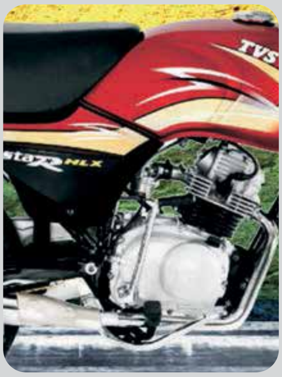
CAR and GENERAL

Car & General (Kenya) PLC

Kenya • Uganda • Tanzania • Rwanda • South Sudan



Power for better living

Annual report 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS	-	Chairman
V V Gidoomal	-	Managing Director
S P Gidoomal		
P Shah		
M Soundararajan*		
C M Ngini	-	Appointed (25 July 2017)
G M Mboya	-	Appointed (25 January 2018)

* 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

PRINCIPAL BANKERS

Kenya
Standard Chartered Bank Kenya Limited
I & M Bank Limited
Guaranty Trust Bank (Kenya) Limited
Family Bank Limited
KCB Bank Kenya Limited
Co-operative Bank of Kenya Limited

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

Uganda
Standard Chartered Bank Uganda Limited

South Sudan
KCB Bank Limited

Rwanda
KCB Bank Rwanda Limited

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

CORPORATE INFORMATION (continued)

SUBSIDIARY COMPANIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 00200 Nairobi	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles and vehicles, commercial laundry equipment, commercial engines and general goods.
Car & General (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 services of power equipment, motor cycles, three wheeler vehicles, commercial engines and domestic appliance.
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.
Progen Company Limited P O Box 20001, 00200 - Nairobi	Property holding company.
Car & General (Rwanda) Limited Plot 1403, Muhima Road P O Box 7238, Kigali, Rwanda	Sales and service of power equipment, marine engines, motor cycles, three-wheeler vehicles, commercial engines and general goods.
BRANCH	
Car & General (Kenya) PLC - Juba Plot No. 15, Kator, Tumbla Road Juba - South Sudan	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles and vehicles, commercial laundry equipment, commercial engines and general goods. The branch was dormant during the year.

The company also has the following dormant subsidiaries in Kenya:

(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
(g) Dewdrops Limited

ASSOCIATE COMPANY	ACTIVITIES
Watu Credit Limited P O Box 10556 - 80101 Nyali	Microfinance services

JOINT VENTURE

Cummins C&G Holdings Limited C/o Minerva Fiduciary Services (Mauritius) Ltd Suite 2004, Level 2 Alexander House 35 Cybercity Ebene Republic of Mauritius	Sale and service of commercial engines and power equipment

CAR and GENERAL

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the seventy–eighth Annual General Meeting of Car & General (Kenya) PLC will be held at Azure Hotel, Lantana Road, Westlands, Nairobi on Monday, 26th March 2018 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 2017.
2. To receive and approve the Directors' Remuneration report (other than the part containing the Directors' Remuneration Policy) for the financial year ended 30th September 2017.

   Shareholders are invited to cast their vote on the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy, referred to in resolution 3 below), which appears on pages 14 to 15 of the Annual Report and Financial Statements for the year ended 30th September 2017.
3. To receive and approve Directors' Remuneration Policy, which will take effect from the date of its approval.

   The Directors are required to propose an ordinary resolution to approve Directors' Remuneration Policy which forms part of the Directors' Remuneration Report. The Directors' Remuneration is set out on pages 14 to 15 of the Annual Report and Financial Statements for the year ended 30th September 2017.

   Shareholders are invited to cast their binding vote on resolution 3, which, if passed, will mean that the Directors are only permitted to make remuneration payments in accordance with the approved policy.
4. To declare a final dividend of KShs 0.60 per share as recommended by the Directors to the shareholders.
5. To elect Directors:
   (a) Mr N Ng'ang'a who is over the age of 70 and who retires by rotation and, being eligible, offers himself for re-election.
   (b) Mr P Shah retires by rotation and, being eligible, offers himself for re-election.
   (c) Mr C M Ngini who was appointed a Director of the Company with effect from 25th July 2017 retires in accordance with the Company's Articles of Association and being eligible offers himself for re-election.
   (d) Ms G M Mboya who was appointed a Director of the Company with effect from 26th January 2018 retires in accordance with the Company's Articles of Association and being eligible offers herself for re-election.
6. To appoint the Audit Committee:

   Mr P Shah (Chairman), Mr M Soundararajan, Mr S P Gidoomal and Mr C M Ngini being members of the Audit Committee be re-appointed to continue to serve as members of the said Committee in accordance with The Companies Act, 2015.
7. To appoint 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

8. To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

   That in terms of Section 329 of The Companies Act, the Directors are hereby authorized to allot Ordinary Shares of KShs 5/- each of the Company up to a maximum of 1,500,000 Ordinary Shares of KShs 5/- each at any time or times up to and including 5 years of the date of this resolution when this resolution shall expire.

BY ORDER OF THE BOARD

N P Kothari
Secretary
1st February 2018

(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 26th March 2018, 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 STATEMENT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

"Turnover for the year ending September 2017 was Sh 9.6 billion which was 1% below Sh 9.7 billion achieved the previous financial year"

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

The year to September 2017 proved extremely challenging. As alluded to in our mid year statement, risk aversion, constrained liquidity conditions and politics restricted market growth in all product lines except two wheeler sales. As a result our two wheeler and three wheeler businesses remained solid. Our equipment businesses (namely generators, tractors, construction equipment and forklifts) experienced declines in line with shrinkage in market size of approximately 20%.

Our investment property business saw reasonable gains this year given current market conditions. We continue to review the property portfolio to ensure it generates satisfactory returns. In this regard, we are planning to invest in our property portfolio this year. We are also planning to divest non core properties. Any proceeds will be applied to the reduction of borrowings.

As a result of the above, like for like turnover for the year ending September 2017 was Sh 9.6 billion which was 1% below Sh 9.7 billion achieved the previous financial year. The reported turnover figure of Sh 9.6 excludes sales from our joint venture with Cummins which are no longer consolidated being a 50:50 partnership. Profit after tax over the same period was Sh 80 million which is lower than Sh 89 million made during the same period last year. Profitability has been impacted by a foreign exchange loss of Sh 61.8 million. It was also necessary to make non recurrent debtor provisions (specifically one tenant in the retail sector) and inventory write downs.

The highlight of the financial year was the growth in volume in our consumer businesses particularly in motorcycles. 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. We are certainly a more disciplined business and this will bear fruit as volumes grow.

In addition, we signed a joint venture agreement with Cummins to form a partnership. This was concluded on 31st March 2017.

Going forward, we are positive the economic environment will improve given the recently concluded election. We have made all necessary manpower and infrastructure investments – we now need to grow volume and market share on an efficient base.

I now comment more specifically below:

The Consumer Business

Our small engine business, in terms of power products, two-wheelers and three-wheelers, saw a general increase in sales. Our product and value proposition is strong especially when coupled with our aftermarket offerings.

CHAIRMAN'S STATEMENT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 (continued)

We expect market share to increase in 2017/2018 having launched a new 150cc motorcycle and a new petrol 3 wheeler.

Assuming stability, we expect our consumer markets to grow this year.

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 declined in 2016/2017. Our challenge remains growth of market share and our ability to differentiate ourselves. Our investments in our aftermarket business are now yielding results and will differentiate us from competition. We have significant scope for growth in all equipment lines particularly if markets grow as well.

The fundamentals of our Ingersoll Rand business have been established.

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 have now largely liquidated.

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

Shared Services

The operation continues to earn rent from all group properties 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 have invested in a new ERP, SAP, in 2017. Implementation will be completed by March 2018. This will significantly improve management information systems.

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 volume growth has resumed.

Car & General (Uganda) Limited

The operation performed reasonably this year.

Car & General Rwanda and South Sudan

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

Kibo Poultry Products Limited

This operation had a difficult year. We expect a return to profitability in 2018 having significantly downsized the operation.

CHAIRMAN'S STATEMENT - FINANCIAL YEAR ENDED 30 SEPTEMBER 2017 (continued)

The Future

Our portfolio of niche engine products is now complete and offers significant scope for further growth. All significant investments have been made. Trading conditions this financial year look positive now that political stability has returned. We expect reasonable growth in all businesses. This volume will be critical to the profitability of the Group recognizing that our newer businesses are yet to achieve critical scale. Our focus will be on generating growth and establishing leading positions in core products in their respective markets. Critical to success will be to maintain high market share across the board and to operate more efficiently in terms of working capital, particularly in our equipment businesses, to reduce debt exposures and generate positive cash flow. We are confident that we are well positioned to achieve these goals.

Given the consumption of capital in our equipment business and our plans to grow the business generally, the Director recommend the payment of a conservative dividend of Sh 24,061,985 (Sh 0.60 per share) in respect of the year ended 30 September 2017.

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

N Nganga – CHAIRMAN

26 January 2018

1. Group Managing Director Car & General, Vijay Gidoomal (left), a share holder (center) and Chairman Car & General, Nicholas Ng'ang'a (right) go through the company's annual report at the AGM 2017.

2. Group Managing Director, Vijay Gidoomal (2nd right) shakes hands with the Managing Director and Vice President of Cummins Middle East, Gino Butera (2nd left) during the signing in of a joint venture agreement. Looking on are Cummins Inc President Distribution business, Tony Satterthwaite (left) and Cummins Inc. MD Africa Middle East distribution , Rasid Quenniche (Right)

3. Car & General GMD, Vijay Gidoomal (center) and Ingersoll-Rand VP Middle East Asia & Africa, Amar Kumar (right) shake hands during the manufacture's visit to Car & General, looking on is Car & General Branch Manager, Charles Ndegwa (Left)

4. Ag. Head of Marketing & Corporate Affairs Standard Chartered Bank Kenya , Hellen Nangonzi (right) presents a cheque to 2016 standard chartered marathon 42 KMS winner, Robert Kipkemboi (2nd right). He also won a Garmin forerunner 630 fitness watch from Car & General's Branch Manager, Charles Ndegwa (2nd left) & Garmin EA representative, Brian Olimba (left)

5. TVS Asst. General Manager International Business, Gurmeet Sign (right), GMD Car & General, Vijay Gidoomal (2nd right), Car & General Trading MD, David Chesoni (left) and a TVS dealer (2nd left) during the launch of the HLX Star 150 into the Kenyan market. The HLX 150 has state of the art features including a USB charging port, gear position indicator, fuel gauge, third pillion footrest with plate, stylish dashboard, hazard lamp and headlamp visor.

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Group's Board of Directors is responsible for the governance of the Group and is accountable to the shareholders for ensuring that the Group complies with the law, the highest standards of corporate governance and business ethics. The directors attach great importance to the need to conduct the business and operations of the Company and the Group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of Directors

The full Board meets at least four times a year. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Group Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the Group's overall internal control over financial, operational and compliance issues.

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

Committees of the Board

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

Audit Committee

The Board has 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 four non-executive directors, P Shah (Chairman), M Soundararajan. C M Ngini and S P Gidoomal. Internal and external auditors and other company executives attend on invitation 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.

Nominations Committee

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

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

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.

CORPORATE GOVERNANCE REPORT (continued)

Internal controls (continued)

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

Chief Financial Officer

The Chief Financial Officer, Mr. H Wakanene, is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Distribution of shareholders as at 30 September 2017

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of Shareholding
Less than 500	84,005	535	0.21
500 - 5,000	698,194	388	1.74
5,001 - 10,000	684,649	93	1.71
10,001 - 100,000	2,301,654	87	5.74
100,001 - 1,000,000	4,830,218	16	12.04
above 1,000,000	31,504,588	10	78.56
Total	40,103,308	1,129	100.00

Top ten shareholders

	30 September 2017	
	No of shares	Percentage
Fincom Limited	13,033,419	32.50
Monyaka Investments Limited	5,017,112	12.51
Betrin Limited	3,387,159	8.45
Paul Wanderi Ndung'u	3,209,961	8.00
Investment & Mortgages Nominees Ltd A/C 001948	3,000,000	7.48
Primaco Limited	2,545,623	6.35
Vapa Limited	1,840,518	4.59
Investment & Mortgages Nominees Ltd A/C 001947	1,105,023	2.75
Nairobi Commercial Continental Limited	540,000	1.35
Cannon Assurance (K) Limited	474,040	1.18
	34,152,855	85.16

Directors' direct shareholding

V V Gidoomal	1,584
N Ng'ang'a	5,448

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited consolidated and company financial statements (hereinafter, "financial statements") of Car & General (Kenya) PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 30 September 2017, which discloses the state of the Group's financial affairs.

ACTIVITIES

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

CHANGE OF NAME

The name of the Company was changed from Car & General (Kenya) Limited to Car & General (Kenya) PLC with effect from 26 September 2017 in conformity with the requirements of the Kenyan Companies Act, 2015.

GROUP RESULTS

	2017
	Sh'000
Profit before taxation	98,305
Taxation charge	(18,464)
Profit for the year transferred to retained earnings	79,841
Attributable to:	
Owners of the parent	68,480
Non-controlling interests	11,361
	79,841

DIVIDEND

The directors propose the payment of a first and final dividend of Sh 24,061,985 (Sh 0.60 per share), (2016 - Nil) in respect of the year.

DIRECTORS

The present board of directors is shown on page 2. Amb B Kiplagat passed away on 14 July 2017. Mr Carey M Ngini was appointed director on 25 July 2017. Mrs G M Mboya was appointed a director on 25 January 2018.

ENHANCED BUSINESS REVIEW

The general business environment in the region has been challenging on the back of weak economic growth and declining disposable incomes. Growth in the East African economies averaged just over 5%. The weak growth is underpinned by constrained credit conditions, drought across the region and a prolonged election in Kenya. It is expected that economic recovery will commence in the second quarter of 2018.

As a result, the group's markets have remained challenging during the financial year ended 30 September 2017. Apart from the motorcycle market, all other markets have declined in size, particularly the Equipment businesses (namely generators, construction equipment, tractors and forklifts). The group has therefore not been able to achieve its growth objectives which are critical to building business scale. In addition, it was also necessary to make non recurrent debtor provisions (specifically one tenant in the retail sector) and inventory write downs.

Management continues to implement the growth strategy with the focus being establishing leading positions in core products in their respective markets. It is expected that markets will resume expansion in 2018 now that confidence has been reasserted.

The group now has a great stable of quality brands and products catering to significant markets which are now well positioned to grow once economic prosperity resumes.

Environmental matters

The Group continues to be conscious about environmental aspects and operates accordingly and is in compliance with all fuel emission standards and best practice safety processes. Safety is paramount in our operations and we strive to provide a safe working environment for our staff and all other stakeholders.

REPORT OF THE DIRECTORS (continued)

Enhanced business review (continued)

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.

As at 30 September 2017, Car & General's staff headcount stood at 641 (2016: 736). In the current year 74 employees in Car & General (Kenya) were transferred to Cummins C&G Limited.

Social community issues

The Group continues to support the eye clinic and water security programs. We are now closely embarking on an education initiative in line with the current government strategy.

BOARD AUDIT

The Directors recommend that Mr P Shah, Mr M Soundararajan, Mr C M Ngini and Mr S P Gidoomal the members of the Board Audit Committee, be re-appointed as members of the Committee in accordance with provisions of Section 769 of the Kenyan Companies Act 2015.

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.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of the Kenyan Companies Act, 2015.

BY ORDER OF THE BOARD

Secretary
Nairobi
26 January 2018

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report sets out the policy that has been applied by the Company to remunerate Executive and Non-Executive Directors.

Remuneration policy

The Recruitment and Remuneration Committee considers the remuneration policy annually to ensure that it remains aligned to business needs and directors are fairly rewarded with regard to the responsibilities taken.

The committee makes its recommendation to the Main Board. The entire Board then collectively decides what is put to shareholders for approval. For the financial year ending 30 September 2018, the following is the recommended remuneration for Non- executive Directors.

Annual basic retainer fee

	Board Committee Ksh
Main Board Chairman	107,312
Audit Committee Chairman	96,851
Other Directors	85,850

Sitting allowance

	Board Committee Ksh	Audit Committee Ksh	Nomination and Remuneration Committee Ksh	Other Committee Ksh
Chairman	107,312	96,581	71,541	71,541
Other Directors	85,850	71,541	71,541	71,541

Executive Directors

The Executive Directors' remuneration is designed to attract talented persons with relevant skills and experience required for the job.

Non-Executive Directors

The company appoints as Non- executive Directors persons with wide range of strategic and operational experience gained in other businesses or organizations.

Non-Executive Directors earn an annual basic retainer fee and sitting allowance per meeting attended.

Insurance

The Company has taken a Directors' and Officers' Liability Insurance Cover for all Directors of the Company.

Shareholding requirements

The remuneration of Directors is paid in cash. As per Memorandum and Articles of Association of the Company, there is no requirement for Directors to hold shares in the Company.

Terms of appointment and termination

The Executive Directors have a service contract with the Company and are in the Company's pension scheme. The contract may be terminated by giving six months' notice.

The Non-Executive Directors do not have service contracts with the Company but are issued with letters of appointment. On exit from the company as a Director, a Non-Executive Director is only entitled to any accrued but unpaid Directors fees.

DIRECTORS' REMUNERATION REPORT (continued)

Remuneration

The remuneration of Directors is set out below.

	Salaries and benefits Sh '000	Pension scheme Sh '000	Directors' fees Sh '000	Total Sh '000
30 September 2017				
Executive directors				
Mr V V Gidoomal	15,850	182	-	16,032
Non – Executive Directors				
Mr N Ng'ang'a EBS	-	-	865	865
Mr S P Gidoomal	-	-	1,038	1,038
Amb B Kiplagat	-	-	160	160
Mr P Shah	-	-	1,617	1,617
Mr M Soundararajan	-	-	985	985
Mr C M Ngini	-	-	80	80
Total	15,850	182	4,745	20,777
30 September 2016				
Executive directors				
Mr V V Gidoomal	15,485	182	-	15,667
Mr E M Grayson	14,866	137	-	15,003
Non – Executive Directors				
Mr N Ng'ang'a EBS	-	-	847	847
Mr S P Gidoomal	-	-	1,025	1,025
Amb B Kiplagat	-	-	625	625
Mr P Shah	-	-	1,135	1,135
Mr M Soundararajan	-	-	745	745
Total	30,351	319	4,377	35,047

BY ORDER OF THE BOARD

Secretary
Nairobi
26 January 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company and group (hereinafter, the "Group) as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the Group maintains proper accounting records that are sufficient to show and explain the transactions of the Group and to disclose, with reasonable accuracy, the financial position of the Group. The directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) selecting suitable accounting policies and applying them consistently; and
(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 26 January 2018 and signed on its behalf by:

N Ng'ang'a Director	V V Gidoomal Director

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place,
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
Nairobi, Kenya
Tel: +254 (20) 423 0000
Cell: +254 (0) 719 039 000
Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAR & GENERAL (KENYA) PLC (formerly Car & General (Kenya) Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of Car & General (Kenya) PLC (the "company") and its subsidiaries (together the "group"), set out on pages 21 to 75, which comprise the consolidated and company statements of financial position as at 30 September 2017, 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.
In our opinion, the consolidated and company financial statements give a true and fair view of the consolidated and company financial positions as at 30 September 2017 and its consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), which is consistent with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment properties and land and buildings included in property, plant and equipment	
The carrying value of investment properties and land and buildings amounted to Sh 2.8 billion and Sh 1.2 billion respectively, (in total Sh 4 billion) and the net fair value adjustment recorded in the profit for the year in respect of investment properties and land and buildings was Sh 170 million and Sh 52 million respectively, (in total Sh 222 million). These properties are disclosed in notes 13, 14, 15 and 16 to the financial statements.	We assessed the competence, capabilities and objectivity of the group's independent valuers and verified their qualifications. In addition, we discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitations upon him. We confirmed that the approaches they used are consistent with International Financial Reporting Standards (IFRS) and industry norms.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Significant judgment is required by the directors in determining the fair value of these fixed assets and, for the purposes of our audit, we identified the valuation of investment properties and land and buildings as representing a key audit matter due to the significance of the balance to the financial statements as well as the estimate uncertainty associated with determining their fair value. The group uses independent valuers to determine the fair values for all of the properties annually on an open market basis and considering their highest and best use. The inputs with the most significant impact on the valuations for buildings include future cash flows and market-related cash flows and discount rates while the inputs with the most significant impact for land include assumptions made in identifying properties that are similar to the group's land from recent sales of neighbouring properties.	We evaluated directors' assessment and the valuers' judgements in relation to the models used and the significant assumptions made. Our audit procedures also focused on reviewing the reasonableness of assumptions made and methodologies used to ensure that they are reasonable and appropriate given our understanding of similar valuations. We found that the models used for the various property valuation were appropriate and the significant assumptions made and methodology used to be reasonable and appropriate.

Other Information

The directors are responsible for the other information, which comprises the corporate information on pages 2 to 3, chairman's statement on pages 5 to 7, corporate governance report on pages 10 to 11, report of the directors' on pages 12 to 13, directors remuneration report on pages 14 to 15 and statement of directors' responsibilities on page16. The other information does not include the consolidated and company financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Directors and those charged with governance for the financial statements

The directors are responsible for the preparation of the 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 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.

Report on the Audit of the Financial Statements (continued)

Responsibilities of Directors and those charged with governance for the financial statements (continued)

In preparing the consolidated and company financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and group to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain responsible for our audit opinion.

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Board Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Matters Prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors' report on pages 12 to 13 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 14 to 15 has been prepared in accordance with the Kenyan Companies Act, 2015.

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

Certified Public Accountants (Kenya)

Nairobi, Kenya

26 January 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 Sh'000	2016 Sh'000
REVENUE	4(b)	9,635,150	9,735,788
COST OF SALES		(8,184,936)	(8,152,768)
GROSS PROFIT		1,450,214	1,583,020
OTHER INCOME	5	257,508	32,506
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	229,496	153,761
SELLING AND DISTRIBUTION COSTS		(622,406)	(614,235)
ADMINISTRATIVE EXPENSES		(739,836)	(621,259)
FINANCE COSTS	6	(407,625)	(392,655)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(61,878)	9,140
SHARE OF LOSS IN AN ASSOCIATE	19	(1,221)	-
SHARE OF LOSS IN A JOINT VENTURE	20	(5,947)	-
PROFIT BEFORE TAXATION	7	98,305	150,278
TAXATION CHARGE	9	(18,464)	(61,406)
PROFIT FOR THE YEAR		79,841	88,872
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property, net of deferred tax		52,326	103,794
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(12,899)	24,760
		39,427	128,554
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		119,268	217,426
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		68,480	89,057
Non-controlling interests	10	11,361	(185)
Profit for the year		79,841	88,872
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		107,907	217,611
Non-controlling interests	10	11,361	(185)
Total comprehensive income for the year		119,268	217,426
		Sh	**Sh**
EARNINGS PER SHARE – basic and diluted	11	1.71	2.22

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 Sh'000	2016 Sh'000
REVENUE		89,796	122,116
DIRECT COSTS		(3,989)	(20,437)
GROSS PROFIT		85,807	101,679
OTHER INCOME		27,952	16,498
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	168,824	102,203
SELLING AND DISTRIBUTION COSTS		-	(11,862)
ADMINISTRATIVE EXPENSES		(132,730)	(67,404)
FINANCE COSTS		(2,902)	(1,915)
NET FOREIGN EXCHANGE LOSSES		(6,626)	(32,090)
PROFIT BEFORE TAXATION		140,325	107,109
TAXATION (CHARGE)/CREDIT	9	(59,321)	18,033
PROFIT FOR THE YEAR		81,004	125,142
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property, net of deferred tax		32,900	22,854
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(15,160)	17,389
		17,740	40,243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,744	165,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	Notes	2017 Sh'000	2016 Sh'000
ASSETS			
Non-current assets			
Investment properties	13	2,778,042	2,555,412
Property, plant and equipment	15	1,408,213	1,417,614
Intangible assets	17	16,331	3,557
Investment in an associate	19	26,815	-
Investment in joint venture	20	222,442	-
Deferred tax asset	25(b)	135,951	61,762
		4,587,794	4,038,345
Current assets			
Inventories	21	2,898,840	3,598,384
Trade and other receivables	22	1,452,970	1,829,998
Due from directors	23(a)	31	79
Due from related parties	23(c)	147,522	-
Corporate tax recoverable	9(c)	51,075	45,664
Cash and bank balances	28(c)	261,775	192,728
		4,812,213	5,666,853
Total assets		9,400,007	9,705,198
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	200,516	200,516
Revaluation surplus		647,412	604,493
Retained earnings		2,349,133	2,271,246
Exchange translation reserve		(35,802)	(22,903)
Equity attributable to owners of the parent		3,161,259	3,053,352
Non-controlling interests	10	196,548	185,187
Total equity		3,357,807	3,238,539
Non-current liabilities			
Deferred tax liability	25(b)	779,478	710,939
Borrowings	26	426,993	119,498
		1,206,471	830,437
Current liabilities			
Borrowings	26	3,118,919	3,389,099
Trade and other payables	27	1,716,668	2,245,456
Corporate tax payable	9(c)	142	1,667
		4,835,729	5,636,222
Total equity and liabilities		9,400,007	9,705,198

The financial statements on pages 21 to 75 were approved by the board of directors on 26 January 2018 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 2017

	Notes	2017 Sh'000	2016 Sh'000
ASSETS			
Non current assets			
Investment properties	13	1,607,662	1,445,092
Property, plant and equipment	16	499,282	462,791
Intangible assets	17	2,381	2,977
Investment in subsidiaries	18	26,844	26,844
		2,136,169	1,937,704
Current assets			
Inventories	21	-	15,171
Trade and other receivables	22	32,304	84,870
Due from directors	23(a)	31	79
Due from subsidiaries	23(b)	805,325	835,027
Due from related parties	23(c)	132,463	-
Corporate tax recoverable	9(c)	17,261	1,182
Cash and bank balances	28(c)	20,305	8,134
		1,007,689	944,463
Total assets		3,143,858	2,882,167
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	200,516	200,516
Revaluation surplus		407,319	380,340
Retained earnings		1,136,249	1,049,324
Exchange translation reserve		3,329	18,489
Total shareholders' funds		1,747,413	1,648,669
Non current liabilities			
Deferred tax liability	25(a)	599,248	536,560
Borrowings	26	6,614	5,563
		605,862	542,123
Current liabilities			
Borrowings	26	101,585	554,963
Trade and other payables	27	46,251	85,025
Due to subsidiaries	23(d)	642,747	51,387
		790,583	691,375
Total equity and liabilities		3,143,858	2,882,167

The financial statements on pages 21 to 75 were approved by the board of directors on 26 January 2018 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 2017

	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
Year ended 30 September 2016							
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 net of deferred tax	-	103,794	-	-	103,794	-	103,794
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
Year ended 30 September 2017							
At 1 October 2016	200,516	604,493	2,271,246	(22,903)	3,053,352	185,187	3,238,539
Profit for the year	-	-	68,480	-	68,480	11,361	79,841
Revaluation surplus on property net of deferred tax	-	52,326	-	-	52,326	-	52,326
Exchange difference arising on translation of foreign operations	-	-	-	(12,899)	(12,899)	-	(12,899)
Total comprehensive income for the year	-	52,326	68,480	(12,899)	107,907	11,361	119,268
Transfer of excess depreciation	-	(12,449)	12,449	-	-	-	-
Deferred tax on excess depreciation transfer	-	3,042	(3,042)	-	-	-	-
At 30 September 2017	200,516	647,412	2,349,133	(35,802)	3,161,259	196,548	3,357,807

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Exchange translation reserve Sh '000	Total Sh '000
Year ended 30 September 2016					
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 net of deferred tax	-	22,854	-	-	22,854
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
Year ended 30 September 2017					
At 1 October 2016	200,516	380,340	1,049,324	18,489	1,648,669
Profit for the year	-	-	81,004	-	81,004
Revaluation surplus on property net of deferred tax	-	32,900	-	-	32,900
Exchange difference arising on translation of foreign branch	-	-	-	(15,160)	(15,160)
Total comprehensive income for the year	-	32,900	81,004	(15,160)	98,744
Transfer of excess depreciation	-	(8,459)	8,459	-	-
Deferred tax on depreciation transfer	-	2,538	(2,538)	-	-
At 30 September 2017	200,516	407,319	1,136,249	3,329	1,747,413

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 Sh'000	2016 Sh'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	28(a)	633,186	(186,095)
Corporate tax paid	9(c)	(40,613)	(37,124)
Net cash generated from/(used in) operating activities		592,573	(223,219)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(57,795)	(357,309)
Purchase of intangible assets	17	(13,731)	-
Investment in associate company	19	(26,815)	-
Investment in joint venture	20	(222,442)	-
Proceeds on disposal of net assets to joint venture		187,144	-
Proceeds on disposal of investment properties		-	225,000
Proceeds on disposal of property, plant and equipment		10,009	2,250
Net cash used in investing activities		(123,630)	(130,059)
Cash flows from financing activities			
Loans received	28(b)	5,107,571	7,169,229
Loans repaid	28(b)	(4,997,684)	(6,398,648)
Interest paid	6	(407,625)	(392,655)
Net cash (used in)/generated from financing activities		(297,738)	377,926
Net increase in cash and cash equivalents		171,205	24,648
Cash and cash equivalents at the beginning of year		88,919	68,443
Effects of exchange rate changes on the balance of cash held in foreign operations		(1,771)	(4,172)
Cash and cash equivalents at the end of year	28(c)	258,353	88,919

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 Sh'000	2016 Sh'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	28(a)	506,253	(507,768)
Corporate tax paid	9(c)	(26,812)	(23,582)
Net cash generated from/(used in) operating activities		479,441	(531,350)
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(732)	(2,084)
Proceeds on disposal of property, plant and equipment		-	225,380
Net cash (used in)/generated from investing activities		(732)	223,296
Cash flows from financing activities			
Loans received	28(b)	572,112	1,225,484
Loans repaid	28(b)	(989,378)	(918,596)
Interest paid		(2,902)	(1,915)
Net cash (used in)/generated from financing activities		(420,168)	304,973
Net increase/(decrease) in cash and cash equivalents		58,541	(3,081)
Cash and cash equivalents at the beginning of year		(38,236)	(35,155)
Cash and cash equivalents at the end of year	28(c)	20,305	(38,236)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 GENERAL INFORMATION

Car & General (Kenya) PLC is incorporated in Kenya under the Kenyan Companies Act. The company deals in supply of generators, motorbikes, tuktuks, laundry equipment, lawn mowers, scooters, marine engines, construction equipment and a wide range of power generation, automotive and engineering products.

The shares of the company are listed on the Nairobi Securities Exchange.

2 ACCOUNTING POLICIES

Statement of compliance

The consolidated and separate financial statements (hereafter referred to as 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) Relevant new standards and amendments to published standards effective for the year ended 30 September 2017

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

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendments to IAS 12 Income Taxes clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The amendments to the standard has had no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(i) Relevant new and amended standards in issue but not yet effective in the year ended 30 September 2017 (Continued)

Annual Improvements to 2010-2012	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 add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendments to IFRS 7 add additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. The amendments to IAS 19 clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.
Amendments to IAS 7 Disclosure Initiative	The amendments to IAS 7 Presentation of Financial Statements address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: (a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; (b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; (c) clarification that an entity's share of Other Comprehensive Income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and (d) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The amendments to the standard has had no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(i) Relevant new and amended standards in issue but not yet effective in the year ended 30 September 2017 (Continued)

New standards and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

(ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 September 2017 and future annual periods

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for 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 also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the company's financial assets and financial liabilities as at 30 September 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the company's consolidated financial statements as follows:

Classification and measurement

- Loans carried at amortised cost as disclosed in note 21: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 (see classification and measurement section above), finance lease receivables, amounts due from customer under construction contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. In relation to the amounts due from related parties (note 17), the directors have assessed that there has been a significant increase in the credit risk of the loans to related parties, from initial recognition to 30 September 2017. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 September 2017 and future annual periods (Continued)

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. The core principle of IFRS 15 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:

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

Step 2: Identify the performance obligations in the contract

IFRS 15 Revenue from Contracts with Customers

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

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 15 in the future may not have a significant impact on amounts reported in respect of the company's financial statements because the company does not engage in complex revenue contracts.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 September 2017 and future annual periods (Continued)

will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

IFRS 16 Leases

The directors of the company do not anticipate that the application of IFRS 16 in the future will have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

  (i) the original liability is derecognised;
  (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
  (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors do not anticipate that the application of the amendments in the future will have a significant impact on the company's consolidated financial statements as the company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 September 2017 and future annual periods (Continued)

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors anticipate that the application of these amendments may have an impact on the company's financial statements in future periods should such transactions arise.

(iii) Early adoption of relevant standards

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

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 2017.

The subsidiaries are set out in note 18.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on the accruals basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

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)

2 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 and recognised in profit or loss:

Buildings	2%
Plant and machinery	12.5% - 20%
Furniture and equipment	12.5% - 30%
Motor vehicle	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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets represent computer software stated at cost less amortisation. Amortisation is calculated to write off the cost of computer software using the straight-line method at an annual rate of 20% and is included under administrative expenses in the statement of profit or loss and other comprehensive income.

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 under administrative expenses in the statement of profit or loss and other comprehensive income. 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.

Leases

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

All other leases are classified as operating leases.

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

The Group as lessor

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

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

Investment 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

Investments in associated companies

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the company's interest in that associate (which includes any long-term interests that, in substance, form part of the company's net investment in the associate) are not recognised, unless the company has incurred legal or constructive obligations or made payments on behalf of the associate.

Where the company transacts with an associate, profits and losses are eliminated to the extent of the company's interest in the relevant associate.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

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

Taxation

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

3 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.

Deferred income tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

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

Fair value measurements and valuation processes

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

In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the group engages third party qualified valuers to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 13 and 15.

4 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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
30 September 2017				
Revenue	9,390,869	67,197	177,084	9,635,150
Gain on fair value of investment properties	-	218,824	10,672	229,496
Segment (loss)/profit before taxation	(156,975)	276,615	(21,335)	98,305
30 September 2016				
Revenue	9,478,204	68,018	189,566	9,735,788
Gain on fair value of investment properties	-	102,203	51,558	153,761
Segment (loss)/profit before taxation	(21,471)	163,447	8,302	150,278

Revenue reported above represents revenue generated from all customers.

(c) Segment assets and liabilities

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
30 September 2017				
Assets	6,300,462	2,720,995	378,550	9,400,007
Liabilities	5,336,154	540,169	165,877	6,042,200
30 September 2016				
Assets	6,817,498	2,522,378	365,322	9,705,198
Liabilities	5,748,428	535,314	182,917	6,466,659

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

	Trade and workshop Sh '000	Investment properties Sh '000	Poultry Sh '000	Group Sh '000
(d) Other segment information				
30 September 2017				
Cost of sales	8,067,676	-	117,260	8,184,936
Expenses – selling and administrative	1,262,335	9,406	90,501	1,362,242
Taxation (charge)/credit	(70,164)	82,984	5,644	18,464
Interest expenses	407,625	-	-	407,625
Depreciation/amortization	67,171	-	3,702	70,873
Capital expenditure	70,143	-	1,383	71,526
30 September 2016				
Cost of sales	8,022,753	-	130,015	8,152,768
Expenses – selling and administrative	1,121,145	9,942	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

(e) Geographical information

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

	2017 Sh'000	2016 Sh'000
Kenya	7,080,350	7,131,696
Uganda	585,489	623,111
Tanzania	1,932,458	1,889,900
South Sudan	3,898	27,459
Rwanda	32,955	63,622
	9,635,150	9,735,788

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

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

	2017 Sh'000	2016 Sh'000
Non-current assets (excluding deferred tax assets)		
Kenya	3,581,410	3,142,745
Uganda	97,641	124,530
Tanzania	767,275	701,185
South Sudan	5,162	7,607
Rwanda	355	516
	4,451,843	3,976,583
Total assets		
Kenya	7,436,201	7,603,547
Uganda	537,588	509,609
Tanzania	1,390,327	1,515,887
South Sudan	5,897	29,194
Rwanda	29,994	46,961
	9,400,007	9,705,198
Total liabilities		
Kenya	4,851,708	5,260,856
Uganda	160,862	212,571
Tanzania	1,028,447	989,371
South Sudan	-	844
Rwanda	1,183	3,017
	6,042,200	6,466,659

5 OTHER INCOME

	2017 Sh'000	2016 Sh'000
GROUP:		
Gain on disposal of net assets to joint venture	187,144	-
Loss on disposal of investment properties and property, plant and equipment	(1,366)	(2,345)
Miscellaneous income	71,730	34,851
	257,508	32,506

6 FINANCE COSTS

	2017 Sh'000	2016 Sh'000
GROUP:		
Interest on borrowings	407,625	392,655

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2017 Sh'000	2016 Sh'000
7	**PROFIT BEFORE TAXATION**		
	GROUP:		
	The profit before taxation is arrived at after charging:		
	Depreciation - property, plant and equipment (note 15)	70,076	63,258
	Amortisation of intangible assets (note 17)	797	947
	Employment costs (note 8)	762,508	642,397
	Directors' remuneration	4,745	4,377
	- fees		
	- other emoluments	16,032	30,670
	Auditors' remuneration	9,267	9,212
	And after crediting:		
	Fair value gains on investment properties (note 13)	229,496	153,761
	Loss on disposal of property, plant and equipment (note 5)	(1,366)	(2,345)
8	**EMPLOYMENT COSTS**		
	GROUP:		
	Salaries and wages	727,841	603,000
	Retirement benefit costs:		
	- Defined contribution scheme	12,599	12,736
	- National Social Security Fund contributions	20,815	20,773
	Leave pay provision charge	1,253	5,888
		762,508	642,397
9	**TAXATION**		
	(a) Taxation charge/(credit)		
	GROUP:		
	Current tax	22,395	21,544
	Deferred tax charge (note 25)	(3,931)	86,634
	Deferred tax write back	-	(54,901)
	Prior year under/(over) provision – deferred tax	-	8,129
	Taxation charge	18,464	61,406
	COMPANY:		
	Current tax	-	18,745
	Deferred tax charge (note 25)	59,321	18,123
	Deferred tax write back	-	(54,901)
	Taxation charge/(credit)	59,321	(18,033)

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 set out in note (b).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 TAXATION (continued)

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

	2017 Sh'000	2016 Sh'000
GROUP:		
Group profit before taxation	98,305	150,278
Tax calculated at the applicable rate of 30% (2016: 30%)	29,492	45,084
Tax effect of income not taxable	1,784	(1,147)
Deferred tax credit not recognised	26,920	61,555
Tax effect of expenses not taxable	729	16,391
Adjustments attributable to capital gains tax rate	(46,786)	(54,901)
Prior year on under/(over) provision – deferred tax	1,003	(5,576)
Alternate minimum tax	5,322	-
Taxation charge	18,464	61,406
COMPANY:		
Company profit before taxation	140,325	107,109
Tax calculated at the applicable rate of 30% (2016: 30%)	42,098	32,133
Tax effect of expenses not taxable	17,223	4,735
Prior year over provision – deferred tax	-	(65,881)
Change in deferred tax due to change in tax rate	-	10,980
Taxation charge/(credit)	59,321	(18,033)

(c) Corporate tax movement

	2017 Sh'000	2016 Sh'000
GROUP		
At the beginning of year – recoverable	43,997	28,371
Charge for the year	(22,395)	(21,544)
Paid in the year	40,613	37,124
Currency translation differences	(549)	46
Capital gains tax settled	(10,733)	-
At the end of year – recoverable	50,933	43,997
This is analysed as:		
Corporate tax recoverable	51,075	45,664
Corporate tax payable	(142)	(1,667)
	50,933	43,997
COMPANY		
At the beginning of year – recoverable/(payable)	1,182	(3,655)
Charge for the year	-	(18,745)
Paid in the year	26,812	23,582
Capital gains tax settled	(10,733)	-
At the end of year – recoverable	17,261	1,182

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2017 Sh'000	2016 Sh'000
10 NON-CONTROLLING INTERESTS		
At the beginning of year	185,187	185,372
Share of profit/(loss) for year	11,361	(185)
At the end of year	196,548	185,187

	2017 %	2016 %
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	34

11 EARNINGS PER SHARE

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

	2017	2016
Profit attributable to owners of the parent (Sh'000)	68,480	89,057
Number of shares (note 24)	40,103,308	40,103,308
Basic and diluted earnings per share (Sh)	1.71	2.22

12 DIVIDEND PER SHARE

Proposed dividends are not recorded as liabilities until they have been ratified at the Annual General Meeting. At the Annual General meeting, a first and final dividend is to be proposed in respect of the year ended 30 September 2017 of Sh 0.60 per share (2016 - Nil) amounting to a total dividend of Sh 24,061,985 (2016 – Nil). The financial statements for the year ended 30 September 2017 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTIES – GROUP AND COMPANY

	GROUP Sh'000	COMPANY Sh'000
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
At 1 October 2016	2,555,412	1,445,092
Exchange rate adjustments	(6,866)	(6,254)
Fair value gains	229,496	168,824
At 30 September 2017	2,778,042	1,607,662

Investment properties comprise commercial properties owned by the Group.

A legal charge exists over investment properties with a net book value of Sh 2,778,042,000 (2016 - Sh 2,555,412,000) 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 2017 on an open market basis having regard to highest and best use. The valuers have appropriate qualifications and relevant 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 (2016 - Sh 65,881,000) while it incurred direct operating costs of Sh 5,214,000 (2016 - Sh 4,945,000).

14 ANALYSIS OF INVESTMENT PROPERTIES – AT VALUATION

	GROUP 2017 Sh '000	COMPANY 2017 Sh '000	GROUP 2016 Sh '000	COMPANY 2016 Sh '000
Leasehold over 50 years unexpired	1,707,662	607,662	1,630,092	580,092
Leasehold under 50 years unexpired	1,070,380	1,000,000	925,320	865,000
	2,778,042	1,607,662	2,555,412	1,445,092

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings Sh '000	Plant and machinery Sh '000	Furniture and equipment Sh '000	Motor vehicles Sh '000	Computers Sh '000	Work in progress Sh '000	Total Sh '000
COST OR VALUATION							
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	1,149,684	171,765	144,917	209,740	62,136	16,270	1,754,512
At 1 October 2016	1,149,684	171,765	144,917	209,740	62,136	16,270	1,754,512
Exchange rate adjustments	(6,239)	(51)	(814)	(1,362)	(639)	(140)	(9,245)
Additions	36,475	7,016	6,762	5,768	1,774	-	57,795
Transfer from WIP	16,130	-	-	-	-	(16,130)	-
Disposals	-	(5,091)	(11,519)	(7,541)	(10,624)	-	(34,775)
Transfer to joint venture	-	(84,219)	(482)	(39,274)	(4,181)	-	(128,156)
Revaluation surplus	31,967	-	-	-	-		31,967
At 30 September 2017	1,228,017	89,420	138,864	167,331	48,466	-	1,672,098
COMPRISING:							
At 30 September 2017							
At valuation 2017	1,228,017	-	-	-	-	-	1,228,017
At cost	-	89,420	138,864	167,331	48,466	-	444,081
	1,228,017	89,420	138,864	167,331	48,466	-	1,672,098
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
	1,149,684	171,765	144,917	209,740	62,136	16,270	1,754,512

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 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	Work in progress Sh '000	Total Sh '000
DEPRECIATION							
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
At 1 October 2016	23,734	80,625	70,603	119,086	42,850	-	336,898
Exchange rate adjustments	(587)	(26)	(452)	(899)	(209)	-	(2,173)
Charge for the year	18,726	15,485	9,043	21,088	5,734	-	70,076
Eliminated on disposals	-	(4,293)	(8,763)	(6,564)	(3,725)	-	(23,345)
Transfer to joint venture	-	(52,702)	(375)	(23,982)	(3,212)	-	(80,271)
Write back on revaluation	(37,300)	-	-	-	-	-	(37,300)
At 30 September 2017	4,573	39,089	70,056	108,729	41,438	-	263,885
NET BOOK VALUE							
At 30 September 2017	1,223,444	50,331	68,808	58,602	7,028	-	1,408,213
At 30 September 2016	1,125,950	91,140	74,314	90,654	19,286	16,270	1,417,614
NET BOOK VALUE (COST BASIS)							
At 30 September 2017	323,324	50,331	68,808	58,602	7,028	-	508,093
At 30 September 2016	329,923	91,140	74,314	90,654	19,286	16,270	621,587

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 2017. 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. A revaluation surplus of Sh 69,267,000 (2016 - Sh 148,532,000) that is not distributable and represents a cumulative surplus arising from revaluation of property, has been presented in other comprehensive income net of related deferred taxation of Sh 16,941,000 (2016 - Sh 44,738,000).

Work in progress related to costs incurred towards construction of a new hatchery.

	2017 Sh'000	2016 Sh'000
ANALYSIS OF LAND AND BUILDINGS – AT COST OR VALUATION:		
Leasehold buildings over 50 years unexpired	295,006	266,910
Leasehold buildings under 50 years unexpired	933,011	882,774
	1,228,017	1,149,684

The exchange rate adjustments arise as a result of translation of the property, plant and equipment opening balances of subsidiaries outside Kenya.
A debenture exists over the Group's assets with a net book value of Sh 1,408,213,000 (2016 - Sh 1,417,614,000) to secure borrowings granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 PROPERTY AND EQUIPMENT – COMPANY

	Land and buildings Sh '000	Motor vehicles Sh '000	Furniture, fittings & equipment Sh '000	Computers Sh '000	Total Sh '000
COST OR VALUATION					
At 1 October 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
At 1 October 2016	450,000	1,296	23,305	22,455	497,056
Exchange rate adjustments	-	-	(8)	(24)	(32)
Additions	-	-	447	285	732
Disposals	-	-	(3)	(5)	(8)
Revaluation surplus	38,000	-	-	-	38,000
At 30 September 2017	488,000	1,296	23,741	22,711	535,748
COMPRISING:					
At 30 September 2017					
At valuation 2017	488,000	-	-	-	488,000
At cost	-	1,296	23,741	22,711	47,748
	488,000	1,296	23,741	22,711	535,748
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
DEPRECIATION					
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
Eliminated on transfer to 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
At 1 October 2016	-	740	13,645	19,880	34,265
Exchange rate adjustments	-	-	(3)	(18)	(21)
Charge for the year	9,000	139	1,270	819	11,228
Eliminated on disposals	-	-	(1)	(5)	(6)
Written back on revaluation	(9,000)	-	-	-	(9,000)
At 30 September 2017	-	879	14,911	20,676	36,466

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 PROPERTY AND EQUIPMENT – COMPANY (continued)

	Land and buildings Sh '000	Motor vehicles Sh '000	Furniture, fittings & equipment Sh '000	Computers Sh '000	Total Sh '000
NET BOOK VALUE					
At 30 September 2017	488,000	417	8,830	2,035	499,282
At 30 September 2016	450,000	556	9,660	2,575	462,791
NET BOOK VALUE (COST BASIS)					
At 30 September 2017	26,521	417	8,830	2,035	37,803
At 30 September 2016	27,062	556	9,660	2,575	39,853

Land and buildings are carried at a valuation carried out by R R Oswald & Company Limited, registered valuers in Kenya and Survesis Co Limited, registered valuers in Uganda for the Juba Branch on 30 September 2017. 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.

A revaluation surplus of Sh 47,000,000 (2016 - Sh 32,648,000) that is not distributable and represents a cumulative surplus arising from revaluation of property, has been presented in other comprehensive income net of related deferred taxation of Sh 14,100,000 (2016 - Sh 9,794,000).

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.

	2017 Sh '000	2016 Sh '000
ANALYSIS OF LAND AND BUILDINGS		
AT COST OR VALUATION:		
Leasehold buildings over 50 years unexpired	38,000	35,000
Leasehold buildings under 50 years unexpired	450,000	415,000
	488,000	450,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP 2017 Sh '000	COMPANY 2017 Sh '000
COST		
At 1 October 2015	12,504	10,251
Exchange rate adjustments	(87)	-
Disposals	(74)	-
At 30 September 2016	12,343	10,251
At 1 October 2016	12,343	10,251
Exchange rate adjustments	(23)	-
Additions	13,731	-
Disposals	(142)	-
Transfer to group company	(156)	-
At 30 September 2017	25,753	10,251
AMORTISATION		
At 1 October 2015	7,965	6,530
Exchange rate adjustments	(61)	-
Charge for the year	947	744
Eliminated on disposals	(65)	-
At 30 September 2016	8,786	7,274
At 1 October 2016	8,786	7,274
Exchange rate adjustments	(16)	-
Charge for the year	797	596
Eliminated on disposals	(129)	-
Transfer to group company	(16)	-
At 30 September 2017	9,422	7,870
NET BOOK VALUE		
At 30 September 2017	16,331	2,381
At 30 September 2016	3,557	2,977

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVESTMENT IN SUBSIDIARIES

Investments at cost:

	Holding	2017 Sh '000	2016 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
		26,844	26,844

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

Dew Tanzania Limited
In 2016, 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 (equivalent to KSh 250,723,000). The group has effective control over the new entity and the value of the consideration paid was equal to the fair value of the net assets acquired.

The composition of the investment in subsidiaries is as follows:

	2017 Sh'000	2016 Sh'000
At the beginning and at the end of the year	26,844	26,844

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 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	
	2017 Sh '000	**2016 Sh '000**	**2017 Sh '000**	**2016 Sh '000**	**2017 Sh '000**	**2016 Sh '000**
Summarised statement of financial position						
Total assets	66,654	66,654	1,102,075	1,064,386	1,052,823	1,052,859
Total liabilities	18,377	18,296	1,094,009	1,089,837	430,523	430,495
Equity attributable to owners of the company	48,277	48,358	8,066	(25,451)	622,300	622,364
Non-controlling interests	16%	16%	34%	34%	34%	34%
Summarised statement of profit and loss						
Gain in fair value of investment property	-	-	50,000	-	-	-
Revenue	-	-	-	3,000	-	-
Expenses	(81)	(80)	(2,119)	(3,688)	(64)	(30)
Total comprehensive loss for the year	(81)	(80)	33,517	(482)	(64)	(30)
Summarised statement of cash flows						
Net cash used in operating activities	(80)	(79)	(751)	(3,507)	(64)	(30)
Net cash used in investing activities		-		-	-	-
Net cash used in financing activities	80	79	751	3,507	64	30
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)

19 INVESTMENT IN AN ASSOCIATE

During the year, one of the subsidiaries, Car & General (Trading) Limited in Kenya, acquired 26% of the equity holding in Watu Credit Limited.

Details of the associate at the end of the reporting period are as follows:

Name of Associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held
			30/09/2017
Watu Credit Limited	Microfinance services	Kenya	26%

The above associate is accounted for using the equity method in these financial statements and taking into account the following factors:

(i) The financial year end date of Watu Credit Limited is 31 December. This was the reporting date established when the company was incorporated. For purposes of applying the equity method of accounting, the unaudited financial statements of Watu Credit Limited for the year ended 30 September 2017 have been used.
(ii) The company holds over 20% of the equity shares of Watu Credit Limited and has 26% of the voting rights at shareholder meetings.

The company exercises significant influence by virtue of its contractual right to appoint two of six directors to the board of directors of Watu Credit Limited.

Summarised financial information in respect of the company's associate is set out below. The summarised financial information below represents the amount shown in the associate's financial statements prepared in accordance with IFRSs.

Watu Credit Limited

	2017 Sh '000
Current assets	198,897
Non – current assets	4,532
Current liabilities	189,358
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	11,557
Total revenue	31,315
Loss for the post acquisition period	4,698
Group's share of loss	1,221

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the financial statements

	2017 Sh '000
Carrying amount of the company's interest in the associate	26,815
Loan to Watu Credit limited – interest rate at 18% (note 23c)	15,059

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT IN A JOINT VENTURE

On 15 September 2016, one of the subsidiaries, Car & General (Trading) Limited in Kenya, signed a 50:50 joint venture agreement with Cummins Africa Holdings BV that established a new jointly owned (50-50) company (Cummins C&G Limited - Kenya held by Cummins C&G Holdings - Mauritius) to consolidate their interests to directly distribute, sell and service Cummins products. The joint venture was achieved by shareholding agreements that led to both parties owning 50% each of the joint venture at the Mauritian entity level. Consideration paid to Car & General (Trading) Limited was 50% of net assets plus USD 1,900,000. The joint venture started operations on 1 April 2017.

Details of the company's joint venture at the end of the reporting period is as follows:

Name of Joint Venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held
Cummins C&G Holdings Limited	Holding company	Mauritius	50%

The above joint venture is accounted for using the equity method in these financial statements.

Summarised financial information in respect of the company's joint venture is set out below. The summarised financial information below represents the amount shown in the joint venture's financial statements prepared in accordance with IFRSs.

Cummins C&G Holdings Limited

	2017
	Sh'000
Current assets	822,983
Non-current assets	433,845
Current liabilities	-
Non-current liabilities	-
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	4,439
Total revenue	545,108
Loss for the year	(11,895)
Group share of loss	5,947
The above loss for the year includes the following:	
Depreciation	5,378
Interest income	-
Income tax credit	7,033

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the financial statements.

	2017
	Sh'000
Net assets of the joint venture	444,884
Proportion of the company's ownership interest in the joint venture	50%
Carrying amount of the company's interest in the joint venture	222,442

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 INVENTORIES

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Goods in transit and in bond	932,068	1,317,625	-	-
Finished products	1,225,717	1,435,018	-	12,670
Raw materials, spares and consumables	700,524	800,978	-	2,501
Work in progress	25,356	23,929	-	-
Other inventories	15,175	20,834	-	-
	2,898,840	3,598,384	-	15,171

The cost of inventories recognised as an expense during the year in respect of continuing operations was Sh 7,853,892,000 (2016 - Sh 7,886,524,000).

22 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Trade receivables	1,147,557	1,459,979	7,769	27,865
Other receivables	305,413	370,019	24,535	57,005
	1,452,970	1,829,998	32,304	84,870

23 RELATED PARTIES BALANCES

	2017 Sh'000	2016 Sh'000
(a) Due from directors	31	79
(b) Due from subsidiaries		
Car & General (Trading) Limited - (Kenya)	-	128,060
Kibo Poultry Products Limited	256,449	216,703
Car & General (Automotive) Limited	19,969	17,968
Car & General (Tanzania) Limited	1,371	1,371
Car & General (Trading) Limited - (Tanzania)	150,669	92,182
Car & General (Uganda) Limited	22,725	25,740
Progen Company Limited	37,501	36,750
Sovereign Holdings International Limited	9,864	9,678
Car & General (Marine) Limited	18,040	17,960
Car & General (Engineering) Limited	14,483	14,388
Dewdrops Limited	274,254	274,227
	805,325	835,027

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 RELATED PARTIES BALANCES (continued)

(c) Due from related parties

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Joint Venture:				
Cummins C&G Limited	132,463	-	132,463	-
Associate:				
Watu Credit Limited	15,059	-	-	-
	147,522	-	132,463	-

(d) Due to subsidiaries

	2017 Sh'000	2016 Sh'000
Car & General (Trading) Limited – (Kenya)	635,640	-
Car & General (Piaggio) Limited	3,222	47,320
Car & General (Industries) Limited	3,634	3, 715
Car & General (Rwanda) Limited	251	352
	642,747	51,387

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

24 SHARE CAPITAL – GROUP AND COMPANY

	2017 Sh'000	2016 Sh'000
Authorised:		
42,000,000 ordinary shares of Sh 5 each	210,000	210,000

The composition of authorised share capital is as follows:

	No. of shares in thousands		Value	
	2017	2016	2017 Sh'000	2016 Sh'000
At the beginning and at the end of the year	42,000	42,000	210,000	210,000

The composition of issued share capital is as follows:

	No. of shares in thousands		Value	
	2017	2016	2017 Sh'000	2016 Sh'000
At the beginning and at the end of the year	40,103	40,103	200,516	200,516
Issued and fully paid: 40,103,308 ordinary shares of Sh 5 each			200,516	200,516

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 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:

	2017 Sh'000	2016 Sh'000
GROUP		
At the beginning of year	649,177	568,989
Exchange difference on translation	(1,541)	889
Charge for the year - (note 9(a))	(3,931)	31,733
Property revaluation - other comprehensive income	16,941	44,738
Prior year (over)/under provision	(6,386)	2,828
Transferred to current taxation for settlement	(10,733)	-
At the end of year	643,527	649,177
COMPANY		
At the beginning of year	536,560	563,544
Charge for the year	59,321	(36,778)
Property revaluation – other comprehensive income	14,100	9,794
Transferred to current taxation for settlement	(10,733)	-
At the end of year	599,248	536,560

(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:

	2017 Sh'000	2016 Sh'000
Deferred tax assets		
Deferred tax liabilities	(135,951)	(61,762)
	779,478	710,939
	643,527	649,177

The unrecognised tax credits of Sh 26,920,000 (2016: Sh 61,555,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAXATION (continued)

	At 1 October 2016 Sh '000	Exchange adjustment Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2017 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	48,659	(552)	-	(24,233)	23,874
Revaluation surplus on land and buildings	173,710	(7,180)	16,941	43,766	227,237
Fair value gains on investment properties	488,864	-	-	59,013	547,877
Unrealised exchange differences	19,910	(637)	-	(45,314)	(26,041)
Capital gains tax	10,733				10,733
Transferred to current taxation for settlement	-	-	-	-	(10,733)
	741,876	(8,369)	16,941	33,232	772,947
Deferred tax assets					
Tax losses carried forward	(90,259)	343	-	(34,414)	(124,330)
Unrealised exchange differences	(387)		-	387	-
Leave pay provision	(366)	-	-	(1,477)	(1,843)
Bad debts provision	(1,687)	99	-	(1,659)	(3,247)
	(92,699)	442	-	(37,163)	(129,420)
Net deferred tax liability	649,177	(7,927)	16,941	(3,931)	643,527
COMPANY					
Deferred tax liabilities					
Revaluation surplus	537,196	-	14,100	50,647	601,943
Capital gains tax	10,733				10,733
Transferred to current taxation for settlement	-	-	-	-	(10,733)
	547,929	-	14,100	50,647	601,943
Deferred tax assets					
Accelerated capital allowances	(2,087)	-	-	2,564	477
Tax losses carried forward	-	-	-	(1,367)	(1,367)
Leave pay provision	(353)	-	-	164	(189)
Unrealised exchange differences	(8,929)	-	-	7,313	(1,616)
	(11,369)	-	-	8,674	(2,695)
Net deferred tax liability	536,560	-	14,100	59,321	599,248

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS

	2017 Sh '000	2016 Sh '000
GROUP		
Loans (secured):		
Loans in Ksh	157,464	52,339
Loans in USD	2,096,597	2,249,703
	2,254,061	2,302,042
Short term notes	1,288,429	1,102,746
Bank overdrafts (secured)	3,422	103,809
	3,545,912	3,508,597
Current – due within one year	(3,118,919)	(3,389,099)
Non-current	426,993	119,498

	2017 Sh '000	2016 Sh '000
COMPANY		
Loans (secured):		
Loans in Sh	108,199	52,339
Loans in USD	-	461,817
	108,199	514,156
Bank overdrafts (secured and denominated in KSh)	-	46,370
	108,199	560,526
Current	(101,585)	(554,963)
Non-current	6,614	5,563

MATURITY OF NON CURRENT BORROWINGS

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Between 1 and 2 years	410,356	119,498	6,614	5,563
Between 2 and 5 years	16,637	-	-	-
	426,993	119,498	6,614	5,563

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

MATURITY OF NON CURRENT BORROWINGS (continued)

Interest rates

The effective interest rates at 30 September were as follows:

	2017	2016
Bank overdrafts	14.00%	14.00%
Loans:		
Loans in KSh	14.00%	14.00%
Loans in USD	8.14%	8.14%
Medium-term notes	14.04%	-
Short-term notes	12.48%	13.65%

Details of securities for loans and overdrafts

(a) The Standard Chartered Bank Kenya Limited loans and overdraft are secured by:
- A first legal charge for Sh 1,600,000,000 over land and buildings located on LR No. 37/273 collaterised to the debenture. The legal charge is shared in pari passu with I&M bank for Sh 510,000,000.
- Corporate cross guarantees for Sh 2,200,000,000.
- A legal charge for Sh 200,000,000 over land and buildings located on LR No. 209/8319, LR 209/8320 and LR No. 209/8321 Nairobi. The legal charge is held in pari passu with I&M bank for Sh 260,000,000.
- A legal charge for Sh 248,000,000 over land and buildings located on LR No.209/6980. The legal charge is held in pari passu with I&M bank for Sh 260,000,000.
- All Assets Debenture over assets of Car & General (Kenya) PLC, Car & General(Trading) Ltd for Sh 2,373,000,000 rankling pari passu with I&M Bank.

(b) The Standard Chartered Bank Tanzania Limited loans and overdraft are secured by an all asset debenture over all assets of Car & General (Trading) Limited – Tanzania for Sh 774,354,000, a fixed charge of Sh 1,089,766,452 on associated company's property and corporate guarantee by associated companies.

(c) The I&M Bank Limited overdraft is secured by:
- A debenture of Sh 510,000,000 over all assets of Car & General (Kenya) PLC, ranking pari passu with the debenture created in favour of standard chartered Bank Kenya Ltd.
- A legal charge for Sh 250,000,000 over land and buildings located on LR No. 209/8319, LR 209/8320 and LR No. 209/8321 ranking pari passu to the legal charge created in favour of Standard Chartered Bank Kenya Ltd.
- A first legal charge for Sh 63,000,000 over Kwale/Diani/Block 728-738 and land and building on KSM/MUN/Block 3/7 registered in the name of Car & General (Kenya) PLC.

(d) The Standard Chartered Bank Uganda Ltd import loan is secured by a legal charge over land and building located on Plot 81 Jinja Road, a debenture for Sh 598,833,760 over fixed and floating assets of the company and corporate guarantee by the holding company of Sh 490,424,200.

(e) The short term and medium 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 305,130,643 (2016 - Sh 444,446,585).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Trade payables	1,268,193	1,662,814	13,187	9,323
Other payables	448,475	582,642	33,064	75,702
	1,716,668	2,245,456	46,251	85,025

28 NOTES TO THE STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Profit before taxation	98,305	150,278	140,325	107,109
Adjusted for:				
Depreciation	70,076	63,258	11,228	11,571
Amortisation	797	947	596	744
Fair value gains	(229,496)	(153,761)	(168,824)	(102,203)
Gain on disposal of net assets to joint venture	(187,144)	-	-	-
Loss on disposal of assets	1,366	2,345	2	2,498
Net book value of assets transferred	48,025	-	-	(7)
Interest expense	407,625	392,655	2,902	1,915
Exchange translation (opening)	(4,493)	51,905	(8,895)	35,713
Exchange rate adjustment on borrowings	27,815	(65,406)	11,309	(8,690)
Movements in working capital items:				
Inventories	699,544	(505,612)	15,171	17,108
Receivables	377,028	138,679	52,566	(43,690)
Directors' balances	48	823	48	-
Related parties	(147,522)	-	488,599	(571,905)
Payables	(528,788)	(262,206)	(38,774)	42,069
Net cash generated from/(used in) operations	633,186	(186,095)	506,253	(507,768)

(b) Analysis of changes in borrowings

At the beginning of the year	3,404,788	2,699,613	514,156	215,958
Loans received	5,107,571	7,169,229	572,112	1,225,484
Repayments	(4,997,684)	(6,398,648)	(989,378)	(918,596)
Exchange rate adjustments	27,815	(65,406)	11,309	(8,690)
At the end of the year	3,542,490	3,404,788	108,199	514,156

(c) Analysis of cash and cash equivalents

Cash and bank balances	261,775	192,728	20,305	8,134
Bank overdrafts (note 26)	(3,422)	(103,809)	-	(46,370)
	258,353	88,919	20,305	(38,236)

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 CAPITAL COMMITMENTS

	2017 Sh '000	2016 Sh '000
Authorised and contracted for	26,245	-
Authorised but not contracted for	92,982	42,209

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

30 CONTINGENT LIABILITIES

	2017 Sh '000	2016 Sh '000
GROUP		
Sundry bank guarantees	27,338	84,927
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	3,747,662	3,616,094
Sundry bank guarantees	26,069	84,927
	3,773,731	3,701,021

Litigation

A lawsuit was filed in the year 2016 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 13) 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.

Tax assessment

Tanzania Revenue Authority (TRA) issued an assessment against one of the subsidiaries, Car & General (Trading) Limited, for a liability of TZS 1.7 billion (Sh 78 million) in respect of corporate tax and Value Added Tax (VAT). The company has objected this assessment and the matter is yet to be determined. In the opinion of the directors, no material liability is expected to crystallise. Consequently, no provision has been made in the financial statements for the amount assessed by TRA.

31 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:

	2017 Sh '000	2016 Sh '000
Within one year	35,145	55,612
In the second to fifth year inclusive	21,857	32,584
	57,002	88,196

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 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 13.

The Group as a lessee

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

	2017 Sh '000	2016 Sh '000
Within one year	68,945	74,229
In the second to fifth year inclusive	214,231	246,862
	283,176	321,091

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.

32 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 23 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:

- I&M Bank Limited, which is not a member of Car & General (Kenya) PLC Group, but is related through certain common directors.
- Fincom Limited which is shareholder of Car and General (Kenya) PLC group and is also related through common directors.

	GROUP		COMPANY	
	2017 Sh '000	2016 Sh '000	2017 Sh '000	2016 Sh '000
Borrowings repaid	438,519	580,534	24,593	59,972
Borrowings received	429,555	485,476	11,235	9,004
Interest paid	23,054	34,379	5,815	13,162
Loan balance at year end	150,309	151,929	8,199	19,389
Overdraft balance at year end	3,422	103,809	-	46,370

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 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:

	2017 Sh '000	2016 Sh '000
Salaries and other benefits	322,766	280,620
Fees for services as directors	4,745	4,377
Other emoluments for executive directors (included in key management compensation above)	16,032	30,670
	20,777	35,047

33 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.

	2017 Sh '000	2016 Sh '000
Equity	3,357,807	3,238,539
Total borrowings (note 26)	3,545,912	3,508,597
Less: cash and bank balances	(261,775)	(192,728)
Net debt	3,284,137	3,315,869
Gearing Ratio	99%	102%

The directors are aware of the adverse gearing ratio due to import financing in form of letters of credit and short term notes obligations arising from the purchase of inventory. Management is working on initiatives to expand volumes and improve margins. The directors are therefore of the view that as the company's profitability continues to improve, the adverse gearing ratio will reverse.

34 FINANCIAL RISK MANAGEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (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 2017 was as follows:

	Fully performing Sh'000	Past due but not impaired Sh'000	Impaired Sh'000	Total Sh'000
Trade receivables	592,508	555,049	135,886	1,283,443
Due from directors	31	-	-	31
Bank balances	261,775	-	-	261,775
	854,314	555,049	135,886	1,545,249

The amount that best represents the Group's maximum exposure to credit risk as at 30 September 2016 is made up 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
	876,462	776,324	130,629	1,783,415

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)

34 FINANCIAL RISK MANAGEMENT (continued)

	Up to 1month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5years Sh'000	Total Sh'000
At 30 September 2017						
Liabilities						
Trade payables	154,349	964,984	77,536	58,397	12,927	1,268,193
Borrowings	480,861	2,009,134	628,925	426,992	-	3,545,912
Total financial liabilities	635,210	2,974,118	706,461	485,389	12,927	4,814,105
At 30 September 2016						
Liabilities						
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	1,003,219	3,128,041	897,162	142,989		5,171,411

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**
2017							
Assets							
Bank and cash balances	12,287	276	-	2,934	-	4	-
Trade receivables	150,305	250	7,633	-	-	3,632	-
	162,592	526	7,633	2,934	-	3,636	-
Liabilities							
Trade payables	1,159,569	1,573	-	-	2,824	-	4,408
2016							
Assets							
Bank and cash balances	11,502	289	1,620	10,380	-	17	-
Trade receivables	362,365	250	7,633	-	-	3,632	-
	373,867	539	9,253	10,380	-	3,649	-
Liabilities							
Trade payables	1,338,459	9,340	-	-	9,783	5,104	45,691

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (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.

	2017 Sh'000 Effect on profit	2016 Sh'000 Effect on profit
Currency US Dollar (USD)	99,698	96,459
+ 10 % KSh Movement	(99,698)	(96,459)
- 10 % KSh Movement		
Currency Euro	105	880
+ 10 % KSh Movement	(105)	(880)
- 10 % KSh Movement		
Currency South Sudan Pound (SSP)	(763)	(925)
+ 10 % KSh Movement	763	925
- 10 % KSh Movement		
Currency Rwandese Francs (RWF)	(293)	(1,038)
+ 10 % KSh Movement	293	1,038
- 10 % KSh Movement		
Currency Japanese Yen (JPY)		
+ 10 % KSh Movement	282	978
- 10 % KSh Movement	(282)	(978)
Currency – British Pound (GBP)	(364)	146
+ 10 % KSh Movement	364	(146)
- 10 % KSh Movement		
Currency – South Africa Rand (ZAR)		
+ 10 % KSh Movement	441	4,569
- 10 % KSh Movement	(441)	(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (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 2017						
Financial assets						
Cash and bank balances	261,775	-	-	-	-	261,775
Liabilities						
Total financial liabilities	(480,861)	(2,009,134)	(628,925)	(426,992)	-	(3,545,912)
Interest sensitivity gap	(219,086)	(2,009,134)	(628,925)	(426,992)	-	(3,284,137)
At 30 September 2016						
Financial assets						
Cash and bank balances	192,728	-	-	-	-	192,728
Liabilities						
Total financial liabilities	(841,202)	(1,787.105)	(760,792)	(119,498)	-	(3,508,597)
Interest sensitivity gap	(648.474)	(1787,105)	(760,792)	(119,498)	-	(3,315,869)

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.

	2017 Sh'000 Effect on profit	2016 Sh'000 Effect on profit
+ 1% Movement	(32,841)	(33,159)
-1 % Movement	32,841	33,159

(iii) Price risk

As at 31 December 2017, the group did not hold financial instruments that are subject to price fluctuations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35 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).

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**
	30/9/17 Sh'000	30/9/16 Sh'000				
Investment properties (Group)	2,778,042	2,555,412	Level 2	Open Market valuation on investment basis	N/A	N/A
Investment properties (Company)	1,607,662	1,445,092	Level 2	Open Market valuation on investment basis	N/A	N/A
Property, plant and equipment (Group) (Land and Buildings)	1,223,444	1,125,950	Level 2	Open Market valuation on investment basis	N/A	N/A
Property, plant and equipment (Company) (Land and Buildings)	488,000	450,000	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

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 EVENTS AFTER THE REPORTING PERIOD

No material events or circumstances have arisen between the reporting date and the date of this report.

37 INCORPORATION

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

38 CURRENCY

The financial statements are presented in Kenya Shillings as rounded to the nearest thousand (Sh '000). The Kenya Shilling is the functional currency for the Group and reflects the economic environment where majority of the business transactions are conducted.

PROXY

I/We ....

of ....

a Member(s) of CAR & GENERAL (KENYA) PLC 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 Azure Hotel, Lantana Road, Westlands, Nairobi on Monday, 26th March 2018 at 11.00 a.m., and at any adjournment thereof.

Dated this .... day of 2018

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 26th March 2018, 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.***