CAR and GENERAL

The Car & General Group of Companies

Kenya • Uganda • Tanzania • Rwanda • South Sudan

Power for better living

Annual report 2015

www.cargen.com

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CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS	-	Chairman
V V Gidoomal*	-	Managing Director
E M Grayson*	-	Finance Director
S P Gidoomal		
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, Kenya
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 Ltd
CfC Stanbic Bank Ltd
Giro Commercial Bank Ltd
I & M Bank Ltd
Guaranty Trust Bank (Kenya) Ltd
Family Bank Ltd
Kenya Commercial Bank Ltd

Tanzania
Standard Chartered Bank Tanzania Ltd
Stanbic Bank Tanzania Ltd
NBC Ltd
Diamond Trust Bank Tanzania Ltd
I&M Bank Tanzania Ltd
NMB Bank Tanzania Ltd
Banc ABC Tanzania Ltd
KCB Bank Tanzania Ltd
CRDB Bank Ltd

Uganda
Standard Chartered Bank Uganda Ltd
Stanbic Bank (Uganda) Ltd
KCB Bank (Uganda) Ltd

South Sudan
KCB Bank Ltd

Rwanda
KCB Bank Rwanda Ltd

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

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 00200 Nairobi	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles and vehicles, commercial laundry equipment, commercial engines and general goods.
Car & General (Automotive) Limited P O Box 20001, 00200 - Nairobi	Sale of brake linings and friction materials.
Car & General (Piaggio) Limited 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
Progen Company 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-sixth Annual General Meeting of Car & General (Kenya) Limited will be held at the Southern Sun, Mayfair Hotel, Parklands Road, Parklands, Nairobi on Tuesday, 29th March 2016 at 11.00 a.m., to conduct the following business:

ORDINARY BUSINESS

1 To receive the Directors' Report and audited financial statements for the year ended 30 September 2015.

2 To approve Directors' fees.

3 To elect Directors:

(a) Amb B Kiplagat, a Director of the Company retires by rotation and being eligible offers himself for re-election.

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

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

SPECIAL BUSINESS

5 To consider and, if thought fit pass the following Resolution as a SPECIAL RESOLUTION of the Company.

That the Articles of Association of the Company be altered in the following manner, namely:-

(a) By deleting Article 119 in toto and substituting therefor the following Article 119:

119 Any dividend, interest or other sum payable in cash to the holder of shares may be paid by electronic funds transfer or other automated system of bank, electronic or transfer transmitted to the bank or of the holder of shares recorded in the Register or by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares. Every such funds transfer, cheque or warrant shall, unless the holder otherwise directs, be made payable to the order of the registered holder or, joint holders, in respect of such shares and shall be sent at his or their risk. Any one of two or more joint holders may give an effectual receipt for any dividend or other money payable in respect of the shares held by such joint holders.

(b) By deleting Article 120 in toto and substituting therefor the following Article 120

120 All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed or paid to the relevant authority as unclaimed assets.

(c) By adding the following Article as Article 121A:

121A The Company may, if and as required by law, deliver or pay to any prescribed authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond the relevant prescribed statutory periods. Upon such delivery or payment the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder or his or her estate or successors or assigns for the relevant unclaimed assets.

(d) By deleting Articles 130,131,132 and 133, in toto and substituting therefor the following Articles 130,131,132 and 133:

130 Any notice or other document may be served by the Company on any Member or Director either personally or by sending it through the post (by airmail where such service is available) in a prepaid letter or by fax, e-mail or other electronic means addressed to such Member or Director at his registered address as appearing in the Register or the Company's other records, whether such address shall be within or outside Kenya. In the case of joint holders of a

NOTICE OF ANNUAL GENERAL MEETING (continued)

share, all notices shall be given to one of the joint holders whose name stands first in the Register and notice so given shall be sufficient notice to all the joint holders.

131 Where a notice or other document is sent by post it shall be deemed to have been served on the third day after the day on which it was posted, if addressed within Kenya, and on the fifth day after the day on which it was posted if addressed outside Kenya. In proving such service or sending, it shall be sufficient to prove that the cover containing the notice or document was properly addressed and put into the post office as a prepaid letter or prepaid airmail letter. Where a notice is sent by fax, e-mail or other electronic means it shall be deemed to have been served at the expiration of twenty-four hours after the time at which it was sent. The failure of any person to receive any notice served pursuant to these Articles shall not in any way invalidate any proceedings or actions taken by the Company for which the notice was given.

132 Notwithstanding anything in these Articles to the contrary, any notice, document or information to be given, sent, supplied, delivered or provided to any person (including any Member) by the Company, whether pursuant to these Articles, the Act or otherwise, is also to be treated as given, sent, supplied, delivered or provided where:

(a) it is sent in electronic form or on a compact disc or any such device

(b) to the extent permitted by law, it is made available on a website of the Company or its subsidiary, provided that, in the case of any notice to Members or any documents to be sent to Members under the provisions of the Act and these Articles the Company shall simultaneously publish the notice or (as the case may be) an abridged set of financial statements comprising the balance sheet and income statement or as known by any other name in two daily newspapers with nationwide circulation drawing attention to the website on which the notice and the full text of any other documents may be read, and the address to which a request for a hard copy of such documents may be submitted. To the extent permitted by law, upon such publication in the daily newspapers, the documents in question shall be deemed to have been sent to every Member or other person entitled to receive a copy of the documents.

133 Any notice or other document may be served by the Company on any person entitled to a share in consequence of the death or bankruptcy of a Member either personally or by sending it through the post (by airmail where such service is available) in a prepaid letter or by fax, e-mail or other electronic means addressed to them by name or by the title of the representative of the deceased or trustees of the bankrupt or by any like description at the relevant address which has been supplied for the purpose of receiving any document or notice or in the event such address has not been provided by giving notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

BY ORDER OF THE BOARD

N P Kothari
Secretary

19th January 2016
Nairobi

The alteration in the Company's Articles of Association has been necessitated by changes in law and to enable the Company to adopt new communication methods. A copy of the Company's Articles of Association is available for inspection at the Company Secretary's office, 2nd Floor, Apollo Centre, Ring Road Parklands, Westlands, Nairobi, during normal working hours from Monday to Friday.

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. 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 2015

"Our turnover grew 20% from Kshs 8.3 billion to Kshs 9.93 billion."

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

The year to September 2015 proved extremely challenging. As alluded to in our mid year statement and subsequent profit warning, the rapid and significant devaluations of the Kenya Shilling, Tanzania Shilling and Uganda Shilling by 17%, 29% and 16% respectively resulted in substantial foreign exchange losses (realized and unrealized) of Kshs 290 million. Furthermore, due to competitive and consumer pressures, we were unable to increase prices to keep pace with these devaluations resulting in margin compression. In addition, establishment and funding costs have risen significantly as a result of continued investments in our new business lines namely Doosan, Kubota, Toyota and MRF, all of which are now gaining traction. Our poultry operations also suffered from a ban on parent stock exports from the Netherlands resulting in minimal production during the peak period. Our turnover grew 20% from Kshs 8.3 billion to Kshs 9.93 billion. This was below our budgeted turnover of Kshs 11 billion. As our new products gain traction and volume grows we expect profitability of our distribution business to improve particularly if exchange rates remain stable across the region. A peaceful election in Tanzania is positive.

Our investment property business performed satisfactorily and we have booked significant revaluation gains particularly in relation to our Shanzu property where the sub division has now been approved. We plan to sell three plots with one transaction already concluded. We continue to review the property portfolio and will be targeting specific realizations, the process of which has already started. Any proceeds will be applied to the reduction of borrowings.

As a result of the above, our net profit after tax decreased from Kshs 278 million to Kshs 127 million.

The highlights of the financial year were the growth in market share across all our businesses; gaining momentum in the Doosan construction and Kubota tractor businesses; signing the trial distribution agreement for Toyota forklifts; the growth of our MRF motorcycle tyre and lubricants business; the capacity improvement of our Cummins aftermarket business. We now offer a complete range of specialized engine related products (both consumer and equipment) through a solid distribution network and must develop dominant market shares in each segment.

Going forward, we foresee challenges in the economic environment given the state of the global economy and governance issues across the region. Interest rates have also increased and are likely to reduce economic activity. 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 satisfactory profitability in our new products. We have made all necessary manpower and infrastructure investments – we now need to grow volume and market share 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 2016.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2015 (continued)

I now comment more specifically below:

The Consumer Business

Our small engine business, in terms of power products, two-wheelers and three-wheelers, saw a general increase in market size. Our volumes increased due to a gain in market share. Our product and value proposition is now strong. We expect market share to increase in 2015/2016.

This year will be challenging due to higher interest rates (which curb consumption) and particularly the recently imposed excise duty on motorcycles and the ban on new three wheeler taxis in Mombasa. 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 the region 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 investments in our aftermarket business are now yielding results and will differentiate us from competition. Our market share is strong but there is room for further improvement.

The fundamentals to our Ingersoll Rand business have been established. We expect this business to grow.

Our Doosan business is progressing well and we have emerged as a mainstream competitor with reasonable market share. We expect to strengthen our position in 2015/16.

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

Shared Services

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 (Trading) Limited - Tanzania

The operation had an extremely difficult year. We expect to recover this year now that stability has resumed.

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.

Car & General Rwanda and South Sudan

These businesses are small. Our volumes in Rwanda are growing. Our entry into South Sudan has been impacted by political issues in the country.

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2015 (continued)

Kibo Poultry Products Limited

This operation had a difficult year due the parent stock ban from December to February which impacted production during the peak period from July to September. We restructured management and we expect a return to profitability during the course of 2016.

The Future

Our portfolio of niche engine products is now complete and offers significant scope for further growth. All significant investments have been made. This next year will be critical to future success. 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.

Given the reduction in profitabililty in 2014/15 and the potential challenges going forward, the Directors do not recommend the payment of a dividend.

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

17 December 2015

1. Car & General received the best distributor in sub-Saharan Africa award from Garmin SA for 2015.
2. Abel Gikenyi , the Assistant General Manager of Car & General, Nairobi (right) signs an MOU with IREN Kenya's Director James Shikwati that aims to establish co-operation in providing training to juakali mechanics and traders in Western Kenya.
3. Car & General had a successful launch for Toyota forklifts in Mombasa.
4. Raphael Atanda, Communications and Marketing Manager of Car & General (right) hands over an engine to Francis Saya (centre), the Principal of Sikri Technical Institute for the Blind and Deaf during its annual engine donation programme in Nairobi.
5. Vijay Gidoomal, the Group Managing Director of Car & General, Nairobi (left) hands over the Cargen Premier League to trophy to Max Mutuku, leader of TVS Distribution Business and team. TVS Distribution won the 2015 league.
6. Elizabeth Olwande, Carol Omanjo, Caroline Makena and Maryanne Njeri are all smiles during our annual reflections meeting at the Safaripark Hotel.
7. Doosan Infracore Vice President Jae Jong Jin cuts a ribbon during the opening of Doosan construction equipment workshop at Car & General.

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 and the Group Managing Director attend 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 2015

Shareholding (No. of shares)	No. of shares held	No. of shareholders	Percentage of shareholding
Less than 500	85,088	491	0.21
500 - 5,000	719,546	393	1.79
5,001 - 10,000	687,928	93	1.72
10,001 - 100,000	2,312,840	87	5.77
100,001 - 1,000,000	4,799,318	16	11.97
above 1,000,000	31,498,588	8	78.54
Total	**40,103,308**	**1,088**	**100.00**

Top ten shareholders	30 September 2015 No. of shares	%
Fincom Limited	13,021,869	32.47
Betrin Limited	6,387,159	15.93
Monyaka Investments Limited	5,017,112	12.51
Primaco Limited	3,650,646	9.10
Paul Wanderi Ndung'u	3,173,009	7.91
Vapa Limited	1,840,518	4.59
Nairobi Commercial Continental Limited	540,000	1.35
Cannon Assurance (K) Limited	479,940	1.20
Chandan Jethanand Gidoomal	442,218	1.10
Rakesh Prakash Gadani	428,780	1.06
	34,981,251	**87.22**

Directors' direct shareholding

V V Gidoomal	1,584
N Ng'ang'a	5,448
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 financial statements of Car & General (Kenya) Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 September 2015 which shows their state of financial affairs.

ACTIVITIES

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

GROUP RESULTS

	2015 Sh'000
Profit before taxation	81,069
Taxation credit	46,078
Profit for the year transferred to retained earnings	127,147
Attributable to:	
Owners of the parent	30,628
Non-controlling interests	96,519
	127,147

DIVIDEND

The directors do not propose the payment of a dividend in respect of the year (2014: Sh 24,061,985 being Sh 0.60 per share).

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

17 December 2015
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of 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

17 December 2015

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari
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Nairobi, Kenya
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Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of Car & General (Kenya) Limited (the "company") and its subsidiaries (together the "group"), set out on pages 16 to 62, which comprise the consolidated and company statements of financial position as at 30 September 2015, and the consolidated and company statements 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 financial statements give a true and fair view of the financial position of the group and of the company as at 30 September 2015, 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) and profit and loss account (presented within the statement of profit or loss and other comprehensive income) are in agreement with the books of account.

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

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya
17 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 Sh'000	2014 Sh'000
REVENUE	3(b)	9,929,190	8,298,564
COST OF SALES	3(d)	(8,304,772)	(6,820,713)
GROSS PROFIT		1,624,418	1,477,851
OTHER INCOME	4	27,914	58,686
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	339,022	293,250
SELLING AND DISTRIBUTION COSTS		(631,512)	(574,817)
ADMINISTRATIVE EXPENSES		(619,130)	(561,916)
INTEREST EXPENSE	5	(369,172)	(277,590)
NET FOREIGN EXCHANGE (LOSSES) / GAINS		(290,471)	4,803
PROFIT BEFORE TAXATION	6	81,069	420,267
TAXATION CREDIT / (CHARGE)	8	46,078	(141,904)
PROFIT FOR THE YEAR	9	127,147	278,363
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property		126,838	93,101
Deferred tax on revaluation surplus		(17,901)	(16,005)
		108,937	77,096
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on transition of foreign operations		(23,307)	(503)
		85,630	76,593
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		212,777	354,956
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		30,628	263,338
Non-controlling interests	10	96,519	15,025
Profit for the year		127,147	278,363
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		116,258	339,931
Non-controlling interests	10	96,519	15,025
Total comprehensive income for the year		212,777	354,956
		Sh	Sh
EARNINGS PER SHARE - Basic and diluted	11	0.76	6.57

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 Sh'000	2014 Sh'000
REVENUE		112,757	250,771
COST OF SALES		(9,724)	(135,625)
GROSS PROFIT		103,033	115,146
OTHER INCOME		47,714	66,770
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	13	89,022	228,250
SELLING AND DISTRIBUTION COSTS		(9,962)	(5,926)
ADMINISTRATIVE EXPENSES		(115,396)	(108,810)
INTEREST EXPENSE		(4,422)	(27,416)
NET FOREIGN EXCHANGE GAINS		15,244	1,115
PROFIT BEFORE TAXATION		125,233	269,129
TAXATION CHARGE		(40,413)	(85,505)
PROFIT FOR THE YEAR	9	84,820	183,624
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property		112,660	53,350
Deferred tax on revaluation surplus		(17,901)	(16,005)
		94,759	37,345
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		986	114
		95,745	37,459
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		180,565	221,083

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015

	Notes	2015 Sh'000	2014 Sh'000
ASSETS			
Non-current assets			
Investment properties	13	2,598,250	2,188,250
Property, plant and equipment	14	1,035,423	913,699
Intangible assets	16	4,539	5,486
Deferred tax asset	22(b)	73,246	19,319
		3,711,458	3,126,754
Current assets			
Inventories	18	3,092,772	2,823,331
Trade and other receivables	19	1,968,677	2,010,557
Due from directors	20(c)	902	1,114
Corporate tax recoverable	8(c)	32,026	18,744
Cash and bank balances	25(c)	182,212	172,312
		5,276,589	5,026,058
Total assets		8,988,047	8,152,812
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	200,516	200,516
Revaluation surplus		508,856	408,162
Retained earnings		2,174,032	2,159,223
Translation reserve		(47,663)	(24,356)
Equity attributable to owners of the parent		2,835,741	2,743,545
Non-controlling interests	10	185,372	88,853
Total equity		3,021,113	2,832,398
Non-current liabilities			
Deferred tax liability	22(b)	642,235	642,938
Borrowings	23	328,909	487,019
		971,144	1,129,957
Current liabilities			
Borrowings	23	2,484,473	2,030,408
Trade and other payables	24	2,507,662	2,148,449
Corporate tax payable	8(c)	3,655	11,600
		4,995,790	4,190,457
Total equity and liabilities		8,988,047	8,152,812

The financial statements on pages 16 to 62 were approved by the board of directors on 17 December 2015 and were signed on its behalf by:

N Ng'ang'a
Director

V V Gidoomal
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2015

	Notes	2015 Sh'000	2014 Sh'000
ASSETS			
Non current assets			
Investment properties	13	1,548,250	1,388,250
Property, plant and equipment	15	480,464	439,000
Intangible assets	16	3,721	4,651
Investment in subsidiaries	17	26,844	26,844
		2,059,279	1,858,745
Current assets			
Inventories	18	32,279	88,606
Trade and other receivables	19	40,357	85,917
Due from subsidiaries	20(a)	2,153,608	1,670,964
Due from directors	20(c)	902	1,114
Cash and bank balances		11,129	13,503
		2,238,275	1,860,104
Total assets		4,297,554	3,718,849
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	200,516	200,516
Revaluation surplus		363,312	274,123
Retained earnings		918,356	852,028
Translation reserve		1,100	114
Total shareholders' funds		1,483,284	1,326,781
Non current liabilities			
Deferred tax liability	22(a)	563,544	521,775
Borrowings	23	44,174	61,648
		607,718	583,423
Current liabilities			
Borrowings	23	218,068	438,417
Trade and other payables	24	42,956	53,504
Due to subsidiaries	20(b)	1,941,873	1,308,699
Corporate tax payable	8(c)	3,655	8,025
		2,206,552	1,808,645
Total equity and liabilities		4,297,554	3,718,849

The financial statements on pages 16 to 62 were approved by the board of directors on 17 December 2015 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 2015

	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 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
Year ended 30 September 2015							
At 1 October 2014	200,516	408,162	2,159,223	(24,356)	2,743,545	88,853	2,832,398
Profit for the year	-	-	30,628	-	30,628	96,519	127,147
Revaluation surplus on property	-	126,838	-	-	126,838	-	126,838
Deferred tax on revaluation surplus	-	(17,901)	-	-	(17,901)	-	(17,901)
Exchange difference arising on translation of foreign operations	-	-	-	(23,307)	(23,307)	-	(23,307)
Total comprehensive income for the year	-	108,937	30,628	(23,307)	116,258	96,519	212,777
Transfer of excess depreciation	-	(10,856)	10,856	-	-	-	-
Deferred tax on excess depreciation transfer	-	2,613	(2,613)	-	-	-	-
Dividend paid – 2014	-	-	(24,062)	-	(24,062)	-	(24,062)
At 30 September 2015	200,516	508,856	2,174,032	(47,663)	2,835,741	185,372	3,021,113

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Translation reserve Sh '000	Total Sh '000
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
Year ended 30 September 2015					
At 1 October 2014	200,516	274,123	852,028	114	1,326,781
Profit for the year	-	-	84,820	-	84,820
Revaluation surplus on property	-	112,660	-	-	112,660
Deferred tax on revaluation surplus	-	(17,901)	-	-	(17,901)
Exchange difference arising on translation of foreign branch	-	-	-	986	986
Total comprehensive income for the year	-	94,759	84,820	986	180,565
Transfer of excess depreciation	-	(7,957)	7,957	-	-
Deferred tax on depreciation transfer	-	2,387	(2,387)	-	-
Dividend paid - 2014	-	-	(24,062)	-	(24,062)
At 30 September 2015	200,516	363,312	918,356	1,100	1,483,284

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 Sh'000	2014 Sh'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	25(a)	453,368	(146,594)
Corporate tax paid	8(c)	(48,778)	(50,560)
Net cash generated from/(used in) operating activities		404,590	(197,154)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(130,017)	(96,135)
Purchase of intangible assets	16	(357)	(688)
Proceeds on disposal of property, plant and equipment		1,073	4,336
Net cash used in investing activities		(129,301)	(92,487)
Cash flows from financing activities			
Loans received	25(b)	4,344,004	4,629,859
Loans repaid	25(b)	(4,209,191)	(4,019,832)
Dividend paid		(24,062)	(26,736)
Interest paid	5	(369,172)	(277,590)
Net cash (used in)/generated from financing activities		(258,421)	305,701
Net increase in cash and cash equivalents		16,868	16,060
Cash and cash equivalents at the beginning of year		57,243	41,045
Effects of exchange rate changes on the balance of cash held in foreign operations		(5,668)	138
Cash and cash equivalents at the end of year	25(c)	68,443	57,243

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

For 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 2015

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 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 amendments require retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the Group does not have any offsetting arrangements

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application

The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Group does not have any goodwill or other intangible assets with indefinite useful lives

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application.

The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the Group does not have any derivatives.

NOTES TO THE 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 2015 (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- obtains funds from one or more investors for the purpose of providing them with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The application of the new standard has resulted in more extensive disclosures in the consolidated financial statements.

IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application.
The application of the new standard has not had any impact on the disclosures or the amounts recognized in these financial statements as the Group did not have any levies accounted for as a liability

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 September 2015

New and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9	1 January 2018
IFRS 14	1 January 2016
IFRS 15	1 January 2017
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS 11	1 January 2016

NOTES TO THE 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 2015

IFRS 9 Financial Instruments

The replacement project on financial instruments consists of the following three phases:

- Phase 1: Classification and measurement of financial assets and financial liabilities;
- Phase 2: Impairment methodology; and
- Phase 3: Hedge accounting.

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon the former's effective date.

Compared to IFRS 9 (as revised in 2013), the 2014 version includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

NOTES TO THE 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 2015 (continued)

IFRS 9 Financial Instruments (continued)

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change 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 FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period ending on 17 October 2014.
Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and

2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

NOTES TO THE 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 2015 (continued)

IFRS 9 Financial Instruments (continued)

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting.

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

IFRS 14 Regulatory Deferral Accounts

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 *Revenue;*
- IAS 11 *Construction Contracts;*
- IFRIC 13 *Customer Loyalty Programmes;*
- IFRIC 15 *Agreements for the Construction of Real Estate;*
- IFRIC 18 *Transfers of Assets from Customers; and*
- SIC 31 *Revenue-Barter Transactions Involving Advertising Services.*

As suggested by the title of new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

NOTES TO THE 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 2015 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new Revenue Standard introduces a 5-step approach to revenue recognition and measurement:

- 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.

Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

The directors of the Group anticipate that the application of these amendments may not have a significant impact on the Group's financial statements. However it is not practicable to provide a reasonable estimate on the effects of IFRS 15 until a detailed review has been completed.

NOTES TO THE 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 2015 (continued)

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

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 as the company does not have any joint operations.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- When the intangible asset is expressed as a measure of revenue. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset; or

- When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

(iv) Early adoption of standards

The group did not early-adopt any new or amended standards in 2015.

Basis of preparation

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

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.

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 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. 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.

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.

Leasehold land is depreciated over the unexpired term of the lease on the straight-line basis.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Leases

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

All other leases are classified as operating leases.

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

The Group as lessor

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

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

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Financial assets

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

Trade receivables

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

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

Financial liabilities

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

Borrowings

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

Trade payables

Trade payables are carried at their nominal value.

Derecognition of financial liabilities

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

Employee entitlements

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

Taxation

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

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

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

Foreign currencies

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of any outstanding bank overdrafts at the end of the reporting period.

Segmental reporting

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

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

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

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

Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF 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 the end of each reporting period, 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.

Leasehold land

Critical judgement is made by the directors in determining classification of leasehold land either as prepaid operating lease rentals or as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the group. The directors 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2015				
Revenue	9,664,296	65,881	199,013	9,929,190
Gain in fair value of investment property	-	339,022	-	339,022
Segment profit/(loss) before taxation	(262,756)	399,958	(56,133)	81,069
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

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 2015				
Assets	6,154,554	2,610,784	222,709	8,988,047
Liabilities	5,354,587	536,516	75,831	5,966,934
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

(d) Other segment information

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
30 September 2015				
Cost of sales	8,190,957	-	113,815	8,304,772
Expenses	1,103,476	4,945	142,221	1,250,642
Taxation credit	6,563	39,515	-	46,078
Interest expenses	369,172	-	-	369,172
Depreciation/amortization	56,368	-	6,338	62,706
Capital expenditure	33,995	-	96,379	130,374
30 September 2014				
Cost of sales	6,667,405	-	153,308	6,820,713
Expenses	994,738	2,747	139,248	1,136,733
Taxation charge	39,190	102,714	-	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

(e) Geographical information

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

	2015 Sh'000	2014 Sh'000
Kenya	7,406,158	5,974,472
Uganda	592,619	411,941
Tanzania	1,830,072	1,852,101
South Sudan	26,508	17,721
Rwanda	73,833	42,329
	9,929,190	8,298,564

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2015 Sh'000	2014 Sh'000
Non-current assets (excluding deferred tax assets)		
Kenya	3,184,938	2,745,459
Uganda	85,537	105,983
Tanzania	344,427	237,405
South Sudan	22,586	17,712
Rwanda	724	876
	3,638,212	3,107,435
Total assets		
Kenya	7,228,462	6,510,901
Uganda	494,780	512,239
Tanzania	1,181,865	1,072,186
South Sudan	38,503	28,282
Rwanda	44,437	29,204
	8,988,047	8,152,812
Total liabilities		
Kenya	5,048,045	4,519,018
Uganda	206,486	211,171
Tanzania	708,821	588,680
South Sudan	968	571
Rwanda	2,614	974
	5,966,934	5,320,414

4 OTHER INCOME

	2015 Sh'000	2014 Sh'000
Gain on disposal of property, plant and equipment	333	2,127
Miscellaneous income	27,581	56,559
	27,914	58,686

5 INTEREST EXPENSE

	2015 Sh'000	2014 Sh'000
Interest on borrowings	369,172	277,590

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 PROFIT BEFORE TAXATION

	2015 Sh'000	2014 Sh'000
The profit before taxation is arrived at after charging:		
Depreciation - property, plant and equipment (note 14)	61,517	62,919
Amortisation of intangible assets (note 16)	1,189	1,326
Employment costs (note 7)	676,361	616,811
Directors' remuneration - fees	3,225	2,828
- other emoluments	29,488	28,946
Auditors' remuneration	8,102	7,196
And after crediting:		
Fair value gains on investment properties (note 13)	339,022	293,250
Gain on disposal of property, plant and equipment	333	2,127

7 EMPLOYMENT COSTS

	2015 Sh'000	2014 Sh'000
Salaries and wages	634,205	592,476
Retirement benefit costs:		
- Defined contribution scheme	11,137	9,301
- National Social Security Fund contributions	19,904	18,995
Leave pay provision charge/(credit)	11,115	(3,961)
	676,361	616,811

8 TAXATION

(a) Taxation (credit)/charge

	2015 Sh'000	2014 Sh'000
Current tax	26,025	47,854
Deferred tax charge (note 22)	31,209	89,299
Adjustments attributable to capital gains tax rate	(3,025)	-
Deferred tax write back	(93,442)	-
Prior year (over)/under provision – deferred tax	(6,845)	4,751
Taxation (credit)/charge	(46,078)	141,904

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

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

	2015 Sh'000	2014 Sh'000
Group profit before taxation	81,069	420,267
Tax calculated at the applicable of 30%	24,321	126,080
Adjustments attributable to capital gains tax rate	(3,025)	-
Deferred tax on revaluation surplus written back	(113,639)	-
Deferred tax credit not recognised	36,747	5,206
Tax effect of expenses not deductible for tax	16,363	5,867
Prior year (over)/under provision - deferred tax	(6,845)	4,751
Taxation (credit)/charge	(46,078)	141,904

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION (continued)

(c) Corporate tax movement

	2015 Sh'000	2014 Sh'000
GROUP		
At the beginning of year – recoverable	7,144	4,560
Charge for the year	(26,025)	(47,854)
Paid in the year	48,778	50,560
Currency translation differences	(1,526)	(122)
At the end of year – recoverable	28,371	7,144
This is analysed as:		
Corporate tax recoverable	32,026	18,744
Corporate tax payable	(3,655)	(11,600)
	28,371	7,144
COMPANY		
At the beginning of year – payable	8,025	-
Expense for the year	16,545	11,608
Paid in the year	(20,915)	(3,583)
At the end of year – payable	3,655	8,025

9 PROFIT FOR THE YEAR

A profit of Sh 84,820,000 (2014 - Sh 183,624,000) has been dealt with in the separate financial statements of the parent company.

10 NON-CONTROLLING INTERESTS

	2015 Sh'000	2014 Sh'000
At the beginning of year	88,853	73,828
Share of profit for year	96,519	15,025
At the end of year	185,372	88,853

Represented by non-controlling interests in:	2015 %	2014 %
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 EARNINGS PER SHARE

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

	2015	2014
Profit attributable to owners of the parent (Sh'000)	30,628	263,338
Number of shares (note 21)	40,103,308	40,103,308
Basic and diluted earnings per share (Sh)	0.76	6.57

12 DIVIDEND PER SHARE

Proposed dividends are not recorded as liabilities until they have been ratified at the Annual General Meeting. The directors do not propose the payment of a dividend in respect of the year ended 30 September 2015 (2014 – Sh 0.60 per share, amounting to a total dividend of Sh 24,061,985).

13 INVESTMENT PROPERTIES – GROUP AND COMPANY

	GROUP Sh'000	COMPANY Sh'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
At 1 October 2014	2,188,250	1,388,250
Additions	3,079	3,079
Fair value gains	339,022	89,022
Reclassification from property, plant and equipment	67,899	67,899
At 30 September 2015	2,598,250	1,548,250

Investment properties comprise commercial properties not occupied by the Group.

A legal charge exists over investment properties with a net book value of Sh 2,598,250,000 (2014: Sh 2,188,250,000) to secure borrowings granted to the Group.

These properties were last valued by R R Oswald & Company Limited, registered valuers as at 30 September 2015, on an open market basis. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

Subsequent to year end, the group has entered into an agreement to sell 3 acres of Shanzu at fair value. A subdivision approval had been obtained by the time of issuing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTIES – GROUP AND COMPANY (continued)

ANALYSIS OF INVESTMENT PROPERTIES – AT VALUATION:

	GROUP 2015 Sh '000	COMPANY 2015 Sh '000	GROUP 2014 Sh '000	COMPANY 2014 Sh '000
Leasehold over 50 years unexpired	1,590,000	540,000	1,230,000	430,000
Leasehold under 50 years unexpired	1,008,250	1,008,250	958,250	958,250
	2,598,250	1,548,250	2,188,250	1,388,250

14 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 2013	617,879	104,785	111,546	138,772	45,392	-	1,018,374
Exchange rate adjustments	833	(7)	(1,807)	997	(97)	-	(81)
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	86,001	-	-	-	-	-	86,001
At 30 September 2014	728,543	109,693	127,634	170,991	50,834	-	1,187,695
At 1 October 2014	728,543	109,693	127,634	170,991	50,834	-	1,187,695
Exchange rate adjustments	(14,444)	(200)	(6,421)	(4,661)	(1,483)	-	(27,209)
Additions	79,392	6,839	7,959	15,208	3,980	16,639	130,017
Disposals	-	-	(63)	(3,377)	(706)	-	(4,146)
Reclassification to investment properties	(68,000)	-	-	-	-	-	(68,000)
Revaluation surplus	115,898	-	-	-	-	-	115,898
At 30 September 2015	841,389	116,332	129,109	178,161	52,625	16,639	1,334,255
COMPRISING:							
At 30 September 2015							
At valuation 2015	589,111	-	-	-	-	-	589,111
At cost	252,278	116,332	129,109	178,161	52,625	16,639	745,144
	841,389	116,332	129,109	178,161	52,625	16,639	1,334,255
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 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 2013	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
At 1 October 2014	32,364	55,992	55,948	93,844	35,848	-	273,996
Exchange rate adjustments	(15,307)	(89)	(2,730)	(3,030)	(1,078)	-	(22,234)
Charge for the year	15,177	11,602	9,461	20,286	4,991	-	61,517
Eliminated on disposals	-	-	(13)	(2,927)	(466)	-	(3,406)
Reclassification to investment properties	(101)	-	-	-	-	-	(101)
Write back on revaluation	(10,940)	-	-	-	-	-	(10,940)
At 30 September 2015	21,193	67,505	62,666	108,173	39,295	-	298,832
NET BOOK VALUE							
At 30 September 2015	820,196	48,827	66,443	69,988	13,330	16,639	1,035,423
At 30 September 2014	696,179	53,701	71,686	77,147	14,986	-	913,699
NET BOOK VALUE (COST BASIS)							
At 30 September 2015	213,761	48,827	66,443	69,988	13,330	16,639	428,988
At 30 September 2014	137,111	53,701	71,686	77,147	14,986	-	354,631

Land and buildings were last revalued by R.R Oswald & Co Limited, registered in Kenya and Land Masters Combine Limited, registered valuers in Tanzania. The basis of valuation has been open market value. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

ANALYSIS OF LAND AND BUILDINGS – AT COST OR VALUATION:	2015 Sh'000	2014 Sh'000
Leasehold buildings over 50 years unexpired	181,701	113,312
Leasehold buildings under 50 years unexpired	659,688	615,231
	841,389	728,543

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 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 2013	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
At 1 October 2014	422,992	6,987	20,841	21,566	472,386
Exchange rate adjustments	5,499	703	9	63	6,274
Additions	1,235	-	1,724	742	3,701
Disposals	-	(3,825)	-	-	(3,825)
Reclassification to investment properties	(68,000)	-	-	-	(68,000)
Revaluation surplus	103,781	-	-	-	103,781
At 30 September 2015	465,507	3,865	22,574	22,371	514,317
COMPRISING:					
At 30 September 2015					
At valuation 2015	440,631	-	-	-	440,631
At cost	24,876	3,865	22,574	22,371	73,686
	465,507	3,865	22,574	22,371	514,317
At 30 September 2014					
At valuation 2014	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
DEPRECIATION					
At 1 October 2013	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
At 1 October 2014	845	4,121	10,811	17,609	33,386
Exchange rate adjustments	121	346	(9)	28	486
Charge for the year	8,654	586	1,491	1,345	12,076
Eliminated on transfer to subsidiary	-	(3,115)	-	-	(3,115)
Reclassification to investment properties	(101)	-	-	-	(101)
Written back on revaluation	(8,879)	-	-	-	(8,879)
At 30 September 2015	640	1,938	12,293	18,982	33,853

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 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 2015	464,867	1,927	10,281	3,389	480,464
At 30 September 2014	422,147	2,866	10,030	3,957	439,000
NET BOOK VALUE (COST BASIS)					
At 30 September 2015	34,157	1,927	10,281	3,389	49,754
At 30 September 2014	33,594	2,866	10,030	3,957	50,447

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Limited, professional valuers on 30 September 2015. The basis of valuation has been open market value. The valuers have the relevant experience of valuing properties located in similar locations.

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

	2015 Sh '000	2014 Sh '000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:		
Leasehold buildings over 50 years unexpired	56,757	54,002
Leasehold buildings under 50 years unexpired	408,750	368,990
	465,507	422,992

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS

	GROUP 2015 Sh '000	COMPANY 2015 Sh '000
COST		
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
At 1 October 2014	12,574	10,251
Exchange rate adjustments	(209)	-
Additions	357	-
Disposals	(218)	-
At 30 September 2015	12,504	10,251
AMORTISATION		
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
At 1 October 2014	7,088	5,600
Exchange rate adjustments	(142)	-
Charge for the year	1,189	930
Eliminated on disposals	(170)	-
At 30 September 2015	7,965	6,530
NET BOOK VALUE		
At 30 September 2015	4,539	3,721
At 30 September 2014	5,486	4,651

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 INVESTMENT IN SUBSIDIARIES

Investments at cost

	Holding	2015 Sh '000	2014 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%	-	-
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
Progen Company Limited	66%	-	-
Car & General (Rwanda) Limited	100%	508	508
		26,844	26,844

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 FINANCIAL STATEMENTS (continued)

17 **INVESTMENT IN SUBSIDIARIES** (continued)

The movement of the investment in subsidiaries is as follows:

	2015 Sh'000	2014 Sh'000
At the beginning of the year	26,844	27,942
Provision for impairment of investment in Car & General (Automotive) Limited	-	(1,098)
At the end of the year	26,844	26,844

18 **INVENTORIES - GROUP**

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Goods in transit and in bond	1,450,198	1,161,838	-	-
Finished products	915,123	1,090,027	30,032	88,606
Raw materials, spares and consumables	692,417	524,898	2,247	-
Work in progress	14,503	16,830	-	-
Livestock	20,531	29,738	-	-
	3,092,772	2,823,331	32,279	88,606

19 **TRADE AND OTHER RECEIVABLES**

Trade receivables	1,618,336	1,601,284	19,928	65,963
Other receivables and advance payments	350,341	409,273	20,429	19,954
	1,968,677	2,010,557	40,357	85,917

20 **RELATED PARTIES**

(a) Due from Group companies:

	2015 Sh'000	2014 Sh'000
Car & General (Trading) Limited - (Kenya)	111,872	476,257
Kibo Poultry Products Limited	215,558	117,910
Car & General (Automotive) Limited	605,955	669,503
Car & General (Tanzania) Limited	1,419	1,371
Car & General (Trading) Limited (Tanzania)	67,293	49,621
Car & General (Uganda) Limited	32,933	17,842
Dewdrops Limited	-	303,444
Progen Company Limited	1,083,244	-
Sovereign Holdings International Limited	3,158	3,010
Car & General (Marine) Limited	17,881	17,803
Car & General (Engineering) Limited	14,295	14,203
	2,153,608	1,670,964

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 RELATED PARTIES (continued)

(b) Due to Group companies:

	2015 Sh'000	2014 Sh'000
Car & General (Piaggio) Limited	1,161,909	1,304,452
Dewdrops Limited	775,800	-
Car & General (Industries) Limited	3,794	3,871
Car & General (Rwanda) Limited	370	376
	1,941,873	1,308,699

(c) Due from Directors:

	2015	2014
Due from Directors:	902	1,114

21 SHARE CAPITAL – GROUP AND COMPANY

	2015 Sh'000	2014 Sh'000
Authorised		
42,000,000 (2014 - 42,000,000) ordinary shares of Sh 5 each	210,000	210,000
Issued and fully paid:		
40,103,308 (2014 40,103,308) ordinary shares of Sh 5 each	200,516	200,516

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

	No. of shares in thousands		Par Value	
	2015	2014	2015 Sh'000	2014 Sh'000
At the beginning of year	42,000	35,000	210,000	175,000
Increased during the year	-	7,000	-	35,000
At the end of year	42,000	42,000	210,000	210,000

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

	No. of shares		Par Value	
	2015	2014	2015 Sh'000	2014 Sh'000
At the beginning of the year	40,103,308	33,419,424	200,516	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	40,103,308	200,516	200,516

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION

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

	2015 Sh'000	2014 Sh'000
GROUP		
At the beginning of the year	623,619	513,575
Exchange difference on translation	(428)	(11)
Charge for the year - (note 8(a))	31,209	89,299
Prior year (over)/under provision	(6,845)	4,751
Adjustments attributable to capital gains tax rate	(3,025)	-
Deferred tax write back	(93,442)	-
Property revaluation – other comprehensive income	17,901	16,005
At the end of the year	568,989	623,619
COMPANY		
At the beginning of the year	521,775	431,873
Charge for the year	23,868	73,897
Property revaluation - other comprehensive income	17,901	16,005
At the end of the year	563,544	521,775

(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:

	2015 Sh'000	2014 Sh'000
Deferred tax assets	(73,246)	(19,319)
Deferred tax liabilities	642,235	642,938
	568,989	623,619

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 DEFERRED TAXATION (continued)

	At 1 October 2014 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2015 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	13,833	(1,336)	-	(764)	11,733
Revaluation surplus	125,536	(2,274)	17,901	(228)	140,935
Fair value gains on investment properties	513,685	-	-	(5,282)	508,403
Unrealised exchange differences	(2,270)	1,080	-	(8,044)	(9,234)
	650,784	(2,530)	17,901	(14,318)	651,837
Deferred tax assets					
Tax losses carried forward	(24,743)	1,604	-	(52,947)	(76,086)
Unrealised exchange differences	-	(59)	-	59	-
Leave pay provision	447	-	-	(3,713)	(3,266)
Bad debts provision	(2,869)	557	-	(1,184)	(3,496)
	(27,165)	2,102	-	(57,785)	(82,848)
Net deferred tax liability	623,619	(428)	17,901	(72,103)	568,989
COMPANY					
Deferred tax liabilities					
Revaluation surplus	520,792	-	17,901	23,682	562,375
Unrealised exchange differences	-	-	-	-	-
	520,792	-	17,901	23,682	562,375
Deferred tax assets					
Accelerated capital allowances	528	-	-	1,344	1,872
Tax losses carried forward	-	-	-	-	-
Leave pay provision	460	-	-	(1,167)	(707)
Unrealised exchange differences	(5)	-	-	9	4
	983	-	-	186	1,169
Net deferred tax liability	521,775	-	17,901	23,868	563,544

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS

	2015 Sh'000	2014 Sh'000
GROUP		
Loans (secured):		
Loans in KSh	91,156	289,767
Loans in USD	1,610,470	1,078,154
	1,701,626	1,367,921
Medium term notes (unsecured)	284,735	425,371
Short term notes (unsecured)	713,252	609,066
Bank overdrafts (secured)	113,769	115,069
	2,813,382	2,517,427
Current – due within one year	(2,484,473)	(2,030,408)
Non-current	328,909	487,019
COMPANY		
Loans (secured):		
Loans in KSh	91,156	262,163
Loans in USD	124,802	188,848
	215,958	451,011
Bank overdrafts (secured and denoiminated in KSh)	46,284	49,054
	262,242	500,065
Current	(218,068)	(438,417)
Non-current	44,174	61,648

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 **BORROWINGS** (continued)

MATURITY OF NON-CURRENT BORROWINGS

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Between 1 and 2 years	328,909	487,019	44,174	61,648
Between 2 and 5 years	-	-	-	-
	328,909	487,019	44,174	61,648

Interest rates

The effective interest rates at 30 September were as follows:

	2015	2014
Bank overdrafts	16.94%	16.07%
Loans:		
Loans in KSh	15.77%	14.45%
Loans in USD	10.52%	8.59%
Medium-term notes	13.86%	13.42%
Short-term notes	12.02%	12.62%

Undrawn facilities

At the end of the reporting period, the group had undrawn credit facilities amounting to Sh 369,481,686 (2014 – Sh 794,178,000).

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 2,200,000,000 ranking pari passu with I & M Bank Limited for Sh 250,000,000.

b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all Car & General (Trading) Limited - Tanzania for Sh 785,250,000, 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 buildings and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 607,260,000 and a corporate guarantee by the holding company.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Trade payables	1,974,799	1,635,754	5,228	13,673
Other payables	532,863	512,695	37,728	39,831
	2,507,662	2,148,449	42,956	53,504

25 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operations

	2015 Sh'000	2014 Sh'000
Profit before taxation	81,069	420,267
Adjustments for:		
Depreciation on property, plant and equipment	61,517	62,919
Intangible assets amortisation	1,189	1,326
Fair value gains on investment properties	(339,022)	(293,250)
Gain on disposal of property and equipment	333	(2,127)
Interest expense	369,172	277,590
Exchange translation on opening reserves	(15,196)	(611)
Exchange adjustment on borrowings	162,442	(1,055)
	321,504	465,059
Working capital changes:		
Increase in inventories	(269,441)	(266,291)
Decrease/(increase) in trade and other receivables	41,880	(567,150)
Decrease in balances due from directors	212	474
Increase in trade and other payables	359,213	221,314
Net cash generated from/(used in) operations	453,368	(146,594)

(b) Analysis of changes in borrowings

	2015 Sh'000	2014 Sh'000
At the beginning of the year	2,402,358	1,793,386
Loans received	4,344,004	4,629,859
Repayments	(4,209,191)	(4,019,832)
Exchange rate adjustments	162,442	(1,055)
At the end of the year	2,699,613	2,402,358

(c) Cash and cash equivalents

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

	2015 Sh'000	2014 Sh'000
Cash and bank balances	182,212	172,312
Bank overdrafts (note 23)	(113,769)	(115,069)
At the end of year	68,443	57,243

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 CAPITAL COMMITMENTS

	2015 Sh'000	2014 Sh'000
Authorised and contracted for	-	196,000
Authorised but not contracted for	15,290	9,860

27 CONTINGENT LIABILITIES

GROUP		
Sundry bank guarantees	62,229	66,244
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	3,315,555	2,585,753
Sundry bank guarantees	62,229	66,244
	3,377,784	2,651,997

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:

	2015 Sh'000	2014 Sh'000
Within one year	68,018	65,596
In the second to fifth year inclusive	103,519	170,266
	171,537	235,862

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 with regard to borrowings were carried out with related parties. The related parties involved were:

- 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 which is a shareholder of Car and General (Kenya) Limited group and is also related through common directors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Borrowings repaid	253,656	213,338	223,473	213,338
Borrowings received	467,405	256,226	283,248	256,226
Interest paid	25,704	21,526	19,722	16,601
Loan balance at year end	250,032	64,855	82,619	64,855
Overdraft balance at year end	58,256	42,402	46,056	27,603

Compensation of key management personnel

	2015 Sh'000	2014 Sh'000
The remuneration of directors and other members of key management during the period was as follows:		
Salaries and other benefits	268,073	285,745
Fees for services as directors	3,225	2,828
Other emoluments for executive directors (included in key management compensation above)	29,488	28,946
	32,713	31,774

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 FINANCIAL STATEMENTS (continued)

30 CAPITAL MANAGEMENT (continued)

	2015 Sh'000	2014 Sh'000
Equity	3,021,113	2,832,399
Total borrowings (note 23)	2,813,382	2,517,427
Less: cash and bank balances	(182,212)	(172,312)
Net debt	2,631,170	2,345,115
Gearing Ratio	87%	83%

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 2015 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	885,165	733,171	123,211	1,741,547
Due from directors	902	-	-	902
Bank balances	182,212	-	-	182,212
	1,068,279	733,171	123,211	1,924,661

NOTES TO THE 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 2014 is made up as follows:

	Fully performing	Past due but not impaired	Impaired	Total
	Sh'000	Sh'000	Sh'000	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

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 2015						
Liabilities						
Trade payables	64,018	1,611,116	299,665	-	-	1,974,799
Borrowings	582,107	1,257,427	644,938	328,910	-	2,813,382
Total financial liabilities	646,125	2,868,543	944,603	328,910	-	4,788,181
At 30 September 2014						
Liabilities						
Trade payables	188,219	1,311,745	135,790	-	-	1,635,754
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

NOTES TO THE 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
2015							
Assets							
Bank and cash balances	66,956	550	119	6,070	-	90	-
Trade receivables	508,625	250	7,633	-	-	3,632	-
	575,581	800	7,752	6,070	-	3,722	-
Liabilities							
Trade payables	1,159,569	1,573	-	-	2,824	-	-
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

Foreign currency sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis (continued)

	2015 Sh'000 Effect on Profit	2014 Sh'000 Effect on Profit
Currency – US Dollar (USD)		
+ 10 % KSh Movement	58,399	80,628
- 10 % KSh Movement	(58,399)	(80,628)
Currency – Euro (Euro)		
+ 10 % KSh Movement	77	75
- 10 % KSh Movement	(77)	(75)
Currency South Sudan Pound (SSP)		
+ 10 % KSh Movement	(775)	(596)
- 10 % KSh Movement	775	596
Currency Rwandese Francs (RWF)		
+ 10 % KSh Movement	(607)	(62)
- 10 % KSh Movement	607	62
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	282	282
- 10 % KSh Movement	(282)	(282)
Currency British Pounds (GBP)		
+ 10 % KSh Movement	(372)	(395)
- 10 % KSh Movement	372	395
Currency South Africa Rands (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 2015						
Financial assets						
Cash and bank balances	182,212	-	-	-	-	182,212
Liabilities						
Total financial liabilities	(582,108)	(1,257,427)	(644,938)	(328,909)	-	(2,813,382)
Interest sensitivity gap	(399,896)	(1,257,427)	(644,938)	(328,909)	-	(2,631,170)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 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)

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.

	2015 Sh'000 Effect on Profit	2014 Sh'000 Effect on Profit
+ 1% Movement	(26,312)	(23,451)
- 1% Movement	26,312	23,451

(iii) Price risk

As at 31 December 2015, 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 Group 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 investment property.

NOTES TO THE 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

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

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30/9/15 Sh'000	30/9/14 Sh'000				
Investment property (Group)	2,598,250	2,188,250	Level 2	Open Market valuation on investment basis	N/A	N/A
Investment property (Company)	1,548,250	1,388,250	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.

CAR and GENERAL

PROXY

I/We...

of..

being a Member(s) of CAR & GENERAL (KENYA) LIMITED hereby appoint

....

of..

or failing him/her ....

of..

or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the Southern Sun, Mayfair Hotel, Parklands Road, Parklands, Nairobi on Tuesday, 29 March 2016 at 12 noon, and at any adjournment thereof.

Dated this .... day of 2016

Signature ....

NOTES:

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

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

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

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