

---

CONTENTS	PAGES
Corporate information	2-3
Notice of annual general meeting	4
Chairman's report	5-7
Statement of corporate governance	10-13
Report of the directors	14-15
Statement of directors' responsibilities	16
Independent auditors' report	17
Financial statements:	
Consolidated statement of profit or loss and other comprehensive income	18
Company statement of profit or loss and other comprehensive income	19
Consolidated statement of financial position	20
Company statement of financial position	21
Consolidated statement of changes in equity	22
Company statement of changes in equity	23
Consolidated statement of cash flows	24
Company statement of cash flows	25
Notes to the financial statements	26-66

---

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

N Ng'ang'a, EBS	-	Chairman
V V Gidoomal	-	Managing Director
S P Gidoomal		
B Kiplagat		
P Shah		
M Soundararajan**		
E M Grayson*	-	(Retired - 30 June 2016)

\*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 Limited  
Giro Commercial Bank Limited  
I & M Bank Limited

**Tanzania**  
Standard Chartered Bank  
Tanzania Limited  
KCB Bank Tanzania Limited

**Uganda**  
Standard Chartered Bank  
Uganda Limited

**South Sudan**  
KCB Bank Limited

**Rwanda**  
KCB Bank Rwanda Limited

**LEGAL ADVISORS**

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

**CORPORATE INFORMATION** (continued)

<b>SUBSIDIARY COMPANIES</b>	<b>ACTIVITIES</b>
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 (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 and holding company.
Dew Tanzania Limited P O Box 1552 Dar es Salaam	Property holding company
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.
Dewdrops Limited P O Box 20001, 00200 – Nairobi	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.
<b>BRANCH</b>	
Car & General (Kenya) Limited - Juba Plot No. 15, Kator, Tumbula 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.

The company also has the following dormant subsidiaries:

- (a) Car & General (Automotive) Limited
- (b) Car & General (Piaggio) Limited
- (c) Car & General (Engineering) Limited
- (d) Car & General (Marine) Limited
- (e) Car & General (Industries) Limited
- (f) Cargen Insurance Agencies Limited

---

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventy-seventh Annual General Meeting of Car & General (Kenya) Limited will be held in Palm Room, Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Wednesday, 22nd March 2017 at 11.00 a.m., for the following purposes:

### ORDINARY BUSINESS

1. To receive the Directors' Report and audited financial statements for the year ended 30th September 2016.
2. To approve Directors' fees.
3. To elect Directors:
  - (a) Mr M Soundararajan retires by rotation and, being eligible, offers himself for re-election.
  - (b) Mr S P Gidoomal retires by rotation and, being eligible, offers himself for re-election.
4. To appoint the Audit Committee:

Mr P Shah (Chairman), Mr M Soundararajan and Mr S P Gidoomal being members of the Audit Committee be elected to continue to serve as members of the said Committee in accordance with The Companies Act, 2015.
5. To reappoint Deloitte & Touche as auditors of the Company and to authorize the Directors to fix the remuneration of the auditors in terms of Section 721 of The Companies Act, 2015.

### SPECIAL BUSINESS

6. To consider and if thought fit pass the following resolution as a Special Resolution:

That the name of the Company be changed from CAR & GENERAL (KENYA) LIMITED to CAR & GENERAL (KENYA) plc.

### BY ORDER OF THE BOARD



N P Kothari  
Secretary

16 December 2016  
Nairobi

- (a) 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.***
- (b) Registration of members and proxies attending the Annual General Meeting on 22nd March 2017, will commence at 10.00 a.m. Production of a National Identity Card/passport, a current Central Depository Statement of Account or Share Certificates for shares held in the Company will be required for registration.***

---

CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2016



“Turnover for the year ended September 2016 was KSh 9.7 billion which was 2% below KSh 9.9 billion achieved the previous financial year”

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

The year to September 2016 proved extremely challenging. As alluded to in our mid year statement, volumes in our consumer business (two wheelers and three wheelers) in Kenya were curtailed by government regulations, namely, excise duty on two wheelers and a Mombasa County ban on three wheeler registrations between December and March. Whereas our generator businesses continued to grow, growth in our other equipment businesses (construction, tractors and forklifts) has been limited by the prevailing high interest rate regime and the subsequent cap on interest rates. Notwithstanding, the new product lines, namely Doosan construction equipment, Kubota tractors, Toyota forklifts and MRF tyres are gaining traction and will provide more balance to the business going forward.

Our investment property business saw significantly reduced gains this year. With valuations stabilizing, in 2017 we plan to sell three plots on our Shanzu property in Mombasa. We continue to review the property portfolio to ensure it generates satisfactory returns. Any proceeds will be applied to the reduction of borrowings.

As a result of the above, turnover for the year ended September 2016 was KSh 9.7 billion which was 2% below KSh 9.9 billion achieved the previous financial year. Profit before tax over the same period was KSh 150 million which is 85% higher than KSh 81 million made during the same period last year. Profitability has been negatively impacted by a foreign exchange loss of KSh 37 million due to the 90% devaluation of the South Sudanese pound. Net profit attributable to shareholders increased by 191% to KSh 89 million.

The highlight of the financial year was the growth in volume in our equipment businesses particularly in Cummins which offset the decline in volume in our consumer 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.

In addition, we signed a joint venture agreement with Cummins to form a partnership. This is subject to various conditions, including regulatory approvals. Assuming all conditions are satisfied, completion is expected to take place in March 2017.

Going forward, we foresee challenges in the economic environment given the election year in Kenya and risk aversion in the banking sector. 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.

---

**CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2016** (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 decrease in market size due to the challenges mentioned earlier. Our product and value proposition is strong especially when coupled with our aftermarket offerings. We expect market share to increase in 2016/2017 as we launch new products.

Assuming stability, we expect our consumer markets to grow this year. We must get closer to our markets and our customers throughout the region in order to increase market share and unit sales 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 of our Ingersoll Rand business have been established. We expect this business to grow.

Our Doosan business had a very difficult year due to challenges in the financial sector which saw a reduction in equipment financing by banks. As a result of the reduction in sales, we suffered a major stock build up which we intend to liquidate by March 2017. We are confident that we can achieve a sustainable market share in this sector in 2017.

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. We will be investing in a new ERP in 2017.

**Car & General (Trading) Limited - Tanzania**

The operation had a difficult year due to very low margins in the two and three wheeler business. We expect to recover this year now that stability has resumed.

**Car & General (Uganda) Limited**

The operation performed reasonably this year. All our product lines are on the right track and we expect a positive year.

**Car & General Rwanda and South Sudan**

The Rwanda business is small and our volumes are growing. We have ceased operations in South Sudan.

---

**CHAIRMAN'S REPORT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2016** (continued)

**Kibo Poultry Products Limited**

This operation had a difficult year. We expect a return to profitability in 2017.

**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 will be critical to future success and 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 consumption of capital in our equipment business and our plans to grow the business generally, the Directors do not recommend the payment of a dividend.

I must express my gratitude to my Board of 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

16 December 2016

	 <b>Power Generation</b>	
		
	 <b>PIAGGIO</b> Complete transportation solutions	
		
		
		
		





7

1. Ted Grayson (center), the Financial Director (now retired) of Car & General with Alois Chami (left), a shareholder from Busia County and Michael Chumo, the company's auditor from Deloitte share a light moment at the AGM 2016.
2. Toyota Handling International Senior Manager, Business Development, Bengt Sjoberg and Regional Manager, Mathieu Burenu explain the features of a Toyota fork lift to Car & General's Sales Engineer, David Kamau.
3. MRF India Vice President, Korshy Varghese (left), Patrick Kithinji, Car & General's MRF Sales Manager (center) and James Mugo, Aftermarket Manager, study the features of the newly introduced MRF truck tyres.
4. Cummins Inc. Chairman and CEO, Tom Linebarger (right), with Car & General's Group Managing Director (GMD), Vijay Gidoomal (left) and Cummins Regional Sales Director, B.S Balaji when he toured C&G to strengthen business relationships.
5. Heejoon Song (right), the Vice President of Doosan and Mr. David Chesoni, the COO Car & General during the VP's tour of Car & General offices.
6. Car & General's COO, David Chesoni, Asst. GM, Abel Gikenyi, Ingersoll-Rand Regional Manager East & Central Africa, Donald Good and VP Middle East Asia & Africa, Amar Kumar share a light moment during the manufacturer's visit to Car & General.
7. Company driver Joel Mukonyoro (right) receives an award for 30 years of service from the GMD of Car & General, Vijay Gidoomal. This was during the yearly end of year staff party.

---

## STATEMENT OF CORPORATE GOVERNANCE

### Corporate Governance - Introduction

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.

### Code of Compliance

The Group has made significant progress towards complying with the Code issued by the Capital Markets Authority under the Capital Markets Act (Cap 485A), the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("Code"). The Group remains committed to continued implementation of various requirements over the coming months.

### The Board

The Board currently has five non-executive Directors who bring considerable knowledge, judgement and experience to the Group. The business of the Group is diverse both regionally and technically and the Board's experience delivers significant value.

Directors are subjected to a rigorous review, and after giving thorough consideration, the Board considers that all these Directors' independence, skills and experience make them effective as non-executive Directors and as Chairmen to the Board Committees. Their contributions in the past have been immense and currently continue to be so.

The Board considers that all of its non-executive Directors are independent in character and judgement, and their knowledge, diversity of experience and other business interests continue to enable them to contribute significantly to the Board's effectiveness.

The Group Secretary attends all Board meetings and offers additional guidelines to the Board on matters relating to corporate governance and statutory matters.

One third of the members of the Board retire by rotation each year and may offer themselves for re-election if eligible in accordance with the Company's Articles of Association. Any Director appointed by the Board will be subject to election by shareholders at the first opportunity after his or her appointment and will not be taken into account in determining the Directors who are to retire by rotation at that meeting.

### Board responsibilities

The Board is responsible for major policy and strategic decisions whilst delegating more detailed matters to the Board Committees and to the Management Team. The Board is responsible for the Group's system of risk management and internal control and for monitoring implementation of its policies.

The Board is responsible for the long-term growth and profitability of the Group. The Board charts the direction of the Group and monitors Management's performance on an on-going basis.

The Board has appointed Committees to which powers have been delegated in accordance with the terms of reference for each Committee. The Committees are detailed below.

### Board meetings

The Board normally meets quarterly for scheduled meetings and on other occasions to deal with specific matters that require attention between scheduled meetings. Scheduled meetings include annual strategic reviews, review of quarterly performance and monitoring of business and operational issues. Since the approval of 2015 financial statements, the Board held six meetings, which were attended by all the Directors. The attendance at the Board meetings is shown below:

## CORPORATE GOVERNANCE REPORT (continued)

Date		27.10.2015	17.12.2015	28.01.2016	16.02.2016	24.05.2016	28.07.2016
N Ng'ang'a	Chairman	✓	✓	✓	✓	✓	✓
V V Gidoomal	Member	✓	✓	✓	✓	✓	✓
E M Grayson	Member	✓	✓	✓	✓	✓	(Retired)
P Shah	Member	Apology	✓	✓	✓	✓	✓
Amb B Kiplagat	Member	✓	✓	✓	✓	✓	Apology
Mr S P Gidoomal	Member	✓	✓	✓	✓	✓	✓
Mr M Soundarajan	Member	✓	✓	Apology	✓	✓	✓

**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, Mr P Shah (Chairman), Mr M Soundararajan and Mr S P Gidoomal. The Group Managing Director attends by 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, Mr N Ng'ang'a, and the Group Managing Director, Mr V V Gidoomal, attend all the meetings of the Committee.

**Nomination Committee**

The Committee, chaired by Mr N Ng'ang'a, has three other non-executive Directors. The Committee meets whenever necessary to consider succession planning for Directors and other senior executives to ensure that requisite skills and expertise are available to the Board to address future challenges and opportunities

The Committee determines the fees of the Directors and reviews the remuneration of senior management. Note 29 of the Report and Financial Statements summarises fees of the Directors and remuneration of key Management.

External consultants may be used, if required, to assist in identifying suitable external Board candidates, based on a written specification for each appointment. The Chairman is responsible for providing a shortlist of candidates for consideration by the Committee which then makes its recommendation for final approval by the Board.

Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made without reference to race, religion or gender.

**Chairman**

There is a clear division of responsibilities between the Chairman and the Board. The Chairman guides and leads the Board to ensure that the Group has appropriate objectives and an effective strategy and that the Group is operating in accordance with a high standard of corporate governance.

---

**CORPORATE GOVERNANCE REPORT** (continued)**Directors' conflicts of interest**

The Group has procedures in place for managing conflicts of interest. Should a Director become aware that he, or his connected parties, have an interest in an existing or proposed transaction with the Group, they notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

**Board Performance evaluation**

A performance review of the Board, its Committees and the Group Secretary is undertaken annually. The review covers all aspects of the effectiveness of the Board including composition; experience; dynamics; the Chairman's leadership; the Board's role and responsibilities with particular regard to strategy; oversight of risk; and succession planning.

**Risk management**

The Board is responsible for the effectiveness of the Group's risk management and internal control practices. The Board sets guidelines on the general level of risk which is acceptable and has a considered approach to evaluating risk and reward.

Risk management and internal control is a continuous process and is considered by the Board on a regular basis throughout the year. The Audit Committee regularly reviews strategic and operational risk, and the associated controls and mitigating factors. These include business continuity plans and procedure manuals. The Board will continue to develop risk management and internal controls where necessary.

**Personal use of Company's assets**

The Audit Committee reviewed and confirmed that during the year there has not been any improper personal use of Company's assets by Directors.

**Relations with shareholders**

The Board's primary role is to promote the success of the Group and in that process, the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group. Communication with its shareholders in respect of the Group's business activities is through General Meetings, the Annual Report and Financial Statements, yearly and half yearly results communicated to Nairobi Securities Exchange and Capital Markets Authority. These announcements are presented in a consistent format focusing on making the presentations meaningful and understandable. Information is also made publicly available via the Company's website ([www.cargen.com](http://www.cargen.com)). All shareholders have an opportunity to ask questions or represent their views to the Board at the Annual General Meeting. The Board takes care not to disseminate information of a sensitive nature which is not available to the market as a whole.

**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, H Wakanene, is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

## CORPORATE GOVERNANCE REPORT (continued)

## Distribution of shareholders as at 30 September 2016

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of Shareholding
Less than 500	81,770	497	0.20
500 - 5,000	701,557	392	1.75
5,001 - 10,000	677,231	92	1.69
10,001 -100,000	2,221,972	86	5.54
100,001 - 1,000,000	3,653,513	13	9.11
above 1,000,000	32,767,265	6	81.71
<b>Total</b>	<b>40,103,308</b>	<b>1,086</b>	<b>100.00</b>

## Top ten shareholders

	30 September 2016 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	3,123,989	7.79
Vapa Limited	1,840,518	4.59
Nairobi Commercial Continental Limited	540,000	1.35
Cannon Assurance (K) Limited	474,040	1.18
Chandan Jethanand Gidoomal	442,218	1.10
Rakesh Prakash Gadani	426,780	1.06
	<b>34,924,331</b>	<b>87.08</b>

## Directors' direct shareholding

V V Gidoomal	1,584
N Ng'ang'a, EBS	5,448
Amb 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 2016 which shows their state of financial affairs.

### ACTIVITIES

The Company is an investment 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

	<b>2016</b> <b>Sh'000</b>
Profit before taxation	150,278
Taxation charge	(61,406)
	<hr/>
Profit for the year transferred to retained earnings	88,872
	<hr/> <hr/>
Attributable to:	
Owners of the parent	89,057
Non-controlling interests	(185)
	<hr/>
	88,872
	<hr/> <hr/>

### DIVIDENDS

The Directors do not recommend the declaration of a dividend in respect of the year (2015: Sh Nil).

### DIRECTORS

The current Board of Directors is shown on page 2.

Mr E M Grayson, the Finance Director, retired with effect from 30th June 2016 after over twenty five years' service.

### BUSINESS REVIEW

The general business environment in the region has been lackluster on the back of weak economic growth and declining disposable incomes. The 2017 GDP growth for Sub-Saharan Africa is expected to come in lower at 3%, compared to 3.4% for 2016. The East African countries averaged just over 5%. The weak growth is underpinned by drop in commodity prices, weakening currencies and underperforming stock markets.

The group's markets have remained challenging during the financial year ended 30 September 2016. Volumes in our consumer business (two wheelers and three wheelers) in Kenya were curtailed by government regulations, namely, excise duty on two wheelers and a Mombasa County ban on three wheeler registrations between December and March. Whereas our generator businesses continued to grow, growth in our other equipment businesses (construction, tractors and forklifts) has been limited by the prevailing high interest rate regime and the subsequent cap on interest rates. Notwithstanding, the new product lines, namely Doosan construction equipment, Kubota tractors, Toyota forklifts and MRF tyres are gaining traction and will provide more balance to the business going forward. The strategy remains being first or second in all markets and in the process achieving the necessary volumes to deliver satisfactory returns.

On a positive note, we have signed a 50:50 joint venture agreement with Cummins for sales and service of Cummins products throughout East Africa. We expect this to commence in the third quarter of 2017.

---

**REPORT OF THE DIRECTORS** (continued)

Our investment property business saw significantly reduced gains this year. With valuations stabilizing in 2017, we plan to sell three plots on our Shanzu property in Mombasa. We continue to review the property portfolio to ensure it generates satisfactory returns. Any proceeds will be applied to the reduction of borrowings.

**ENVIRONMENTAL MATTERS**

The Group continues to be conscious about environmental aspects and operates accordingly and is in compliance with National Environmental Management Authority (NEMA) requirements. Safety is paramount in our operations and we strive to provide a safe working environment for our staff and all other stakeholders.

**OUR PEOPLE**

The Group believes in developing talent and in rewarding fairly for performance. We are committed to improving skills, knowledge and wellbeing of all employees. Our selection, training, development and promotion policies ensure equal opportunities for all employees.

**SOCIAL COMMUNITY ISSUES**

The Group continues to support mechanic training throughout the region. We would like to intensify activity in our water harvesting and eye clinic programs.

**DIRECTORS' CONFLICTS OF INTEREST**

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

**DIRECTORS' INDEMNITIES**

The Group maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Group Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 197 of The Companies Act, 2015) were in force during the year and remain in force, in relation to certain losses and liabilities which the Directors or Group Secretary may incur to third parties in the course of acting as Directors or Group Secretary or employees of the Group.

**RE-APPOINTMENT OF AUDITORS**

In accordance with section 721 of The Companies Act, 2015, a resolution is to be proposed at the Annual General Meeting for reappointment of Deloitte & Touche as auditors of the Company.

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each Director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' Report was approved by the Board of Directors on 16 December 2016 and signed on its behalf by the Group Secretary.

BY ORDER OF THE BOARD



N P Kothari  
Secretary

16 December 2016  
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

16 December 2016



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

### Report on the Financial Statements

We have audited the accompanying consolidated and company financial statements of Car & General (Kenya) Limited (the "company") and its subsidiaries (together the "group"), set out on pages 18 to 66, which comprise the consolidated and company statements of financial position as at 30 September 2016, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements 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 consolidated and company 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 consolidated and company 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 consolidated and company 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 consolidated and company financial statements give a true and fair view of the financial position of the group and of the company as at 30 September 2016, and of their profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

### Report on Other Legal Requirements

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

- i. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii. in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii. the 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 – PI No 1699**.



Certified Public Accountants (Kenya)  
Nairobi, Kenya  
16 December 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Notes	2016 Sh'000	2015 Sh'000
REVENUE	3(b)	9,735,788	9,929,190
COST OF SALES		(8,152,768)	(8,304,772)
GROSS PROFIT		1,583,020	1,624,418
OTHER INCOME	4	32,506	27,914
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	12	153,761	339,022
SELLING AND DISTRIBUTION COSTS		(614,235)	(631,512)
ADMINISTRATIVE EXPENSES		(621,259)	(619,130)
FINANCE COSTS	5	(392,655)	(369,172)
NET FOREIGN EXCHANGE GAINS/(LOSSES)		9,140	(290,471)
PROFIT BEFORE TAXATION	6	150,278	81,069
TAXATION (CHARGE)/CREDIT	8	(61,406)	46,078
PROFIT FOR THE YEAR		88,872	127,147
OTHER COMPREHENSIVE INCOME:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation surplus on property		148,532	126,838
Deferred tax on revaluation surplus		(44,738)	(17,901)
		103,794	108,937
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) arising on translation of foreign operations		24,760	(23,307)
		128,554	85,630
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		217,426	212,777
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		89,057	30,628
Non-controlling interests	9	(185)	96,519
Profit for the year		88,872	127,147
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		217,611	116,258
Non-controlling interests	9	(185)	96,519
Total comprehensive income for the year		217,426	212,777
EARNINGS PER SHARE – basic and diluted	10	2.22	0.76

**COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Notes	2016 Sh'000	2015 Sh'000
REVENUE		122,116	112,757
DIRECT COSTS		(20,437)	(9,724)
<b>GROSS PROFIT</b>		<b>101,679</b>	<b>103,033</b>
OTHER INCOME		16,498	47,714
GAIN IN FAIR VALUE OF INVESTMENT PROPERTY	12	102,203	89,022
SELLING AND DISTRIBUTION COSTS		(11,862)	(9,962)
ADMINISTRATIVE EXPENSES		(67,404)	(115,396)
FINANCE COSTS		(1,915)	(4,422)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(32,090)	15,244
<b>PROFIT BEFORE TAXATION</b>		<b>107,109</b>	<b>125,233</b>
TAXATION CREDIT/(CHARGE)	8	18,033	(40,413)
<b>PROFIT FOR THE YEAR</b>		<b>125,142</b>	<b>84,820</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation surplus on property		32,648	112,660
Deferred tax on revaluation surplus		(9,794)	(17,901)
		<b>22,854</b>	<b>94,759</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		17,389	986
		<b>40,243</b>	<b>95,745</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>165,385</b>	<b>180,565</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	Notes	2016 Sh'000	2015 Sh'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	12	2,555,412	2,598,250
Property, plant and equipment	14	1,417,614	1,035,423
Intangible assets	16	3,557	4,539
Deferred tax asset	22(b)	61,762	73,246
		<u>4,038,345</u>	<u>3,711,458</u>
<b>Current assets</b>			
Inventories	18	3,598,384	3,092,772
Trade and other receivables	19	1,829,998	1,968,677
Due from directors	20(c)	79	902
Corporate tax recoverable	8(c)	45,664	32,026
Cash and bank balances	25(c)	192,728	182,212
		<u>5,666,853</u>	<u>5,276,589</u>
<b>Total assets</b>		<u><u>9,705,198</u></u>	<u><u>8,988,047</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	200,516	200,516
Revaluation surplus		604,493	508,856
Retained earnings		2,271,246	2,174,032
Exchange translation reserve		(22,903)	(47,663)
Equity attributable to owners of the parent		<u>3,053,352</u>	<u>2,835,741</u>
Non-controlling interests	9	185,187	185,372
<b>Total equity</b>		<u><u>3,238,539</u></u>	<u><u>3,021,113</u></u>
<b>Non-current liabilities</b>			
Deferred tax liability	22(b)	710,939	642,235
Borrowings	23	119,498	328,909
		<u>830,437</u>	<u>971,144</u>
<b>Current liabilities</b>			
Borrowings	23	3,389,099	2,484,473
Trade and other payables	24	2,245,456	2,507,662
Corporate tax payable	8(c)	1,667	3,655
		<u>5,636,222</u>	<u>4,995,790</u>
<b>Total equity and liabilities</b>		<u><u>9,705,198</u></u>	<u><u>8,988,047</u></u>

The financial statements on pages 18 to 66 were approved by the board of directors on 16 December 2016 and were signed on its behalf by:



N Ng'ang'a  
Director

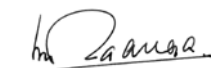


V V Gidoomal  
Director

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	Notes	2016 Sh'000	2015 Sh'000
<b>ASSETS</b>			
<b>Non current assets</b>			
Investment properties	12	1,445,092	1,548,250
Property, plant and equipment	15	462,791	480,464
Intangible assets	16	2,977	3,721
Investment in subsidiaries	17	26,844	26,844
		<u>1,937,704</u>	<u>2,059,279</u>
<b>Current assets</b>			
Inventories	18	15,171	32,279
Trade and other receivables	19	84,870	40,357
Due from directors	20(c)	79	902
Due from subsidiaries	20(a)	835,027	1,377,808
Corporate tax recoverable	8(c)	1,182	-
Cash and bank balances		8,134	11,129
		<u>944,463</u>	<u>1,462,475</u>
<b>Total assets</b>		<u><u>2,882,167</u></u>	<u><u>3,521,754</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	200,516	200,516
Revaluation surplus		380,340	363,312
Retained earnings		1,049,324	918,356
Exchange translation reserve		18,489	1,100
Total shareholders' funds		<u>1,648,669</u>	<u>1,483,284</u>
<b>Non current liabilities</b>			
Deferred tax liability	22(a)	536,560	563,544
Borrowings	23	5,563	44,174
		<u>542,123</u>	<u>607,718</u>
<b>Current liabilities</b>			
Borrowings	23	554,963	218,068
Trade and other payables	24	85,025	42,956
Due to subsidiaries	20(b)	51,387	1,166,073
Corporate tax payable	8(c)	-	3,655
		<u>691,375</u>	<u>1,430,752</u>
<b>Total equity and liabilities</b>		<u><u>2,882,167</u></u>	<u><u>3,521,754</u></u>

The financial statements on pages 18 to 66 were approved by the board of directors on 16 December 2016 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 2016**

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Exchange translation reserve (deficit) Sh '000	Attributable to owners of the parent Sh '000	Non - controlling interests Sh '000	Total Sh '000
<b>Year ended 30 September 2015</b>							
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
<b>Year ended 30 September 2016</b>							
At 1 October 2015	200,516	508,856	2,174,032	(47,663)	2,835,741	185,372	3,021,113
Profit for the year	-	-	89,057	-	89,057	(185)	88,872
Revaluation surplus on property	-	148,532	-	-	148,532	-	148,532
Deferred tax on revaluation surplus	-	(44,738)	-	-	(44,738)	-	(44,738)
Exchange difference arising on translation of foreign operations	-	-	-	24,760	24,760	-	24,760
Total comprehensive income for the year	-	103,794	89,057	24,760	217,611	(185)	217,426
Transfer of excess depreciation	-	(10,654)	10,654	-	-	-	-
Deferred tax on excess depreciation transfer	-	2,497	(2,497)	-	-	-	-
At 30 September 2016	200,516	604,493	2,271,246	(22,903)	3,053,352	185,187	3,238,539

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Exchange translation reserve Sh '000	Total Sh '000
<b>Year ended 30 September 2015</b>					
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
<b>Year ended 30 September 2016</b>					
At 1 October 2015	200,516	363,312	918,356	1,100	1,483,284
Profit for the year	-	-	125,142	-	125,142
Revaluation surplus on property	-	32,648	-	-	32,648
Deferred tax on revaluation surplus	-	(9,794)	-	-	(9,794)
Exchange difference arising on translation of foreign branch	-	-	-	17,389	17,389
Total comprehensive income for the year	-	22,854	125,142	17,389	165,385
Transfer of excess depreciation	-	(8,323)	8,323	-	-
Deferred tax on depreciation transfer	-	2,497	(2,497)	-	-
At 30 September 2016	200,516	380,340	1,049,324	18,489	1,648,669

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Notes	2016 Sh'000	2015 Sh'000
<b>Cash flows from operating activities</b>			
Net cash (used in)/generated from operations	25(a)	(186,095)	453,368
Corporate tax paid	8(c)	(37,124)	(48,778)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities		(223,219)	404,590
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(357,309)	(130,017)
Purchase of intangible assets		-	(357)
Proceeds on disposal of Investment Properties		225,000	-
Proceeds on disposal of property, plant and equipment		2,250	1,073
		<hr/>	<hr/>
Net cash used in investing activities		(130,059)	(129,301)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Loans received	25(b)	7,169,229	4,344,004
Loans repaid	25(b)	(6,398,648)	(4,209,191)
Dividend paid		-	(24,062)
Interest paid	5	(392,655)	(369,172)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>		377,926	(258,421)
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		24,648	16,868
<b>Cash and cash equivalents at the beginning of year</b>		68,443	57,243
<b>Effects of exchange rate changes on the balance of cash held in foreign operations</b>		(4,172)	(5,668)
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of year</b>	25(c)	88,919	68,443
		<hr/> <hr/>	<hr/> <hr/>



**COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Notes	2016 Sh'000	2015 Sh'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	25(a)	(507,768)	340,494
Interest paid		(1,915)	(4,422)
Corporate tax paid	8(c)	(23,582)	(20,915)
		-----	-----
Net cash (used in)/generated from operating activities		(533,265)	315,157
		-----	-----
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(2,084)	(6,780)
Proceeds on disposal of property, plant and equipment		225,380	-
		-----	-----
Net cash generated from/(used in) investing activities		223,296	(6,780)
		-----	-----
<b>Cash flows from financing activities</b>			
Loans received		1,225,484	588,757
Loans repaid		(918,596)	(872,676)
Dividend paid		-	(24,062)
		-----	-----
Net cash generated from/(used in) financing activities		306,888	(307,981)
		-----	-----
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,081)	396
<b>Cash and cash equivalents at the beginning of year</b>		(35,155)	(35,551)
		-----	-----
<b>Cash and cash equivalents at the end of year</b>	25(c)	(38,236)	(35,155)
		=====	=====

---

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016****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.

The accounting policies apply to both consolidated and company financial statements.

**Application of new and revised International Financial Reporting Standards (IFRSs)****(i) *New standards and amendments to published standards effective for the year ended 30 September 2016***

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.

**IFRS 13 Fair Value Measurement**

The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.

The application of the amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

**IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets**

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

As the company has not revalued its plant and equipment and intangible assets with indefinite useful lives, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the financial statements.

**IAS 24 Related Party Disclosures**

The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

The application of this standard has had no material impact on the disclosures or on the amounts recognised in the group's financial statements.

---

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**1 ACCOUNTING POLICIES** (continued)

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

**(i) New standards and amendments to published standards effective for the year ended 30 September 2016** (continued)

**Annual Improvements 2011-2013**

The annual improvements 2011-2013 cycle makes amendments to the following standards:

- IFRS 3 — The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself.
- FRS 13 — The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
- IAS 40 — The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether:
  - (a) the property meets the definition of investment property in accordance with IAS 40; and
  - (b) the transaction meets the definition of a business combination in accordance with IFRS 3.

An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e. 1 July 2014) if and only if information needed to apply the amendment to earlier transactions is available to the entity.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2016.

The new terminologies have been adopted in these financial statements. In other respects the application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**(ii) Relevant new and amended standards in issue but not yet effective in the year ended 30 September 2016**

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 1	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS's Annual improvements	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) Impact of new and amended standards on the financial statements for the year ended 30 September 2016 and future annual periods****IFRS 9 Financial Instruments**

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

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

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. 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 that 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.
- 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.

---

**NOTES TO THE FINANCIAL STATEMENTS** (continued)
**1 ACCOUNTING POLICIES** (continued)**Application of new and revised International Financial Reporting Standards (IFRSs)** (continued)**(iii) Impact of new and amended standards on the financial statements for the year ended 30 September 2016 and future annual periods** (continued)**IFRS 9 Financial Instruments** (continued)**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.

## 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.

The directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities.

**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. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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).

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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

---

**NOTES TO THE FINANCIAL STATEMENTS** (continued)
**1 ACCOUNTING POLICIES** (continued)**Application of new and revised International Financial Reporting Standards (IFRSs)** (continued)**(iii) Impact of new and amended standards on the financial statements for the year ended 30 September 2016 and future annual periods** (continued)**IFRS 15 Revenue from Contracts with Customers** (continued)

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: 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 at 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.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the group's financial statements.

**Amendments to IAS 1 (Disclosure Initiative)**

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to 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) Impact of new and amended standards on the financial statements for the year ended 30 September 2016 and future annual periods** (continued)**Amendments to IAS 1 (Disclosure Initiative)** (continued)

Application of the amendments need not be disclosed. The directors of the company anticipate that the application of IAS 1 in the future may not have a significant impact on amounts reported in respect of the group's financial statements.

**Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

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:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the company uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

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

**Annual Improvements 2012-2014 Cycle**

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations.

The amendments to IFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to satisfy the requirements in IAS 34 Interim Financial Reporting.

The amendments to IAS 19 clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high quality bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency should be used.

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

**(iii) Early adoption of relevant standards**

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

---

**NOTES TO THE FINANCIAL STATEMENTS** (continued)**1 ACCOUNTING POLICIES** (continued)**Basis of preparation**

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

**Basis of consolidation**

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

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of 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 2016.

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 accumulated 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 (higher of value in use and fair value less costs of disposal) 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 leasee.

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 properties**

Investment properties, 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. The fair value of livestock is determined based on the prices of livestock existing in the market less estimated point of sale costs.

---

**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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**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 and Company'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 and Company'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 12 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
<b>30 September 2016</b>				
Revenue	9,478,204	68,018	189,566	9,735,788
Gain in fair value of investment properties	-	102,203	51,558	153,761
Segment (loss)/profit before taxation	(21,471)	163,447	8,302	150,278
<b>30 September 2015</b>				
Revenue	9,664,296	65,881	199,013	9,929,190
Gain in fair value of investment properties	-	339,022	-	339,022
Segment profit/(loss) before taxation	(262,756)	399,958	(56,133)	81,069

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
<b>30 September 2016</b>				
Assets	6,817,498	2,522,378	365,322	9,705,198
Liabilities	5,748,428	535,314	182,917	6,466,659
<b>30 September 2015</b>				
Assets	6,154,554	2,610,784	222,709	8,988,047
Liabilities	5,354,587	536,516	75,831	5,966,934

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 SEGMENTAL INFORMATION (continued)

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
<i>(d) Other segment information</i>				
<b>30 September 2016</b>				
Cost of sales	8,022,753	-	130,015	8,152,768
Expenses	1,125,873	5,214	104,407	1,235,494
Taxation (charge)/credit	(38,824)	49,034	51,196	61,406
Interest expenses	392,655	-	-	392,655
Depreciation/amortization	58,891	-	5,314	64,205
Capital expenditure	353,418	-	3,891	357,309

**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 charge	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

*(e) Geographical information*

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

	2016 Sh'000	2015 Sh'000
Kenya	7,131,696	7,406,158
Uganda	623,111	592,619
Tanzania	1,889,900	1,830,072
South Sudan	27,459	26,508
Rwanda	63,622	73,833
	<u>9,735,788</u>	<u>9,929,190</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 3 SEGMENTAL INFORMATION (continued)

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

	<b>2016</b>	<b>2015</b>
	<b>Sh'000</b>	<b>Sh'000</b>
Non-current assets (excluding deferred tax assets)		
Kenya	3,142,745	3,184,938
Uganda	124,530	85,537
Tanzania	701,185	344,427
South Sudan	7,607	22,586
Rwanda	516	724
	<u>3,976,583</u>	<u>3,638,212</u>
<b>Total assets</b>		
Kenya	7,603,547	7,228,462
Uganda	509,609	494,780
Tanzania	1,515,887	1,181,865
South Sudan	29,194	38,503
Rwanda	46,961	44,437
	<u>9,705,198</u>	<u>8,988,047</u>
<b>Total liabilities</b>		
Kenya	5,260,856	5,048,045
Uganda	212,571	206,486
Tanzania	989,371	708,821
South Sudan	844	968
Rwanda	3,017	2,614
	<u>6,466,659</u>	<u>5,966,934</u>

## 4 OTHER INCOME

Loss on disposal of investment properties, property, plant and equipment	(2,345)	(333)
Miscellaneous income	34,851	28,247
	<u>32,506</u>	<u>27,914</u>

## 5 FINANCE COSTS

Interest on borrowings	392,655	369,172
------------------------	---------	---------



NOTES TO THE FINANCIAL STATEMENTS (continued)

	2016 Sh'000	2015 Sh'000
<b>6 PROFIT BEFORE TAXATION</b>		
<b>The profit before taxation is arrived at after charging:</b>		
Depreciation - property, plant and equipment (note 14)	63,258	61,517
Amortisation of intangible assets (note 16)	947	1,189
Employment costs (note 7)	637,632	676,361
Directors' remuneration - fees	4,377	3,225
- other emoluments	25,905	29,488
Auditors' remuneration	9,212	8,102
<b>And after crediting:</b>		
Fair value gains on investment properties (note 12)	153,761	339,022
Loss on disposal of property, plant and equipment (note 4)	(2,345)	(333)
	<u>637,632</u>	<u>676,361</u>
<b>7 EMPLOYMENT COSTS</b>		
Salaries and wages	598,235	634,205
Retirement benefit costs: - Defined contribution scheme	12,736	11,137
- National Social Security Fund contributions	20,773	19,904
Leave pay provision charge	5,888	11,115
	<u>637,632</u>	<u>676,361</u>
<b>8 TAXATION</b>		
<b>(a) Taxation charge/(credit)</b>		
GROUP:		
Current tax	21,544	26,025
Deferred tax charge (note 22)	86,634	31,209
Adjustments attributable to capital gains tax rate	-	(3,025)
Deferred tax write back	(54,901)	(93,442)
Prior year under/(over) provision – deferred tax	8,129	(6,845)
Taxation charge/(credit)	<u>61,406</u>	<u>(46,078)</u>
COMPANY:		
Current tax	18,745	16,545
Deferred tax charge (note 22)	18,123	23,868
Deferred tax write back	(54,901)	-
Taxation charge/(credit)	<u>(18,033)</u>	<u>40,413</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TAXATION (Continued)

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

	2016 Sh'000	2015 Sh'000
<b>(b) Reconciliation of expected tax based on accounting profit to the taxation charge/(credit)</b>		
GROUP:		
Group profit before taxation	150,278	81,069
Tax calculated at the applicable rate of 30% (2015: 30%)	45,084	24,321
Tax effect of income not deductible for tax	(1,147)	-
Deferred tax credit not recognised	61,555	36,747
Tax effect of expenses not deductible for tax	16,391	16,363
Adjustments attributable to capital gains tax rate	(54,901)	(3,025)
Prior year on under/(over) provision – deferred tax	(5,576)	(6,845)
Deferred tax on revaluation surplus written back	-	(113,639)
Taxation charge/(credit)	61,406	(46,078)
COMPANY:		
Company profit before taxation	107,109	125,233
Tax calculated at the applicable rate of 30%	32,133	37,570
Tax effect of expenses not deductible for tax	4,735	5,868
Prior year on under/(over) provision – deferred tax	(65,881)	-
Change in deferred tax due to change in tax rate	10,980	(3,025)
Taxation charge/(credit)	(18,033)	40,413

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**8 TAXATION** (Continued)

	<b>2016</b>	<b>2015</b>
	<b>Sh'000</b>	<b>Sh'000</b>
<b>(c) Corporate tax movement</b>		
GROUP		
At the beginning of year – recoverable	28,371	7,144
Charge for the year	(21,544)	(26,025)
Paid in the year	37,124	48,778
Currency translation differences	46	(1,526)
	<u>43,997</u>	<u>28,371</u>
<b>This is analysed as:</b>		
Corporate tax recoverable	45,664	32,026
Corporate tax payable	(1,667)	(3,655)
	<u>43,997</u>	<u>28,371</u>
COMPANY		
At the beginning of year – payable	3,655	8,025
Expense for the year	18,745	16,545
Paid in the year	(23,582)	(20,915)
	<u>(1,182)</u>	<u>3,655</u>
<b>9 NON-CONTROLLING INTERESTS</b>		
At the beginning of year	185,372	88,853
Share of profit for year	(185)	96,519
	<u>185,187</u>	<u>185,372</u>
	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	34
	<u>16</u>	<u>34</u>

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**10 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:

	<b>2016</b>	<b>2015</b>
Profit attributable to owners of the parent (Sh'000)	89,057	30,628
Number of shares (note 21)	40,103,308	40,103,308
Basic and diluted earnings per share (Sh)	2.22	0.76

**11 DIVIDEND PER SHARE**

The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2016 (2015: Sh Nil).

**12 INVESTMENT PROPERTIES – GROUP AND COMPANY**

	<b>GROUP Sh'000</b>	<b>COMPANY Sh'000</b>
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
At 1 October 2015	2,598,250	1,548,250
Exchange rate adjustments	(4,814)	(4,703)
Fair value gains	153,761	102,203
Reclassification from property, plant and equipment	16,465	7,592
Disposals	(208,250)	(208,250)
At 30 September 2016	2,555,412	1,445,092

Investment properties comprise commercial properties not occupied by the Group.

A legal charge exists over investment properties with a net book value of Sh 2,555,412,000 (2015: Sh 2,598,250,000) to secure borrowings granted to the Group.

These properties were last valued by R R Oswald & Company Limited, registered valuers in Kenya, Survesis Co Limited, registered valuers in Uganda and Trace Associates Limited, registered valuers in Tanzania as at 30 September 2016 on an open market basis having regard to highest and best use. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

The group earned rental income of Sh 68,018,000 from investment properties during the year (2015: Sh 65,881,000) while it incurred direct operating costs of Sh 5,214,000 (2015: Sh 4,945,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 ANALYSIS OF INVESTMENT PROPERTIES – AT VALUATION:

	<b>GROUP 2016 Sh '000</b>	<b>COMPANY 2016 Sh '000</b>	<b>GROUP 2015 Sh '000</b>	<b>COMPANY 2015 Sh '000</b>
Leasehold over 50 years unexpired	1,630,092	580,092	1,590,000	540,000
Leasehold under 50 years unexpired	925,320	865,000	1,008,250	1,008,250
	<u>2,555,412</u>	<u>1,445,092</u>	<u>2,598,250</u>	<u>1,548,250</u>

14 PROPERTY, PLANT AND EQUIPMENT - GROUP

	<b>Land and buildings Sh '000</b>	<b>Plant and machinery Sh '000</b>	<b>Furniture and equipment Sh '000</b>	<b>Motor vehicles Sh '000</b>	<b>Computers Sh '000</b>	<b>WIP Sh '000</b>	<b>Total Sh '000</b>
<b>COST OR VALUATION</b>							
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	<u>841,389</u>	<u>116,332</u>	<u>129,109</u>	<u>178,161</u>	<u>52,625</u>	<u>16,639</u>	<u>1,334,255</u>
At 1 October 2015	841,389	116,332	129,109	178,161	52,625	16,639	1,334,255
Exchange rate adjustments	(26,207)	60	4,740	(1,206)	(1,135)	(720)	(24,468)
Additions	233,713	55,373	11,406	45,416	11,050	351	357,309
Disposals	(18,750)	-	(338)	(12,631)	(404)	-	(32,123)
Reclassification to investment properties	(16,465)	-	-	-	-	-	(16,465)
Revaluation surplus	136,004	-	-	-	-	-	136,004
At 30 September 2016	<u>1,149,684</u>	<u>171,765</u>	<u>144,917</u>	<u>209,740</u>	<u>62,136</u>	<u>16,270</u>	<u>1,754,512</u>
<b>COMPRISING:</b>							
At 30 September 2016							
At valuation 2016	1,149,684	-	-	-	-	-	1,149,684
At cost	-	171,765	144,917	209,740	62,136	16,270	604,828
	<u>1,149,684</u>	<u>171,765</u>	<u>144,917</u>	<u>209,740</u>	<u>62,136</u>	<u>16,270</u>	<u>1,754,512</u>
At 30 September 2015							
At valuation 2015	841,389	-	-	-	-	-	841,389
At cost	-	116,332	129,109	178,161	52,625	16,639	492,866
	<u>841,389</u>	<u>116,332</u>	<u>129,109</u>	<u>178,161</u>	<u>52,625</u>	<u>16,639</u>	<u>1,334,255</u>

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
<b>DEPRECIATION</b>							
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
At 1 October 2015	21,193	67,505	62,666	108,173	39,295	-	298,832
Exchange rate adjustments	(81)	27	(921)	(670)	(233)	-	(1,878)
Charge for the year	15,525	13,093	9,146	21,397	4,097	-	63,258
Eliminated on disposals	(375)	-	(288)	(9,814)	(309)	-	(10,786)
Write back on revaluation	(12,528)	-	-	-	-	-	(12,528)
At 30 September 2016	23,734	80,625	70,603	119,086	42,850	-	336,898
<b>NET BOOK VALUE</b>							
At 30 September 2016	1,125,950	91,140	74,314	90,654	19,286	16,270	1,417,614
At 30 September 2015	820,196	48,827	66,443	69,988	13,330	16,639	1,035,423
<b>NET BOOK VALUE (COST BASIS)</b>							
At 30 September 2016	329,923	91,140	74,314	90,654	19,286	16,270	621,587
At 30 September 2015	213,761	48,827	66,443	69,988	13,330	16,639	428,988

These properties were last valued by R R Oswald & Company Limited, registered valuers in Kenya, Survesis Co Limited, registered valuers in Uganda and Trace Associates Limited, registered valuers in Tanzania as at 30 September 2016. The basis of valuation has been open market value based on highest and best use. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

	2016 Sh'000	2015 Sh'000
<b>ANALYSIS OF LAND AND BUILDINGS – AT COST OR VALUATION:</b>		
Leasehold buildings over 50 years unexpired	266,910	181,701
Leasehold buildings under 50 years unexpired	882,774	659,688
	<u>1,149,684</u>	<u>841,389</u>

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
<b>COST OR VALUATION</b>					
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
At 1 October 2015	465,507	3,865	22,574	22,371	514,317
Exchange rate adjustments	(14,165)	-	(76)	(190)	(14,431)
Additions	852	111	807	314	2,084
Transfer from subsidiary company	-	74	-	-	74
Disposals	(18,750)	(2,754)	-	(40)	(21,544)
Reclassification to investment properties	(7,592)	-	-	-	(7,592)
Revaluation surplus	24,148	-	-	-	24,148
At 30 September 2016	450,000	1,296	23,305	22,455	497,056
<b>COMPRISING:</b>					
At 30 September 2016					
At valuation 2016	450,000	-	-	-	450,000
At cost	-	1,296	23,305	22,455	47,056
	450,000	1,296	23,305	22,455	497,056
At 30 September 2015					
At valuation 2015	465,507	-	-	-	465,507
At cost	-	3,865	22,574	22,371	48,810
	465,507	3,865	22,574	22,371	514,317
<b>DEPRECIATION</b>					
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
At 1 October 2015	640	1,938	12,293	18,982	33,853
Exchange rate adjustments	(652)	-	(23)	(135)	(810)
Charge for the year	8,887	252	1,375	1,057	11,571
Transfer from subsidiary	-	67	-	-	67
Eliminated on disposals	(375)	(1,517)	-	(24)	(1,916)
Written back on revaluation	(8,500)	-	-	-	(8,500)
At 30 September 2016	-	740	13,645	19,880	34,265

## 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
<b>NET BOOK VALUE</b>					
At 30 September 2016	450,000	556	9,660	2,575	462,791
At 30 September 2015	464,867	1,927	10,281	3,389	480,464
<b>NET BOOK VALUE (COST BASIS)</b>					
At 30 September 2016	27,062	556	9,660	2,575	39,853
At 30 September 2015	34,157	1,927	10,281	3,389	49,754

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Limited, professional valuers on 30 September 2016. The basis of valuation has been open market value based on highest and best use. 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.

	2016 Sh '000	2015 Sh '000
<b>ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION:</b>		
Leasehold buildings over 50 years unexpired	35,000	56,757
Leasehold buildings under 50 years unexpired	415,000	408,750
	450,000	465,507



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16 INTANGIBLE ASSETS – computer software

	<b>GROUP</b> <b>Sh '000</b>	<b>COMPANY</b> <b>Sh '000</b>
<b>COST</b>		
At 1 October 2014	12,574	10,251
Exchange rate adjustments	(209)	-
Additions	357	-
Disposals	(218)	-
	<u>12,504</u>	<u>10,251</u>
At 30 September 2015	12,504	10,251
At 1 October 2015	12,504	10,251
Exchange rate adjustments	(87)	-
Disposals	(74)	-
	<u>12,343</u>	<u>10,251</u>
At 30 September 2016	12,343	10,251
<b>AMORTISATION</b>		
At 1 October 2014	7,088	5,600
Exchange rate adjustments	(142)	-
Charge for the year	1,189	930
Eliminated on disposals	(170)	-
	<u>7,965</u>	<u>6,530</u>
At 30 September 2015	7,965	6,530
At 1 October 2015	7,965	6,530
Exchange rate adjustments	(61)	-
Charge for the year	947	744
Eliminated on disposals	(65)	-
	<u>8,786</u>	<u>7,274</u>
At 30 September 2016	8,786	7,274
<b>NET BOOK VALUE</b>		
At 30 September 2016	<u>3,557</u>	<u>2,977</u>
At 30 September 2015	<u>4,539</u>	<u>3,721</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 17 INVESTMENT IN SUBSIDIARIES

## Investments at cost

	Holding	2016 Sh '000	2015 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 1,000 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
		<u>26,844</u>	<u>26,844</u>

All the companies with non-controlling interests are incorporated in Kenya

During the year, one of the subsidiaries, Car & General (Trading) Limited in Tanzania acquired 100% of the equity holding in a new entity, Dew Tanzania Limited, for the consideration payment of TZS 5,403,510,000 (KSh 250,723,000). The group has effective control over the new entity and was accounted for using the acquisition method. The value of the consideration paid was equal to the fair value of the net assets acquired.

The movement of the investment in subsidiaries is as follows:

	2016 Sh'000	2015 Sh'000
At the beginning and at the end of the year	<u>26,844</u>	<u>26,844</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 INVESTMENT IN SUBSIDIARIES (continued)

Set out below is the summarised financial information in respect of the subsidiaries with non-controlling interests:

	Car & General (Marine) Limited		Progen Company Limited		Dewdrops Limited	
	2016 Sh '000	2015 Sh '000	2016 Sh '000	2015 Sh '000	2016 Sh '000	2015 Sh '000
<b>Summarised statement of financial position</b>						
Total assets	66,654	66,654	1,064,386	1,061,106	1,052,859	1,052,858
Total liabilities	18,296	18,216	1,089,837	1,086,075	430,495	430,464
Equity attributable to owners of the company	48,358	48,438	(25,451)	(24,969)	622,364	622,394
Non-controlling interests	16%	16%	34%	34%	34%	34%
<b>Summarised statement of profit and loss</b>						
Revenue	(80)	(78)	(3,688)	(3,484)	(30)	(566)
Expenses	-	-	(3,000)	(32,250)	-	282,250
Total comprehensive loss for the year	(80)	(78)	(482)	(24,979)	(30)	383,894
<b>Summarised statement of cash flows</b>						
Net cash used in operating activities	(79)	(78)	(3,506)	(1,004)	-	(1,082,240)
Net cash used in investing activities	-	-	-	(1,082,250)	-	1,082,240
Net cash used in financing activities	79	78	3,506	1,083,254	-	-
Net decrease in cash and cash equivalents	-	-	-	-	-	-
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-
Cash and cash equivalents at the end of year	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVENTORIES

	GROUP		COMPANY	
	2016 Sh '000	2015 Sh '000	2016 Sh '000	2015 Sh '000
Goods in transit and in bond	1,317,625	1,450,198	-	-
Finished products	1,435,018	915,123	12,670	30,032
Raw materials, spares and consumables	800,978	692,417	2,501	2,247
Work in progress	23,929	14,503	-	-
Other inventories	20,834	20,531	-	-
	<u>3,598,384</u>	<u>3,092,772</u>	<u>15,171</u>	<u>32,279</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was Sh 7,933,134,000 (2015: Sh 8,190,957,000).

19 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016 Sh '000	2015 Sh '000	2016 Sh '000	2015 Sh '000
Trade receivables	1,459,979	1,618,336	27,865	19,928
Other receivables	370,019	350,341	57,005	20,429
	<u>1,829,998</u>	<u>1,968,677</u>	<u>84,870</u>	<u>40,357</u>

The carrying amount of trade and other receivables recognised in the financial statements approximate their fair values.

20 RELATED PARTIES BALANCES

(a) Due from Group companies (subsidiaries):

	2016 Sh'000	2015 Sh'000
Car & General (Trading) Limited (Kenya)	128,060	111,872
Kibo Poultry Products Limited	216,703	215,558
Car & General (Automotive) Limited	17,968	605,955
Car & General (Tanzania) Limited	1,371	1,371
Car & General (Trading) Limited (Tanzania)	92,182	67,341
Car & General (Uganda) Limited	25,740	32,933
Progen Company Limited	36,750	33,244
Sovereign Holdings International Limited	9,678	3,158
Car & General (Marine) Limited	17,960	17,881
Car & General (Engineering) Limited	14,388	14,295
Dewdrops Limited	274,227	274,200
	<u>835,027</u>	<u>1,377,808</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 RELATED PARTIES BALANCES (continued)

(b) Due to Group companies (subsidiaries):

	2016 Sh'000	2015 Sh'000
Car & General (Piaggio) Limited	47,320	1,161,909
Car & General (Industries) Limited	3,715	3,794
Car & General (Rwanda) Limited	352	370
	<u>51,387</u>	<u>1,166,073</u>

(c) Due from Directors:

Due from directors	79	902
	<u>79</u>	<u>902</u>

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

21 SHARE CAPITAL – GROUP AND COMPANY

	2016 Sh'000	2015 Sh'000
<b>Authorised:</b>		
42,000,000 ordinary shares of Sh 5 each	210,000	210,000
	<u>210,000</u>	<u>210,000</u>

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

	No. of shares in thousands		Par Value	
	2016	2015	2016 Sh'000	2015 Sh'000
At the beginning and at the end of the year	<u>42,000</u>	<u>42,000</u>	<u>210,000</u>	<u>210,000</u>

The composition of issued share capital during the prior year is as follows:

	No. of shares in thousands		Par Value	
	2016	2015	2016 Sh'000	2015 Sh'000
At the beginning and at the end of the year	<u>40,103</u>	<u>40,103</u>	<u>200,516</u>	<u>200,516</u>
Issued and fully paid: 40,103,308 ordinary shares of Sh 5 each			200,516	200,516
			<u>200,516</u>	<u>200,516</u>

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:

	2016 Sh'000	2015 Sh'000
<b>GROUP</b>		
At the beginning of year	568,989	623,619
Exchange difference on translation	889	(428)
Charge for the year - (note 8(a))	31,733	31,209
Property revaluation – other comprehensive income	44,738	17,901
Prior year (over)/under provision	2,828	(6,845)
Adjustments attributable to capital gains tax rate	-	(3,025)
Deferred tax write back	-	(93,442)
At the end of year	<u>649,177</u>	<u>568,989</u>
<b>COMPANY</b>		
At the beginning of year	563,544	521,775
Charge for the year	(36,778)	23,868
Property revaluation – other comprehensive income	9,794	17,901
At the end of year	<u>536,560</u>	<u>563,544</u>

(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:

	2016 Sh'000	2015 Sh'000
Deferred tax assets		
Deferred tax liabilities	(61,762)	(73,246)
	710,939	642,235
	<u>649,177</u>	<u>568,989</u>

The unrecognised tax credits do not have a specific expiry date based on the existing tax law. Deferred tax assets were assessed at the end of the reporting date and were recognised to the extent that it was probable that future taxable profit will allow the deferred tax asset to be recovered.

	At 1 October 2015 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2016 Sh '000
<b>GROUP</b>					
<b>Deferred tax liabilities</b>					
Accelerated capital allowances	11,733	(207)	-	37,133	48,659
Revaluation surplus	140,935	(632)	44,738	(11,331)	173,710
Fair value gains on investment property	508,403	-	-	(8,806)	499,597
Unrealised exchange differences	(9,234)	290	-	28,854	19,910
	<u>651,837</u>	<u>(549)</u>	<u>44,738</u>	<u>45,850</u>	<u>741,876</u>
<b>Deferred tax assets</b>					
Tax losses carried forward	(76,086)	1,277	-	(15,450)	(90,259)
Unrealised exchange differences	-	-	-	(387)	(387)
Leave pay provision	(3,266)	-	-	2,900	(366)
Bad debts provision	(3,496)	160	-	1,649	(1,687)
	<u>(82,848)</u>	<u>1,437</u>	<u>-</u>	<u>(11,288)</u>	<u>(92,699)</u>
Net deferred tax liability	<u>568,989</u>	<u>888</u>	<u>44,738</u>	<u>34,562</u>	<u>649,177</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 22 DEFERRED TAXATION (continued)

	At 1 October 2015 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2016 Sh '000
<b>COMPANY</b>					
<b>Deferred tax liabilities</b>					
Revaluation surplus	562,375	-	9,794	(24,240)	547,929
Unrealised exchange differences	-	-	-	-	-
	<u>562,375</u>	<u>-</u>	<u>9,794</u>	<u>(24,240)</u>	<u>547,929</u>
<b>Deferred tax assets</b>					
Accelerated capital allowances	1,872	-	-	(3,959)	(2,087)
Tax losses carried forward	-	-	-	-	-
Leave pay provision	(707)	-	-	354	(353)
Unrealised exchange differences	4	-	-	(8,933)	(8,929)
	<u>1,169</u>	<u>-</u>	<u>-</u>	<u>(12,538)</u>	<u>(11,369)</u>
Net deferred tax liability	<u>563,544</u>	<u>-</u>	<u>9,794</u>	<u>(36,778)</u>	<u>536,560</u>

## 23 BORROWINGS

	2016 Sh '000	2015 Sh '000
<b>GROUP</b>		
Loans (secured):		
Loans in Sh	52,339	91,156
Loans in USD	2,249,703	1,610,470
	<u>2,302,042</u>	<u>1,701,626</u>
Medium term notes (unsecured)	-	284,735
Short term notes (unsecured)	1,102,746	713,252
Bank overdrafts (secured)	103,809	113,769
	<u>3,508,597</u>	<u>2,813,382</u>
Current – due within one year	<u>(3,389,099)</u>	<u>(2,484,473)</u>
Non-current	<u>119,498</u>	<u>328,909</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 BORROWINGS (continued)

	2016 Sh '000	2015 Sh '000
<b>COMPANY</b>		
Loans (secured):		
Loans in Sh	52,339	91,156
Loans in USD	461,817	124,802
	<u>514,156</u>	<u>215,958</u>
Bank overdrafts (secured and denominated in KSh)	46,370	46,284
	<u>560,526</u>	<u>262,242</u>
Current	(554,963)	(218,068)
Non-current	<u>5,563</u>	<u>44,174</u>

MATURITY OF NON CURRENT BORROWINGS

	<b>GROUP</b>		<b>COMPANY</b>	
	2016 Sh '000	2015 Sh '000	2016 Sh '000	2015 Sh '000
Between 1 and 2 years	119,498	328,909	5,563	44,174
Between 2 and 5 years	-	-	-	-
	<u>119,498</u>	<u>328,909</u>	<u>5,563</u>	<u>44,174</u>

Interest rates

The effective interest rates at 30 September were as follows:

	2016	2015
Bank overdrafts	<u>14.00%</u>	<u>16.94%</u>
Loans:		
Loans in KSh	14.00%	15.77%
Loans in USD	<u>8.36%</u>	<u>10.52%</u>



---

**NOTES TO THE FINANCIAL STATEMENTS** (continued)
**23 BORROWINGS** (continued)**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 2,200,500,000 ranking pari passu with I & M Bank Limited for Sh 510,000,000.
- b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all Car & General (Trading) Limited – Tanzania, a fixed charge on associated companies’ properties 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 510,000,000, 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 and Msa Kwale/Diani / Block 728-738 and a fixed deposit of Sh 58,065,000.
- e) The Standard Chartered Bank Uganda Limited overdraft is secured by a legal charge over land and building and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 587,317,860 and a corporate guarantee by the holding company.
- f) The short term notes are from various lenders and are unsecured.

**Undrawn facilities**

At the end of the reporting period, the group had undrawn committed borrowing facilities amounting to Sh 444,446,585 (2015 - Sh 369,481,686).

The carrying amount of borrowings recognised in the financial statements approximate their fair values.

**24 TRADE AND OTHER PAYABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>
Trade payables	1,662,814	1,974,799	9,323	5,228
Other payables	582,642	532,863	75,702	37,728
	<u>2,245,456</u>	<u>2,507,662</u>	<u>85,025</u>	<u>42,956</u>

The carrying amount of trade and other payables recognised in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 NOTES TO THE STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2016 Sh '000	2015 Sh '000	2016 Sh '000	2015 Sh '000
Profit before taxation	150,278	81,069	107,109	125,233
<i>Adjusted for:</i>				
Depreciation	63,258	61,517	11,571	12,076
Amortisation	947	1,189	744	930
Fair value gains	(153,761)	(339,022)	(102,203)	(89,022)
Loss on disposal of assets	2,345	333	2,498	-
Transfer to subsidiary	-	-	(7)	710
Interest expense	392,655	369,172	1,915	4,422
Exchange translation (opening)	51,905	(15,196)	35,713	(4,802)
Exchange rate adjustment	(65,406)	162,442	(8,690)	48,866
<i>Movements in working capital items:</i>				
Inventories	(505,612)	(269,441)	17,108	56,327
Receivables	138,679	41,880	(43,690)	45,772
Directors' balances	823	212	-	-
Related parties	-	-	(571,905)	150,530
Payables	(262,206)	359,213	42,069	(10,548)
Net cash (used in)/generated from operations	<u>(186,095)</u>	<u>453,368</u>	<u>(507,768)</u>	<u>340,494</u>

**(b) Analysis of changes in borrowings**

At the beginning of the year	2,699,613	2,402,358	215,958	451,011
Loans received	7,169,229	4,344,004	1,225,484	588,757
Repayments	(6,398,648)	(4,209,191)	(918,596)	(872,676)
Exchange rate adjustments	(65,406)	162,442	(8,690)	48,866
At the end of the year	<u>3,404,788</u>	<u>2,699,613</u>	<u>514,156</u>	<u>215,958</u>

**(c) Analysis of cash and cash equivalents**

Cash and bank balances	192,728	182,212	8,134	11,129
Bank overdrafts (note 23)	(103,809)	(113,769)	(46,370)	(46,284)
	<u>88,919</u>	<u>68,443</u>	<u>(38,236)</u>	<u>(35,155)</u>

The carrying amount of cash and cash equivalents recognised in the financial statements approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 26 CAPITAL COMMITMENTS

	2016 Sh '000	2015 Sh '000
Authorised and contracted for	-	-
Authorised but not contracted for	42,209	15,290

## 27 CONTINGENT LIABILITIES

	2016 Sh '000	2015 Sh '000
<b>GROUP</b>		
Sundry bank guarantees	84,927	62,229
<b>COMPANY</b>		
Guarantees in respect of bank facilities for subsidiaries	3,616,094	3,315,555
Sundry bank guarantees	84,927	62,229
	3,701,021	3,377,784

**LITIGATION**

A lawsuit was filed during the year by a third party against the company jointly with four other parties for a claim for adverse possession of a parcel of land owned by the Group and is included in investment properties (note 12) at a carrying value of Sh 82,500,000. The directors, based on advice received from the company's lawyers, are of the opinion that there is no unfavourable exposure to the Group and therefore no provision has been made against the asset in these financial statements.

The group is a defendant in various other 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 to the Group.

## 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:

	2016 Sh '000	2015 Sh '000
Within one year	55,612	68,018
In the second to fifth year inclusive	32,584	103,519
	88,196	171,537

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**28 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY** (continued)

Operating leases relate to the investment properties owned by the Group with lease terms of between 1 to 5 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment property and direct operating expenses arising on the investment properties for the year are set out in note 12.

*The Group as a lessee*

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

	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>
Within one year	74,229	74,177
In the second to fifth year inclusive	246,862	268,128
	<u>321,091</u>	<u>342,305</u>

Operating leases relate to leases of buildings with lease terms of between 1 and 5 years. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

**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.

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>
Borrowings repaid	<u>580,534</u>	<u>253,656</u>	<u>59,972</u>	<u>223,473</u>
Borrowings received	<u>485,476</u>	<u>467,405</u>	<u>9,004</u>	<u>283,248</u>
Interest paid	<u>34,379</u>	<u>25,704</u>	<u>13,162</u>	<u>19,722</u>
Loan balance at year end	<u>151,929</u>	<u>250,032</u>	<u>19,389</u>	<u>82,619</u>
Overdraft balance at year end	<u>55,302</u>	<u>58,256</u>	<u>46,311</u>	<u>46,056</u>

---

**NOTES TO THE FINANCIAL STATEMENTS** (continued)
**29 RELATED PARTY TRANSACTIONS** (continued)**Compensation of key management personnel**

The remuneration of directors and other members of key management during the period was as follows:

	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>
Salaries and other benefits	280,620	268,073
Fees for services as directors	4,377	3,225
Other emoluments for executive directors (included in key management compensation above)	25,905	29,488
	<u>30,282</u>	<u>32,713</u>

**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 funding 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.

	<b>2016</b> <b>Sh '000</b>	<b>2015</b> <b>Sh '000</b>
Equity	3,238,539	3,021,113
Total borrowings (note 23)	3,508,597	2,813,382
Less: cash and bank balances	(192,728)	(182,212)
Net debt	<u>3,315,869</u>	<u>2,631,170</u>
Gearing Ratio	<u>102%</u>	<u>87%</u>

**31 FINANCIAL RISK MANAGEMENT OBJECTIVES**

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

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

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**31 FINANCIAL RISK MANAGEMENT OBJECTIVES** (continued)

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 2016 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	683,655	776,324	130,629	1,590,608
Due from directors	79	-	-	79
Bank balances	192,728	-	-	192,728
	<u>876,462</u>	<u>776,324</u>	<u>130,629</u>	<u>1,783,415</u>

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2015 is made up 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
	<u>1,068,279</u>	<u>733,171</u>	<u>123,211</u>	<u>1,924,661</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2016						
<b>Liabilities</b>						
Trade payables	162,017	1,340,936	136,370	23,491	-	1,662,814
Borrowings	841,202	1,787,105	760,792	119,498	-	3,508,597
Total financial liabilities	<u>1,003,219</u>	<u>3,128,041</u>	<u>897,162</u>	<u>142,989</u>	<u>-</u>	<u>5,171,411</u>
At 30 September 2015						
<b>Liabilities</b>						
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	<u>646,125</u>	<u>2,868,543</u>	<u>944,603</u>	<u>328,910</u>	<u>-</u>	<u>4,788,181</u>

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
<b>2016</b>							
<b>Assets</b>							
Bank and cash balances	11,502	289	1,620	10,380	-	17	-
Trade receivables	362,365	250	7,633	-	-	3,632	-
	<u>373,867</u>	<u>539</u>	<u>9,253</u>	<u>10,380</u>	<u>-</u>	<u>3,649</u>	<u>-</u>
<b>Liabilities</b>							
Trade payables	<u>1,338,459</u>	<u>9,340</u>	<u>-</u>	<u>-</u>	<u>9,783</u>	<u>5,104</u>	<u>45,691</u>
<b>2015</b>							
<b>Assets</b>							
Bank and cash balances	66,956	550	119	6,070	-	90	-
Trade receivables	508,625	250	7,633	-	-	3,632	-
	<u>575,581</u>	<u>800</u>	<u>7,752</u>	<u>6,070</u>	<u>-</u>	<u>3,722</u>	<u>-</u>
<b>Liabilities</b>							
Trade payables	<u>1,159,569</u>	<u>1,573</u>	<u>-</u>	<u>-</u>	<u>2,824</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

*Market risk (continued)*

(i) Foreign exchange risk (continued)

*Foreign currency sensitivity analysis*

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

	2016 Sh'000 Effect on profit	2015 Sh'000 Effect on profit
Currency – US Dollar USD		
+ 10 % KSh Movement	96,459	58,399
- 10 % KSh Movement	(96,459)	(58,399)
Currency – Euro (Euro)		
+ 10 % KSh Movement	880	77
- 10 % KSh Movement	(880)	(77)
Currency South Sudan Pound (SSP)		
+ 10 % KSh Movement	(925)	(775)
- 10 % KSh Movement	925	775
Currency Rwandese Francs (RWF)		
+ 10 % KSh Movement	(1,038)	607
- 10 % KSh Movement	1,038	(607)
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	978	282
- 10 % KSh Movement	(978)	(282)
Currency – British Pound (GBP)		
+ 10 % KSh Movement	146	(372)
- 10 % KSh Movement	(146)	372
Currency – South Africa Rand (ZAR)		
+ 10 % KSh Movement	4,569	-
- 10 % KSh Movement	(4,569)	-

(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 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2016						
<b>Financial assets</b>						
Cash and bank balances	192,728	-	-	-	-	192,728
<b>Liabilities</b>						
Total financial liabilities	(841,202)	(1,787,105)	(760,792)	(119,498)	-	(3,508,597)
Interest sensitivity gap	(648,474)	(1,787,105)	(760,792)	(119,498)	-	(3,315,869)



**NOTES TO THE FINANCIAL STATEMENTS** (continued)

**31 FINANCIAL RISK MANAGEMENT OBJECTIVES** (continued)

*Market risk (continued)*

(ii) Interest rate risk (continued)

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2015						
<b>Financial assets</b>						
Cash and bank balances	182,212	-	-	-	-	182,212
<b>Liabilities</b>						
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)

*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.

	2016 Sh'000 Effect on profit	2015 Sh'000 Effect on profit
+ 1% Movement	(33,159)	(26,312)
-1 % Movement	33,159	26,312

(iii) Price risk

As at 31 December 2016, the group did not hold financial instruments that are subject to price fluctuations.

**32 FAIR VALUE OF INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT (Land and Buildings)**

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 properties and property, plant & equipment (land and buildings).

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).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**32 FAIR VALUE OF INVESTMENT PROPERTIES AND PROPERTY, PLANT & EQUIPMENT (Land and Buildings) (continued)**  
**Fair value of the Group's investment properties and property, plant & equipment (land and buildings) that is measured at fair value on a recurrent basis**

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant un-observable inputs	Relation-ship of unobservable inputs to fair value
	30/9/16 Sh'000	30/9/15 Sh'000				
Investment property (Group)	2,555,412	2,598,250	Level 2	Open Market valuation on investment basis	N/A	N/A
Investment property (Company)	1,445,092	1,548,250	Level 2	Open Market valuation on investment basis	N/A	N/A
Property, plant and equipment (Group) (Land and Buildings)	1,125,950	820,196	Level 2	Open Market valuation on investment basis	N/A	N/A
Property, plant and equipment (Company) (Land and Buildings)	450,000	464,867	Level 2	Open Market valuation on investment basis	N/A	N/A

The fair values of the investment properties and land and buildings were determined based on the open market comparable approach that reflects recent transaction prices for similar properties and considering highest and best use.

There were no transfers between Level 1, 2 or 3 during the year.

**33 EVENTS AFTER THE REPORTING PERIOD**

On 15 September Cummins and Car & General signed the final agreements for a joint venture partnership to consolidate the sales, service and support of Cummins products in East Africa. The joint venture will operate under the name of Cummins C&G Holdings Ltd. Subject to certain regulatory and procedural approvals, the new joint venture will begin operations in March or April 2017.

**34 INCORPORATION**

The Company is domiciled and incorporated in Kenya as a public limited liability company under the Companies Act.

**35 CURRENCY**

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



PROXY

I/We .....

of .....

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 Wednesday, 22nd March 2017 at 11.00 a.m., and at any adjournment thereof.

Dated this ..... day of ..... 2017

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.
5. Registration of members and proxies attending the Annual General Meeting on 22nd March 2017, will commence at 10.00 a.m. Production of a National Identity Card/passport, a current Central Depository Statement of Account or Share Certificates for shares held in the Company will be required for registration.

