	691,727
Intangible assets	16	5,486	6,165	2,816
Deferred tax asset	22(b)	19,319	22,204	11,178
		3,126,754	2,712,838	2,308,221
Current assets				
Inventories	18	2,823,331	2,557,040	2,200,610
Trade and other receivables	19	2,010,557	1,443,407	1,007,150
Due from directors	20	1,114	1,588	2,148
Corporate tax recoverable	8(c)	18,744	16,069	15,379
Cash and bank balances		172,312	170,488	171,892
		5,026,058	4,188,592	3,397,179
Total assets		8,152,812	6,901,430	5,705,400
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	21	200,516	167,097	167,097
Revaluation surplus		408,162	338,441	283,089
Retained earnings		2,159,223	1,948,665	1,666,406
Translation reserve/(deficit)		(24,356)	(23,853)	(26,589)
Equity attributable to owners of the parent		2,743,545	2,430,350	2,090,003
Non-controlling interests	10	88,853	73,828	53,151
Total equity		2,832,398	2,504,178	2,143,154
Non-current liabilities				
Deferred tax liabilities	22(b)	642,938	535,779	409,886
Borrowings	23	487,019	94,869	223,897
		1,129,957	630,648	633,783
Current liabilities				
Borrowings	23	2,030,408	1,827,960	1,476,963
Trade and other payables	24	2,148,449	1,927,135	1,441,981
Corporate tax payable	8(c)	11,600	11,509	9,519
		4,190,457	3,766,604	2,928,463
Total equity and liabilities		8,152,812	6,901,430	5,705,400

The financial statements on pages 15 to 59 were approved by the board of directors on 18 December 2014 and were signed on its behalf by:

N Ng'ang'a
Director

V V Gidoomal
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014

	Notes	2014 Sh'000	2013 Sh'000 Restated	2012 Sh'000 Restated
ASSETS				
Non current assets				
Investment property	13	1,388,250	1,160,000	957,500
Property, plant and equipment	14(b)	439,000	374,654	287,936
Intangible assets	16	4,651	5,405	1,729
Investment in subsidiaries	17	26,844	27,942	27,942
		1,858,745	1,568,001	1,275,107
Current assets				
Inventories	18	88,606	89,111	-
Trade and other receivables	19	85,917	64,830	47,461
Due from directors	20	1,114	1,588	2,148
Due from subsidiaries	20	1,670,964	2,727,235	2,892,650
Cash and bank balances		13,503	5,449	2,996
		1,860,104	2,888,213	2,945,255
Total assets		3,718,849	4,456,214	4,220,362
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	21	200,516	167,097	167,097
Revaluation surplus		274,123	241,144	183,414
Retained earnings		852,028	724,193	589,561
Translation reserve		114	-	-
Total equity		1,326,781	1,132,434	940,072
Non current liabilities				
Deferred tax liability	22(a)	521,775	431,873	336,468
Borrowings	23	61,648	56,837	223,897
		583,423	488,710	560,365
Current liabilities				
Borrowings	23	438,417	1,053,166	1,332,566
Trade and other payables	24	53,504	27,042	36,025
Due to subsidiaries	20	1,308,699	1,754,862	1,351,334
Corporate tax payable	8	8,025	-	-
		1,808,645	2,835,070	2,719,925
Total equity and liabilities		3,718,849	4,456,214	4,220,362

The financial statements on pages 15 to 59 were approved by the board of directors on 18 December 2014 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 2014

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Translation reserve (deficit) Sh '000	Attributable to owners of the parent Sh '000	Non - controlling interests Sh '000	Total Sh '000
Year ended 30 September 2013							
At 1 October 2012	167,097	283,089	1,666,406	(26,589)	2,090,003	53,151	2,143,154
Profit for the year	-	-	295,113	-	295,113	20,677	315,790
Revaluation surplus on property	-	86,970	-	-	86,970	-	86,970
Deferred tax on revaluation surplus	-	(26,091)	-	-	(26,091)	-	(26,091)
Exchange difference arising on translation of foreign operations	-	-	-	2,736	2,736	-	2,736
Total comprehensive income for the year	-	60,879	295,113	2,736	358,728	20,677	379,405
Transfer of excess depreciation	-	(7,363)	7,363	-	-	-	-
Deferred tax on excess depreciation transfer	-	1,836	(1,836)	-	-	-	-
Dividend paid – 2012	-	-	(18,381)	-	(18,381)	-	(18,381)
At 30 September 2013	167,097	338,441	1,948,665	(23,853)	2,430,350	73,828	2,504,178
Year ended 30 September 2014							
At 1 October 2013	167,097	338,441	1,948,665	(23,853)	2,430,350	73,828	2,504,178
Profit for the year	-	-	263,338	-	263,338	15,025	278,363
Revaluation surplus on property	-	93,101	-	-	93,101	-	93,101
Deferred tax on revaluation surplus	-	(16,005)	-	-	(16,005)	-	(16,005)
Exchange difference arising on translation of foreign operations	-	-	-	(503)	(503)	-	(503)
Total comprehensive income for the year	-	77,096	263,338	(503)	339,931	15,025	354,956
Transfer of excess depreciation		(9,986)	9,986	-	-	-	-
Deferred tax on excess depreciation transfer	-	2,611	(2,611)	-	-	-	-
Issue of bonus shares (note 21)	33,419	-	(33,419)	-	-	-	-
Dividend paid – 2013	-	-	(26,736)	-	(26,736)	-	(26,736)
At 30 September 2014	200,516	408,162	2,159,223	(24,356)	2,743,545	88,853	2,832,398

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Translation reserve Sh '000	Total Sh '000
Year ended 30 September 2013					
At 1 October 2012	167,097	183,414	589,561	-	940,072
Profit for the year	-	-	149,864	-	149,864
Revaluation surplus on property	-	86,970	-	-	86,970
Deferred tax on revaluation surplus	-	(26,091)	-	-	(26,091)
Total comprehensive income for the year	-	60,879	149,864	-	210,743
Transfer of excess depreciation	-	(4,498)	4,498	-	-
Deferred tax on depreciation transfer	-	1,349	(1,349)	-	-
Dividend paid - 2012	-	-	(18,381)	-	(18,381)
At 30 September 2013	167,097	241,144	724,193	-	1,132,434
Year ended 30 September 2014					
At 1 October 2013	167,097	241,144	724,193	-	1,132,434
Profit for the year	-	-	183,624	-	183,624
Revaluation surplus on property	-	53,350	-	-	53,350
Deferred tax on revaluation surplus	-	(16,005)	-	-	(16,005)
Exchange difference arising on translation of foreign branch	-	-	-	114	114
Total comprehensive income for the year	-	37,345	183,624	114	221,083
Transfer of excess depreciation	-	(6,237)	6,237	-	-
Deferred tax on depreciation transfer	-	1,871	(1,871)	-	-
Issue of bonus shares	33,419	-	(33,419)	-	-
Dividend paid - 2013	-	-	(26,736)	-	(26,736)
At 30 September 2014	200,516	274,123	852,028	114	1,326,781

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 Sh'000	2013 Sh'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	25(a)	(146,594)	148,546
Tax paid	8(c)	(50,560)	(53,401)
Net cash (used in)/generated from operating activities		(197,154)	95,145
Cash flows from investing activities			
Purchase of property, plant and equipment	14(a)	(96,135)	(62,442)
Purchase of intangible assets	16	(688)	(4,489)
Proceeds on disposal of property, plant and equipment		4,336	5,346
Net cash used in investing activities		(92,487)	(61,585)
Cash flows from financing activities			
Loans received	25(b)	4,629,859	3,629,491
Loans repaid	25(b)	(4,019,832)	(3,495,976)
Dividend paid		(26,736)	(18,381)
Interest paid	5	(277,590)	(213,287)
Repayment of hire-purchase finance	25(b)	-	(357)
Net cash generated from/(used in) in financing activities		305,701	(98,510)
Net increase/(decrease) in cash and cash equivalents		16,060	(64,950)
Cash and cash equivalents at the beginning of year		41,045	105,690
Effects of exchange rate changes on the balance of cash held in foreign operations		138	305
Cash and cash equivalents at the end of the year	25(d)	57,243	41,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

For purposes of the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/ is equivalent to the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2014

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendment had no effect on the group's financial statements as the group did not have any offsetting arrangements in place.

New and revised standards on consolidation and joint arrangements, associates and disclosures

In May 2011, a package of five standards in consolidation and joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial, IFRS 11 Statements Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

IFRS 11 has not had any impact on the disclosures or the amounts recognised in these financial statements as the group does not have any joint arrangements.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

Specifically, the group has between 66% to 100% ownership interest in the subsidiary companies with similar percentages in voting rights. The directors concluded that it has control over all the subsidiaries on the basis of the group's absolute size of holding in the various subsidiary entities. See note 17 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

***(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2014** (continued)*

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of IFRS 12 has resulted in more extensive disclosure in the consolidated financial statements (See note 17 for details).

IFRS 13 Fair Value Measurement

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply 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 for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the group has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than additional disclosures, the application of IFRS 13 has not had any significant impact on the amounts recognised in the financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2014 *(continued)*

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012) (continued)

However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminologies have been adopted in these financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

In other respects, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income, or total comprehensive income for the group.

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) changes 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 the 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. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

This amendment had no effect on the group's financial statements as the group does not operate a defined benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 September 2014

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
Amendments to IFRS 9 and IFRS 7	1 January 2018
IFRS 14	1 January 2016
IFRS 15	1 January 2017
Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Amendments to IAS 32	1 January 2014
Amendments to IAS 36	1 January 2014
Amendments to IAS 39	1 January 2014
IFRIC 21	1 January 2014

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 September 2014

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required 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 value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 September 2014 *(continued)*

IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The directors of the group do not anticipate that the application of the standard will have a significant impact on the group's financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the group do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the group's financial statements as the group does not have any significant financial assets and financial liabilities that qualify for the offset.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the group do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the group's financial statements as the group does not have any significant financial assets and financial liabilities that qualify for the offset.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 September 2014 *(continued)*

Annual Improvements 2010-2012 Cycle *(continued)*

- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the group do not anticipate that the application of these improvements to IFRSs will have a significant impact on the group's financial statements.

(iv) Early adoption of standards

The group did not early-adopt any new or amended standards in 2014.

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 profit or loss and other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2014.

The subsidiaries are set out in note 17.

Revenue

Revenue is recognised upon the delivery of products to customers and the performance of services, and are stated net of Value Added Tax (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. All other items of property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Depreciation

Freehold land is not depreciated.

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

Buildings	2%
Plant and machinery	12.5% - 20%
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 the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

Leasehold land

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

Leases

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

All other leases are classified as operating leases.

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

The Group as lessor

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

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

NOTES TO THE CONSOLIDATED 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. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Provision is made for obsolete, slow moving and defective inventories.

Livestock

Livestock comprises poultry and is carried at fair 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 CONSOLIDATED 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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.

In particular, comparative figures have been adjusted for the effect of a retrospective reclassification of leasehold land to property, plant and equipment through the adoption of the amendments to International Accounting Standard No.17, Leases (IAS 17). The amendments to IAS 17 removed the guidance under which a lease of land in which title to the land is not expected to pass to the lessee by the end of the lease term normally is classified as an operating lease. The amendments clarify that in establishing whether the land lease is an operating or finance lease the entity should consider if substantially all the risks and rewards incidental to ownership are considered to be transferred to the lessee. The standard requires that adoption of these amendments be applied retrospectively for all leases and therefore, as required by IAS 1 40(A), the Group has presented a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements.

The adoption of this amendment has led to a change in accounting policy for leasehold land. The resulting adjustments are included in Notes 14 and 15.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values.

Fair value measurements and valuation processes

Some of the group's assets are measured at fair value for financial reporting purposes. The directors determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the group engages third party qualified valuers to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 13 and 14.

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

(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 2014				
Revenue	7,959,363	64,063	275,138	8,298,564
Gain in fair value of investment Property	-	293,250	-	293,250
Segment profit/(loss) before taxation	107,130	330,190	(17,053)	420,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

(b) Segment revenues and results (continued)

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
30 September 2013				
Revenue	6,817,889	62,811	175,321	7,056,021
Gain on fair value of investment property	-	292,500	-	292,500
Segment profit/(loss) before tax	167,877	328,140	(37,048)	458,969

Revenue reported above represents revenue generated from external customers.

(c) Segment assets and liabilities

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
30 September 2014				
Assets	5,776,417	2,196,450	179,945	8,152,812
Liabilities	4,585,575	671,436	63,403	5,320,414
30 September 2013				
Assets	4,849,423	1,902,150	149,857	6,901,430
Liabilities	3,749,047	586,953	61,252	4,397,252

(d) Other segment information

30 September 2014				
Cost of sales	6,665,295	-	153,308	6,818,603
Expenses	994,738	2,747	139,248	1,136,733
Taxation charge	39,191	102,713	-	141,904
Interest expenses	265,402	12,188	-	277,590
Depreciation/amortization	55,277	1	8,967	64,245
Capital expenditure	77,032	-	19,791	96,823
30 September 2013				
Cost of sales	5,757,523	-	104,329	5,861,852
Expenses	724,246	4,529	106,854	835,629
Taxation charge	55,457	98,442	(10,720)	143,179
Interest expenses	190,070	23,217	-	213,287
Depreciation/amortization	44,969	1	4,224	49,194
Capital expenditure	60,646	-	6,285	66,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

(e) Geographical information

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

	2014 Sh'000	2013 Sh'000
Kenya	5,974,472	5,016,077
Uganda	411,941	492,777
Tanzania	1,852,101	1,495,685
South Sudan	17,721	6,050
Rwanda	42,329	45,432
	8,298,564	7,056,021

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

	2014 Sh'000	2013 Sh'000
Non-current assets (excluding deferred tax assets)		
Kenya	2,745,459	2,391,718
Uganda	105,983	110,785
Tanzania	237,405	185,070
South Sudan	17,712	1,890
Rwanda	876	1,171
	3,107,435	2,690,634
Total assets		
Kenya	6,510,901	5,538,322
Uganda	512,239	467,909
Tanzania	1,072,186	856,491
South Sudan	28,282	14,891
Rwanda	29,204	23,817
	8,152,812	6,901,430
Total liabilities		
Kenya	4,519,018	3,786,917
Uganda	211,171	153,436
Tanzania	588,680	455,866
South Sudan	571	526
Rwanda	974	507
	5,320,414	4,397,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

		2014 Sh'000	2013 Sh'000
4	**OTHER INCOME**		
	Gain on disposal of property, plant and equipment	2,127	1,062
	Miscellaneous income	56,559	12,440
		58,686	13,502
5	**INTEREST EXPENSE**		
	Interest on borrowings	277,590	213,287
6	**PROFIT BEFORE TAXATION**		
	The profit before tax is arrived at after charging:		
	Depreciation - property, plant and equipment (note 14)	62,919	48,132
	Amortisation of intangible assets (note 16)	1,326	1,062
	Employment costs (note 7)	616,811	457,623
	Directors' remuneration - fees	2,828	2,596
	- other emoluments	28,946	26,172
	Auditors' remuneration	7,196	5,757
	And after crediting:		
	Fair value gains on investment properties (note 13)	293,250	292,500
	Gain on disposal of property, plant and equipment	2,127	1,062
7	**EMPLOYMENT COSTS**		
	Salaries and wages	592,476	431,290
	Retirement benefit costs:		
	- Defined contribution scheme	9,301	7,784
	- National Social Security Fund contribution	18,995	15,765
	Leave pay provision (credit)/charge	(3,961)	2,784
		616,811	457,623
8	**TAXATION**		
	(a) Taxation charge		
	Current tax	47,854	54,486
	Deferred tax charge (note 22)	89,299	92,072
	Prior year under/(over) provision - deferred tax	4,751	(3,379)
	Taxation charge	141,904	143,179

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 TAXATION (continued)

	2014 Sh'000	2013 Sh'000
(b) Reconciliation of expected tax based on accounting profit to the taxation charge		
Group profit before taxation	420,267	458,969
Tax calculated at the applicable rate of 30%	126,080	137,691
Deferred tax credit not recognised	5,206	-
Tax effect of expenses not deductible for tax	5,867	8,867
Prior year under/(over) provision - deferred tax	4,751	(3,379)
Taxation charge	141,904	143,179
(c) Corporate tax (payable)/recoverable		
GROUP		
At the beginning of year - recoverable	4,560	5,860
Charge for the year	(47,854)	(54,486)
Paid in the year	50,560	53,401
Currency translation differences	(122)	(215)
At the end of year - recoverable	7,144	4,560
This is analysed as:		
Corporate tax recoverable	18,744	16,069
Corporate tax payable	(11,600)	(11,509)
	7,144	4,560
COMPANY		
At the beginning of year	-	-
Expense for the year	11,608	-
Paid in the year	(3,583)	-
At the end of year - payable	8,025	-

9 PROFIT FOR THE YEAR

A profit of Sh 183,624,000 (2013 - Sh 149,864,000) has been dealt with in the separate financial statements of the parent company.

10 NON-CONTROLLING INTERESTS

	2014 Sh'000	2013 Sh'000
At the beginning of the year	73,828	53,151
Share of profit for the year	15,025	20,677
At the end of the year	88,853	73,828

	2014 %	2013 %
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34

NOTES TO THE CONSOLIDATED 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:

	2014	2013
Profit attributable to owners of the parent (Sh'000)	263,338	295,113
Number of shares (note 21)	40,103,308	40,103,308
Basic and diluted earnings per share (Sh)	6.57	7.35

The number of shares for 2013 are after the bonus issue.

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 2014 of Sh 0.60 per share (2013 – Sh 0.80 per share on 33,419,424 shares before bonus issue) amounting to a total dividend of Sh 24,061,985 (2013 – Sh 26,735,539). The financial statements for the year ended 30 September 2014 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 2015.

13 INVESTMENT PROPERTIES – GROUP AND COMPANY

	GROUP Sh'000	COMPANY Sh'000
At 1 October 2012	1,602,500	957,500
Fair value gains	292,500	202,500
At 30 September 2013	1,895,000	1,160,000
At 1 October 2013	1,895,000	1,160,000
Fair value gains	293,250	228,250
At 30 September 2014	2,188,250	1,388,250

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 2,188,250,000 (2013: Sh 1,895,000,000) 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 2014, on an open market basis. The valuers have appropriate qualifications and recent experience in valuation of properties in similar locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTIES – GROUP AND COMPANY (continued)

ANALYSIS OF INVESTMENT PROPERTY AT VALUATION

	GROUP 2014 Sh '000	COMPANY 2014 Sh '000	GROUP 2013 Sh '000	COMPANY 2013 Sh '000
Leasehold over 50 years unexpired	1,230,000	430,000	985,000	250,000
Leasehold under 50 years unexpired	958,250	958,250	910,000	910,000
	2,188,250	1,388,250	1,895,000	1,160,000

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 2012 - as previously stated	467,001	77,929	101,432	132,642	42,651	49,528	871,183
Reclassification from prepaid operating lease rentals (note 15)	17,741	-	-	-	-		17,741
Exchange rate adjustments	1,710	11	(231)	(235)	4	(274)	985
Additions	-	26,845	12,734	17,703	4,379	781	62,442
Disposals	-	-	(2,389)	(11,338)	(1,642)	(108)	(15,477)
Transfer to land and buildings	49,927	-	-	-	-	(49,927)	-
Revaluation surplus	81,500	-	-	-	-	-	81,500
At 30 September 2013 - restated	617,879	104,785	111,546	138,772	45,392	-	1,018,374
At 1 October 2013 - restated	617,879	104,785	111,546	138,772	45,392	-	1,018,374
Exchange rate adjustments	832	(7)	(1,807)	997	(97)	-	(82)
Additions	23,830	7,532	20,587	37,545	6,641	-	96,135
Disposals	-	(2,617)	(2,692)	(6,323)	(1,102)	-	(12,734)
Revaluation surplus	86,002	-	-	-	-	-	86,002
At 30 September 2014	728,543	109,693	127,634	170,991	50,834	-	1,187,695
COMPRISING:							
At 30 September 2014							
At valuation 2014	555,657	-	-	-	-	-	555,657
At cost	172,886	109,693	127,634	170,991	50,834	-	632,038
	728,543	109,693	127,634	170,991	50,834	-	1,187,695
At 30 September 2013							
At valuation 2013	468,739	-	-	-	-	-	468,739
At cost	149,140	104,785	111,546	138,772	45,392	-	549,635
	617,879	104,785	111,546	138,772	45,392	-	1,018,374

NOTES TO THE CONSOLIDATED 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 2012 - as previously stated	14,621	36,639	44,459	69,585	27,881	-	193,185
Reclassification from prepaid operating lease rentals (note 15)	4,012	-	-	-	-	-	4,012
Exchange rate adjustments	285	4	(18)	(61)	29	-	239
Charge for the year	10,228	8,805	7,265	17,008	4,826	-	48,132
Eliminated on disposals	-	-	(2,095)	(7,904)	(1,194)	-	(11,193)
Write back on revaluation	(5,470)	-	-	-	-	-	(5,470)
At 30 September 2013 - restated	23,676	45,448	49,611	78,628	31,542	-	228,905
At 1 October 2013 - restated	23,676	45,448	49,611	78,628	31,542	-	228,905
Exchange rate adjustments	273	(4)	(902)	502	(72)	-	(203)
Charge for the year	15,515	12,801	9,754	19,573	5,276	-	62,919
Eliminated on disposals	-	(2,253)	(2,515)	(4,859)	(898)	-	(10,525)
Write back on revaluation	(7,100)	-	-	-	-	-	(7,100)
At 30 September 2014	32,364	55,992	55,948	93,844	35,848	-	273,996
NET BOOK VALUE							
At 30 September 2014	696,179	53,701	71,686	77,147	14,986	-	913,699
At 30 September 2013 - restated	594,203	59,337	61,935	60,144	13,850	-	789,469
NET BOOK VALUE (COST BASIS)							
At 30 September 2014	137,111	53,701	71,686	77,147	14,986	-	354,631
At 30 September 2013	115,936	59,337	61,935	60,144	13,850	-	311,202

Included in property, plant and equipment are leasehold land with carrying values amounting to Sh 29,231,000 (2013: Sh13,427,000) which have been reclassified from prepaid operating lease rentals. The directors have adopted the amendments to International Accounting Standard No.17, Leases, as disclosed in Note 15 of these financial statements.

Land and buildings were last revalued by R.R Oswald & Co Limited, registered valuers in Kenya and Land Masters Combine Limited, registered valuers in Tanzania, on 30 September 2014. 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.

	2014 Sh'000	2013 Sh'000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Leasehold buildings over 50 years unexpired	113,571	96,649
Leasehold buildings under 50 years unexpired	582,608	497,554
	696,179	594,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14 (b) PROPERTY AND EQUIPMENT - COMPANY

	Land and Buildings Sh '000	Motor vehicles Sh '000	Furniture, fittings & equipment Sh '000	Computers Sh '000	Total Sh '000
COST OR VALUATION					
At 1 October 2012 - as previously stated	277,544	4,166	12,653	19,156	313,519
Reclassification from prepaid operating lease rentals (note 15)	1,440	-	-	-	1,440
Additions	-	1,997	5,193	1,080	8,270
Disposals	-	-	-	(57)	(57)
Revaluation surplus	81,500	-	-	-	81,500
At 30 September 2013 - restated	360,484	6,163	17,846	20,179	404,672
At 1 October 2013 - restated	360,484	6,163	17,846	20,179	404,672
Exchange rate adjustments	-	54	15	(3)	66
Additions	16,258	770	2,980	1,390	21,398
Revaluation surplus	46,250	-	-	-	46,250
At 30 September 2014	422,992	6,987	20,841	21,566	472,386
COMPRISING:					
At 30 September 2014					
At valuation	399,351	-	-	-	399,351
At cost	23,641	6,987	20,841	21,566	73,035
	422,992	6,987	20,841	21,566	472,386
At 30 September 2013					
At valuation	353,101	-	-	-	353,101
At cost	7,383	6,163	17,846	20,179	51,571
	360,484	6,163	17,846	20,179	404,672
DEPRECIATION					
At 1 October 2012 - as previously stated	162	2,737	8,813	14,826	26,538
Reclassification from prepaid operating lease rentals (note 15)	485	-	-	-	485
Charge for the year	5,569	648	822	1,445	8,484
Eliminated on disposals	-	-	-	(19)	(19)
Written back on revaluation	(5,470)	-	-	-	(5,470)
At 30 September 2013 - restated	746	3,385	9,635	16,252	30,018
At 1 October 2013 - restated	746	3,385	9,635	16,252	30,018
Exchange rate adjustments	-	(26)	(6)	(15)	(47)
Charge for the year	7,199	762	1,182	1,372	10,515
Written back on revaluation	(7,100)	-	-	-	(7,100)
At 30 September 2014	845	4,121	10,811	17,609	33,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Land and Buildings Sh '000	Motor vehicles Sh '000	Furniture, fittings & equipment Sh '000	Computers Sh '000	Total Sh '000
NET BOOK VALUE					
At 30 September 2014	422,147	2,866	10,030	3,957	439,000
At 30 September 2013 - restated	359,738	2,778	8,211	3,927	374,654
NET BOOK VALUE (COST BASIS)					
At 30 September 2014	33,594	2,866	10,030	3,957	50,447
At 30 September 2013	17,689	2,778	8,211	3,927	32,605

Included in property, plant and equipment are leasehold land with carrying values amounting to Sh 17,177,000 (2013: Sh 937,000 which have been reclassified from prepaid operating lease rentals. The directors have adopted the amendments to International Accounting Standard No.17, Leases, as disclosed in Note 15 of these financial statements.

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Ltd professional valuers on 30 September 2014. The basis of valuation has been open market value. The valuers have the relevant experience in valuing properties located in similar locations.

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 all the company's assets to secure borrowings granted to the Company and its subsidiaries.

ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:	2014 Sh'000	2013 Sh'000
Leasehold buildings over 50 years unexpired	53,397	34,738
Leasehold buildings under 50 years unexpired	368,750	325,000
	422,147	359,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 RECLASSIFICATION OF LEASEHOLD LAND

The group has changed its accounting policy for leasehold land by adopting the recent amendments to IAS 17, Leases. In particular, the Group has reclassified its leasehold land from prepaid operating leases to property, plant and equipment as also disclosed in Note 14.

Previously, leasehold land was treated as prepaid operating leases but, following the amendments to the standard, leases can now be classified as finance leases if substantially all the risks and rewards incidental to ownership are considered to be transferred to the lessee. The amendments to IAS 17 removed the guidance under which a lease of land in which title to the land is not expected to pass to the lessee by the end of the lease term normally is classified as an operating lease.

The directors have reviewed the amendments and consider that the titles to leasehold land held by the group constitute finance leases and that the properties should be classified as either property, plant and equipment in the case of owner occupied property, or investment properties in the case of non owner-occupied properties.

The group has applied the amended policy retrospectively but this has had no effect on the reported results for prior years.

	GROUP Sh'000	COMPANY Sh'000
COST		
At 1 October 2012 - as previously stated	17,741	1,440
Reclassification to property, plant and equipment (note 14)	(17,741)	(1,440)
At 30 September 2013 as restated	-	-
AMORTISATION		
At 1 October 2012 - as previously stated	4,012	485
Reclassification to property, plant and equipment (note 14)	(4,012)	(485)
At 30 September 2013 as restated	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS

Computer software

	GROUP 2014 Sh'000	COMPANY 2014 Sh'000
COST		
At 1 October 2012	7,763	5,432
Exchange rate adjustments	(12)	-
Additions	4,489	4,475
Disposals	(186)	-
At 30 September 2013	12,054	9,907
At 1 October 2013	12,054	9,907
Exchange rate adjustments	(19)	-
Additions	688	344
Disposals	(149)	-
At 30 September 2014	12,574	10,251
AMORTISATION		
At 1 October 2012	4,947	3,703
Exchange rate adjustments	(4)	-
Charge for the year	1,062	799
Eliminated on disposals	(116)	-
At 30 September 2013	5,889	4,502
At 1 October 2013	5,889	4,502
Exchange rate adjustments	(12)	-
Charge for the year	1,326	1,098
Eliminated on disposals	(115)	-
At 30 September 2014	7,088	5,600
NET BOOK VALUE		
At 30 September 2014	5,486	4,651
At 30 September 2013	6,165	5,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17 INVESTMENT IN SUBSIDIARIES

Investments at cost

	Holding	2014 Sh '000	2013 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 (fully provided for impairment)	100%	-	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%	-	-
Dewdrops Limited	66%	7	7
Car & General (Rwanda) Limited	100%	508	508
		26,844	27,942

Summarised financial information in respect of non-wholly owned subsidiaries have not been disclosed in these financial statements since the non-controlling interests are not material to the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17 INVESTMENT IN SUBSIDIARIES (continued)

The movement of the investment in subsidiaries is as follows:

	2014 Sh'000	2013 Sh'000
At the beginning of the year	27,942	27,942
Provision for impairment of investment in Car & General (Automotive) Limited	(1,098)	-
At the end of the year	26,844	27,942

18 INVENTORIES - GROUP

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Goods in transit and in bond	1,161,838	1,101,087	-	-
Finished products	1,090,027	891,193	88,606	88,929
Raw materials, spares and consumables	524,898	539,736	-	182
Work in progress	16,830	5,633	-	-
Livestock	29,738	19,391	-	-
	2,823,331	2,557,040	88,606	89,111

19 TRADE AND OTHER RECEIVABLES

Trade receivables	1,601,284	1,184,354	65,963	22,664
Other receivables and advance payments	409,273	259,053	19,954	42,166
	2,010,557	1,443,407	85,917	64,830

20 RELATED PARTIES

Due from directors	1,114	1,588	1,114	1,588
Due from subsidiaries	-	-	1,670,964	2,727,235
Due to subsidiaries	-	-	1,308,699	1,754,862

The related party balances are non-interest bearing with no fixed repayment terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 SHARE CAPITAL – GROUP AND COMPANY

	2014 Sh'000	2013 Sh'000
Authorised		
42,000,000 (2013 - 35,000,000) ordinary shares of Sh 5 each	210,000	175,000
Issued and fully paid:		
40,103,308 (2013 - 33,419,424) ordinary shares of Sh 5 each	200,516	167,097

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

	No. of shares in thousands		Par Value	
	2014	2013	2014 Sh'000	2013 Sh'000
At the beginning of year	35,000	35,000	175,000	175,000
Increased during the year	7,000	-	35,000	-
At the end of year	42,000	35,000	210,000	175,000

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

	No. of shares		Par Value	
	2014	2013	2014 Sh'000	2013 Sh'000
At the beginning of the year	33,419,424	33,419,424	167,097	167,097
Increased during the year by way of bonus issue	6,683,884	-	33,419	-
At the end of the year	40,103,308	33,419,424	200,516	167,097

NOTES TO THE CONSOLIDATED 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:

	2014 Sh'000	2013 Sh'000
GROUP		
At the beginning of the year	513,575	398,708
Exchange difference on translation	(11)	83
Charge for the year - (note 8(a))	89,299	92,072
Prior year over provision	4,751	(3,379)
Property revaluation - other comprehensive income	16,005	26,091
At the end of the year	623,619	513,575
COMPANY		
At the beginning of the year	431,873	336,468
Charge for the year	73,897	69,314
Property revaluation - other comprehensive income	16,005	26,091
At the end of the year	521,775	431,873

(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:

	2014 Sh'000	2013 Sh'000
Deferred tax assets	(19,319)	(22,204)
Deferred tax liabilities	642,938	535,779
	623,619	513,575

NOTES TO THE CONSOLIDATED 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 2013 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2014 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	12,751	(5)	-	1,087	13,833
Revaluation surplus	109,914	(88)	16,005	(295)	125,536
Fair value gains on investment properties	425,709	-	-	87,976	513,685
Unrealised exchange differences	1,285	(72)	-	(3,483)	(2,270)
	549,659	(165)	16,005	85,285	650,784
Deferred tax assets					
Tax losses carried forward	(32,342)	133	-	7,466	(24,743)
Leave pay provision	(86)	1	-	532	447
Bad debts provision	(3,656)	20	-	767	(2,869)
	(36,084)	154	-	8,765	(27,165)
Net deferred tax liability	513,575	(11)	16,005	94,050	623,619
COMPANY					
Deferred tax liabilities					
Revaluation surplus	436,312	-	16,005	68,475	520,792
Unrealised exchange differences	-	-	-	-	-
	436,312	-	16,005	68,475	520,792
Deferred tax assets					
Accelerated capital allowances	193	-	-	335	528
Tax losses carried forward	(5,181)	-	-	5,181	-
Leave pay provision	217	-	-	243	460
Unrealised exchange differences	332	-	-	(337)	(5)
	(4,439)	-	-	5,422	983
Net deferred tax liability	431,873	-	16,005	73,897	521,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS

	2014 Sh'000	2013 Sh'000
GROUP		
Loans:		
Loans in KSh	289,767	138,865
Loans in USD	1,078,154	928,329
Loans in Euro	-	1,734
	1,367,921	1,068,928
Medium term notes	425,371	-
Short term notes	609,066	724,458
Bank overdrafts (secured)	115,069	129,443
	2,517,427	1,922,829
Current – due within one year	(2,030,408)	(1,827,960)
Non-current	487,019	94,869
COMPANY		
Loans:		
Loans in KSh	451,011	138,865
Loans in USD	-	169,741
Loans in Euro	-	1,734
	451,011	310,340
Short - term notes	-	724,458
Bank overdrafts (secured)	49,054	75,205
	500,065	1,110,003
Current - due within one year	(438,417)	(1,053,166)
Non-current	61,648	56,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Between 1 and 2 years	487,019	94,869	61,648	56,837
Between 2 and 5 years	-	-	-	-
	487,019	94,869	61,648	56,837

Interest rates

The effective interest rates at 30 September were as follows:

	2014	2013
Bank overdrafts	16.07%	16.28%
Loans:		
Loans in KSh	14.45%	15.56%
Loans in USD	8.59%	8.23%
Loans in Euro	-	8.00%
Short/Medium term notes	12.9%	11.07%
Hire purchase obligations	-	18.00%

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 1,625,500,000 ranking pari passu with I & M Bank Limited for Sh 250,000,000.

b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all Car & General (Trading) Limited - Tanzania for Sh 425,020,000, a fixed charge on associated company's property and corporate guarantee by associated companies.

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

d) The Giro Commercial Bank 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.

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 501,120,000 and a corporate guarantee by holding company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

Undrawn facilities

At the end of the reporting period, the group had undrawn credit facilities amounting to Sh 794,178,000 (2013 - Sh 112,042,000).

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Trade payables	1,635,754	1,510,307	13,673	4,044
Other payables	512,695	416,828	39,831	22,998
	2,148,449	1,927,135	53,504	27,042

25 NOTES TO THE STATEMENT OF CASH FLOWS

	2014 Sh'000	2013 Sh'000
(a) Reconciliation of profit before tax to cash generated from operations		
Profit before taxation	420,267	458,969
Adjustments for:		
Depreciation on property, plant and equipment	62,919	48,132
Intangible assets amortisation	1,326	1,062
Fair value gains on investment properties	(293,250)	(292,500)
Gain on disposal of property and equipment	(2,127)	(1,062)
Interest expense	277,590	213,287
Exchange translation on opening reserves	(611)	2,061
Exchange adjustment on borrowings	(1,055)	25,570
Adjusted profit before working capital changes	465,059	455,519
Increase in inventories	(266,291)	(356,430)
Increase in trade and other receivables	(567,150)	(436,257)
Decrease in balances due from related parties	474	560
Increase in trade and other payables	221,314	485,154
Net cash (used in)/generated from operations	(146,594)	148,546
(b) Analysis of changes in borrowings		
At the beginning of the year	1,793,386	1,634,658
Loans received	4,629,859	3,629,491
Repayments	(4,019,832)	(3,495,976)
Hire purchase facility repaid (note 25(c))	-	(357)
Exchange rate adjustments	(1,055)	25,570
At the end of the year	2,402,358	1,793,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Analysis of hire-purchase by cash flow:

	2014 Sh'000	2013 Sh'000
Financing at beginning of year	-	357
Loans repaid in the year	-	(357)
At the end of year	-	-

(d) Cash and cash equivalents

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

	2014 Sh'000	2013 Sh'000
Cash and bank balances	172,312	170,488
Bank overdrafts (note 23)	(115,069)	(129,443)
	57,243	41,045

26 CAPITAL COMMITMENTS

Authorised and contracted for	196,000	7,210
Authorised but not contracted for	9,860	51,950

27 CONTINGENT LIABILITIES

GROUP		
Sundry bank guarantees	66,244	266,489
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	2,585,753	2,446,800
Sundry bank guarantees	66,244	176,366
	2,651,997	2,623,166

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:

	2014 Sh'000	2014 Sh'000
Within one year	65,596	63,946
In the second to fifth year inclusive	170,266	235,863
	235,862	299,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS

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

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

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

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Borrowings repaid	213,338	228,083	213,338	228,083
Borrowings received	256,226	204,173	256,226	204,173
Interest paid	21,526	9,413	16,601	9,092
Loan balance at year end	64,855	21,967	64,855	21,967
Overdraft balance at year end	42,402	65,245	27,603	49,352

Compensation of key management personnel

	2014 Sh'000	2013 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	285,745	241,246
Fees for services as directors	2,828	2,596
Other emoluments for executive directors (included in key management compensation above)	28,946	26,172
	31,774	28,768

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. The borrowings mainly relate to import loans for new products and are expected to reduce as sales for these products increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 CAPITAL MANAGEMENT (continued)

	2014 Sh'000	2013 Sh'000
Equity	2,832,399	2,504,178
Total borrowings	2,517,427	1,922,829
Less: cash and bank balances	(172,312)	(170,488)
Net debt	2,345,115	1,752,341
Gearing Ratio	83%	70%

31 FINANCIAL RISK MANAGEMENT

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 represented the Group's maximum exposure to credit risk as at 30 September 2014 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	1,007,865	593,419	116,787	1,718,071
Due from directors	1,114	-	-	1,114
Bank balances	172,312	-	-	172,312
	1,181,291	593,419	116,787	1,891,497

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2013 is made up as follows:

	Fully performing	Past due but not impaired	Impaired	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Trade receivables	857,977	326,377	91,379	1,275,733
Due from directors	1,588	-	-	1,588
Bank balances	170,488	-	-	170,488
	1,030,053	326,377	91,379	1,447,809

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. Trade and other receivables that are past due and not impaired continue to be collected. The group does not hold any collateral or other enhancements to cover the credit risk.

Liquidity risk

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

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

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

	Up to 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 2014						
Liabilities						
Trade payables	188,219	1,311,745	135,790	-	-	1,635,754
Other borrowings	640,249	1,062,757	327,402	487,019	-	2,517,427
Total financial liabilities	828,468	2,374,502	463,192	487,019	-	4,153,181
At 30 September 2013						
Liabilities						
Trade payables	190,509	1,167,512	152,286	-	-	1,510,307
Other borrowings	462,665	1,174,889	216,340	68,935	-	1,922,829
Total financial liabilities	653,174	2,342,401	368,626	68,935	-	3,433,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT (continued)

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	SSP Ksh'000	RWF Ksh'000	JPY Ksh'000	GBP Ksh'000	ZAR Ksh'000
2014							
Assets							
Bank and cash balances	20,207	570	312	-	-	317	-
Trade receivables	333,086	253	5,644	627	-	3,632	-
	353,293	823	5,956	627	-	3,949	-
Liabilities							
Trade payables	1,159,569	1,573	-	-	2,824	-	4,308
2013							
Assets							
Bank and cash balances	33,637	-	3,516	627	-		
Trade receivables	378,467	-	5,644	6,175	-		
	412,104	-	9,160	6,802	-		
Liabilities							
Trade payables	1,183,283	8,129	-	-	-		

Foreign currency sensitivity analysis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis (continued)

	2014 Sh'000 Effect on Profit	2013 Sh'000 Effect on Profit
Currency – US Dollar (USD)		
+ 10 % KSh Movement	80,628	77,118
- 10 % KSh Movement	(80,628)	(77,118)
Currency – Euro (Euro)		
+ 10 % KSh Movement	75	813
- 10 % KSh Movement	(75)	(813)
Currency South Sudan Pound (SSP)		
+ 10 % KSh Movement	596	916
- 10 % KSh Movement	(596)	(916)
Currency Rwandese Francs (RWF)		
+ 10 % KSh Movement	(62)	680
- 10 % KSh Movement	62	(680)
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	282	-
- 10 % KSh Movement	(282)	-
Currency British Pound (GBP)		
+ 10 % KSh Movement	(395)	-
- 10 % KSh Movement	395	-
Currency South African Rand (ZAR)		
+ 10 % KSh Movement	431	-
- 10 % KSh Movement	(431)	-

(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 2014						
Financial assets						
Cash and bank balances	172,312	-	-	-	-	172,312
Liabilities						
Total financial liabilities	(685,050)	(955,814)	(389,544)	(487,019)	-	(2,517,427)
Interest sensitivity gap	(512,738)	(955,814)	(389,544)	(487,019)	-	(2,345,115)

NOTES TO THE CONSOLIDATED 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 2013						
Total financial assets	170,488	-	-	-	-	170,488
Total financial liabilities	(462,665)	(1,174,889)	(216,340)	(68,935)	-	(1,922,829)
Interest sensitivity gap	(292,177)	(1,174,889)	(216,340)	(68,935)	-	(1,752,341)

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.

	2014 Sh'000 Effect on Profit	2013 Sh'000 Effect on Profit
+ 1% Movement	23,451	17,523
- 1% Movement	(23,451)	(17,523)

(iii) Price risk

As at 31 December 2014, the group did not hold financial instruments that are subject to price fluctuations.

32 FAIR VALUE OF FINANCIAL ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

This note provides information about how the Group determines fair values of various financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32 FAIR VALUE OF FINANCIAL ASSETS (continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurrent basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment Property	30/9/14 Sh'000	30/9/13 Sh'000				
Investment property (Group)	2,188,250	1,895,000	Level 2	Open Market valuation on investment basis	N/A	N/A
Investment property (Company)	1,388,250	1,160,000	Level 2	Open Market valuation on investment basis	N/A	N/A

33 INCORPORATION

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

34 CURRENCY

The financial statements are presented in Kenya Shillings rounded to the nearest thousand (Sh '000) which is also the functional currency.