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CORPORATE INFORMATION

BOARD OF DIRECTORS

N Ng'ang'a, EBS - Chairman
V V Gidoomal - Chief Executive Officer
S P Gidoomal
P Shah
M Soundararajan*
C M Ngini
G M Mboya

* Indian

SECRETARY

N P Kothari – FCPS (Kenya)
2nd Floor Apollo Centre
Ring Road, Parklands,
Westlands

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
KCB Bank Kenya Limited
Co-operative Bank of Kenya Limited
Equity Bank (Kenya) Limited

Tanzania
Standard Chartered Bank Tanzania Limited
NBC Limited
Diamond Trust Bank Tanzania Limited
I & M Bank Tanzania Limited
NMB Tanzania Limited
KCB Bank Tanzania Limited
CRDB Bank Limited
Ecobank Tanzania Limited

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

South Sudan
KCB Bank Limited

Rwanda
KCB Bank Rwanda Limited

LEGAL ADVISORS

Coulson Harney LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P O Box 10643 - 00100
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, compressed air solutions, household goods, agricultural tractors and implements, marine engines, motor cycles and three wheeler vehicles, commercial laundry equipment, commercial engines, material handling equipment, earth movers 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 service of power equipment, marine engines, motor cycles, three wheeler vehicles, agricultural tractors and implements, commercial engines and general goods.
Dew Tanzania Limited P O Box 1552, Dar es Salaam	Property holding company.
Car & General (Uganda) Limited P O Box 207, Kampala	Sales and service of power equipment, marine engines, motor cycles, agricultural tractors and implements, commercial engines and general goods.
Kibo Poultry Products Limited P O Box 742, Moshi	Day old chick farming.
Sovereign Holdings International Limited P O Box 146, Road Town, Tortola British Virgin Islands	Property holding company.
Dewdrops Limited P O Box 20001 - 00200 - Nairobi	Holding company.
Progen Company Limited P O Box 20001 - 00200 - Nairobi	Property holding company.
NIIT C&G Training Limited (formerly Car & General (Piaggio) Limited) P O Box 20001 - 00200 - Nairobi	Development of talent by offering multi-disciplinary learning, management and training delivery solutions to corporations, institutions and individuals.
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.

The company also has the following dormant subsidiaries in Kenya:

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

ASSOCIATE COMPANY	ACTIVITIES
Watu Credit Limited P O Box 10556 - 80101 Nyali, Mombasa	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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the eightieth Annual General Meeting of Car & General (Kenya) plc will be held in Jasmine "B" Room, Azure Hotel, Lantana Road, Westlands, Nairobi on Wednesday, 25th March 2020 at 11.00 a.m., for the following purposes:

1. To receive the Directors' Report and audited financial statements for the year ended 30th September 2019.

2. To receive and approve the Directors' Remuneration Report and Policy for the financial year ended 30th September 2020.

3. To declare a first and final dividend of KShs 0.80 per share as recommended by the Directors.

4. 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.

5. 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.

6. 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.

By Order of the Board

N P Kothari
Secretary

17th February 2020

(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 25th March 2020, will commence at 10.00 a.m. Production of a National Identity Card/passport, a current Central Depository Statement of Account or Share Certificates for shares held in the Company will be required for registration.

CHAIRMAN'S REPORT

"Revenue for the year ended 30 September 2019 was KSh 11.9 billion against Ksh 10.1 billion achieved the previous financial year"

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

The year to 30 September 2019 proved challenging. Notwithstanding, in spite of constrained liquidity conditions, the Group posted 18% growth in sales. Sales in Kenya grew 6% and sales outside Kenya grew 42%. Our two wheeler and three wheeler businesses experienced growth. Our equipment businesses (namely tractors, construction equipment and forklifts) remained flat in line with stable market size.

As a result of the above, revenue for the year ended 30 September 2019 was KSh 11.9 billion against Ksh 10.1 billion achieved the previous financial year. Profit for the year after tax over the same period was KSh 182 million which is 19% lower than Ksh 225m made during the same period last year. Profitability was significantly impacted by storage and demurrage charges incurred of Kshs 188m resulting from the official directive to use SGR and ICD for container movement and clearing. This logistic change represented the biggest challenge this year. Our results would have been significantly better without this.

The highlight of the financial year was the growth in volume in our consumer businesses particularly in motorcycles and three wheelers which offset the static volume in our equipment business. We now offer a complete range of specialized engine related products (both consumer and equipment) through a solid distribution network and are making good progress in achieving significant market shares in each segment. We are certainly a more disciplined business and this will bear fruit as volumes grow.

Our investment in Watu Credit Limited is also performing satisfactorily and driving growth in the consumer segment.

Our investment property business saw reduced gains this year given current market conditions. We have completed one development, Nairobi Mega, on Uhuru Highway. The anchor tenant is Carrefour. This will open in Q1 2020. We have commenced the planning of a second development in Shanzu, Mombasa. We continue to review the property portfolio to ensure it generates satisfactory returns. The yields from our property portfolio are improving towards our target of 8-10%. We are also planning to divest non core properties.

Going forward, we believe constrained liquidity conditions will persist in 2020 given government austerity measures and a stagnant business environment. The removal of the cap on interest rates was a positive development which will hopefully spur increased economic activity. Key to success will be higher efficiency levels in all areas of our business, maintaining market share in core products and achieving satisfactory profitability across all businesses. We have made all necessary manpower and infrastructure investments – we now need to grow volume and market share on an efficient base.

CHAIRMAN'S REPORT (continued)

I now comment more specifically below:

The Consumer Business

Our small engine business, in terms of power products, two-wheelers and three-wheelers, saw a general increase in sales. Our product and value proposition is strong especially when coupled with our aftermarket offerings. We expect market share to increase in 2019/2020 having launched various new models and financing initiatives, including those offered by Watu Credit Limited.

Assuming stability, we expect our consumer markets to grow this year. We must get closer to our markets and our customers throughout the region in order to increase market share and unit sales in order to ensure profitable growth. Detailed planning and disciplined implementation will be key to success.

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

The Equipment Business

The Cummins business in Kenya and regionally was flat in 2018/2019. 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 assuming economic growth throughout the region translates into development opportunities in terms of new projects.

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

Our Doosan business had a positive year in terms of growth in spite of continued challenges in the financial sector which saw a reduction in equipment financing by banks. We are confident that we can achieve sustainable profitability and market share in this sector in 2020.

Our Toyota forklift business is also gaining traction. The market size remains restrictive to building a scaleable business in the short term but we are confident we are well positioned for the long term.

Our Kubota tractor business remains a challenge given a shrinking market and limited bank financing.

The Property Business

The operation earned less rent this year given the exit of Nakumatt and the redevelopment of Nairobi Mega. Our rental incomes will increase substantially this financial year once Carrefour opens in early 2020. We are fully rented across all developed properties. We are planning the development of our Shanzu property where we have managed to secure an anchor tenant.

Car & General (Trading) Limited - Tanzania

The operation had a very positive year in spite of very low margins in the two and three wheeler business. We expect to continue growing this year given product traction.

Car & General (Uganda) Limited

The operation performed reasonably this year. This will remain a medium sized, compact business.

Car & General Rwanda

The Rwanda business is small.

CHAIRMAN'S REPORT (continued)

Kibo Poultry Products Limited

This operation made a reasonable profit this year. We expect similar performance in 2020.

The Future

We now have a more balanced business with four distinct business lines being automotive and equipment distribution, real estate investment, financial services and poultry. This diversity builds sustainability and we are confident that each line offers scope for growth.

Our portfolio of niche engine products is now complete. All significant investments have been made. This next year will be critical to future success and will require a growth in market share in all sectors. Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects. The quality of competition is increasing.

Given the consumption of capital in our real estate and distribution business and our plans to grow the business generally, the Directors recommend the payment of a conservative dividend of Sh 32,082,646 (Sh 0.80 per share).

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 Ng'ang'a, EBS – CHAIRMAN

7 January 2020

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1. Naomi Karagu, Kubota Sales Engineer Car & General with customers, during the Naivasha Horticultural Fair
2. Stanley Munyao (left), of Musoni Microfinance and David Chesoni (right), the Managing Director of Car & General Trading Limited sign a Memorandum of Understanding (MOU) to finance TVS motorcycles.
3. Managing Director Car & General, David Chesoni, the company staff and dealers cut a ribbon during the opening of the organization's branch in Nanyuki.
4. Car & General's Asst. General Manager, George Rubiri, Eric Omondi(Middle) test the new TVS HLX 150X model as Gurmmet Singh (right),the TVS Motors General Manager in India looks on during Car & General's launch for dealers.
5. Car & General Managing Director, David Chesoni observes a patient being treated during a free eye clinic in Kakamega. Car & General and Lion's First Eye Hospital have partnered to provide free eye camps to the less privileged in the society throughout the country.
6. During the Strathmore Career Fair, Saumil Vyas [right] the Center Head of NIIT explains the digital skills required for Industry 4.0 technologies which are offered by NIIT to Strathmore University students.

Kubota | MRF | DOOSAN | MOTOROL | NIIT THE CAREER EXPERTS | TVS | MERCURY | GARMIN

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. The Group is compliant with the Code of Corporate Governance Practices For Issuers of Securities To The Public 2015 ("The Code") issued by the Capital Market Authority (CMA).

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-today business to the Group Chief Executive Officer. 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 Chief Executive Officer, all other directors are subject to periodic reappointment in accordance with the Company's Article of Association.

Committee 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 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 Chief Executive Officer, 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 Chief Executive Officer, 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

CORPORATE GOVERNANCE REPORT (continued)

Internal Controls (continued)

to ensure that assets are subject to proper physical controls and that the Group remains structured to ensure appropriate segregation of duties.

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

The Group's internal auditor caries out internal audits based on a program, and timetable approved by the Audit Committee. The internal auditor also reviews policies, systems and procedures on a regular basis and reports to the Group Chief Executive Officer and the Audit Committee.

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 2019

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of Shareholding
Less than 500	84,352	620	0.21
500 - 5,000	699,929	383	1.75
5,001 - 10,000	618,517	81	1.54
10,001 -100,000	2,126,122	81	5.30
100,001 - 1,000,000	3,435,573	11	8.57
above 1,000,000	33,138,815	6	82.63
Total	40,103,308	1,182	100

Top ten shareholders

	30 September 2019	
	No. of shares	Percentage
Fincom Limited	13,033,419	32.50
Betrin Limited	6,381,759	15.91
Monyaka Investments Limited	5,017,112	12.51
Primaco Limited	3,650,646	9.10
Paul Wanderi Ndungu	3,209,961	8.00
Vapa Limited	1,840,518	4.59
Rakesh Prakash Gadani	821,680	2.05
Nairobi Commercial Continental Limited	540,000	1.35
Chandan Jethanand Gidoomal	442,218	1.10
Kaindi David Kyuli	304,128	0.76

Directors' direct shareholdings

V Gidoomal	1,584
N Ng'ang'a	5,448
G M Mboya	5,040

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited consolidated and company financial statements (hereafter, "financial statements" of Car & General (Kenya) Plc (the "company and its subsidiaries (together the "Group") for the year ended 30 September 2019, in accordance with the Kenya Companies Act, 2015 which discloses the state of Car and General (Kenya) PLC.

ACTIVITIES

The company acts as a holding company and derives its revenue from rental income, management fees, interest income and dividend income.

The activities of the subsidiary companies are detailed on page 3.

GROUP RESULTS

	2019 Sh '000
Profit before taxation	99,323
Taxation credit	83,036
Profit for the year	182,359
Attributable to:	
Owners of the parent	171,098
Non - controlling interests	11,261
	182,359

DIVIDEND

The directors propose payment of a first and final dividend of Sh 32,082,646 (Sh 0.80 per share) in respect of the year ((2018 - Sh 32,082,646) (Sh 0.80 per share)).

DIRECTORS

The present board of directors is shown on page 2.

ENHANCED BUSINESS REVIEW

The general business environment in the region has been challenging on the back of non-inclusive 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 and fiscal austerity by Government. The recent removal in Kenya of interest rate caps was a positive development which will encourage lending in 2020 and thereby improve private sector liquidity.

As a result, the group's markets have remained challenging during the financial year ended 30 September 2019. The consumer business (two wheelers and three wheelers) has shown signs of growth driven by access to finance, particularly through our associate Watu Credit Ltd. There has been significant downward pressure on the Equipment businesses (namely generators, construction equipment, tractors and forklifts). Notwithstanding, the Group has been able to achieve its market share objectives and grow sales 18%. Tanzania and Uganda grew particularly strongly.

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 2020. Achieving 2020 volume objectives is critical to delivering an EBITDA percentage of 8-10% which remains a key financial objective.

REPORT OF THE DIRECTORS (continued)

ENHANCED BUSINESS REVIEW (continued)

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. We have in excess of 300,000 customers who depend on our products. It is our duty to improve their lives by delivering a superior level of support.

In terms of investment property, the group has almost completed one property project being the refurbishment of Nairobi Mega, Uhuru Highway. This site should be fully operational in Q1 2020 and is fully let, Carrefour being the anchor tenant. We are designing a second development in Shanzu, Mombasa.

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.

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 2019, the group's staff headcount stood at 739 (2018: 717).

Social community issues

The Group continues to support the eye clinic and water security programs. We are now developing our education initiative (NIIT Kenya Ltd) in line with the current government strategy. This will form a key plank of our Corporate Responsibility program going forward.

BOARD AUDIT COMMITTEE

The Directors recommend that Mr P Shah, Mr M Soundararajan, Mr S P Gidoomal and Mr C Ngini 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 Group 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 Kenyan 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.

REPORT OF THE DIRECTORS (continued)

RE-APPOINTMENT OF AUDITORS

In accordance with section 721 (2) of The Kenyan 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 of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditors' appointment and the related fees.

BY ORDER OF THE BOARD

Secretary
Nairobi
7 January 2020

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report sets out 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 2020, the following is the recommended remuneration for Non-Executive Directors.

Annual basic retainer fee for company and subsidiaries

	Board KSh
Main Board Chairman	122,862
Audit Committee Chairman	110,576
Other Directors	98,290

Sitting allowances

	Board Committee KSh	Audit Committee KSh	Recruitment and Remuneration Committee KSh	Nominations Committee KSh	Other Committee KSh
Chairman	122,862	110,576	81,907	81,907	81,907
Other Directors	98,290	81,907	81,907	81,907	81,907

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 allowances 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.

DIRECTORS' REMUNERATION REPORT (continued)

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.

Remuneration

The auditable part of the Directors' Remuneration Report is as follows

30 September 2019	Salaries and benefits Sh'000'	Pension scheme Sh'000'	Directors fees Sh'000'	Total Sh'000'
Executive director				
Mr V V Gidoomal	17,285	182	-	17,467
Non - Executive directors				
Mr N Ng'ang'a EBS	-	-	1,432	1,432
Mr P Shah	-	-	2,026	2,026
Mr S P Gidoomal	-	-	1,635	1,635
Mr M Soundararajan	-	-	1,365	1,365
Mr C M Ngini	-	-	1,533	1,533
Ms G M Mboya	-	-	1,084	1,084
Total	17,285	182	9,075	26,542
30 September 2018				
Executive director				
Mr V V Gidoomal	16,940	182	-	17,122
Non - Executive director				
Mr N Ngángá, EBS	-	-	1,260	1,260
Mr P Shah	-	-	2,084	2,084
Mr S P Gidoomal	-	-	1,948	1,948
Mr M Soundararajan	-	-	1,412	1,412
Mr C M Ngini	-	-	1,127	1,127
Ms G M Mboya	-	-	429	429
Total	16,940	182	8,260	25,382

BY ORDER OF THE BOARD

Secretary
Nairobi
7 January 2020

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 group and of the company 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 parent company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the parent company and its subsidiaries and to disclose, with reasonable accuracy, the financial position of the Group and the company. The directors are also responsible for safeguarding the assets of the Group and the company, 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 and company's ability to continue as going concerns, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and company's ability to continue as going concerns.

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 7 January 2020 and signed on its behalf by:

N Ng'ang'a, EBS
Director

V V Gidoomal
Director

Deloitte.

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Certified Public Accountants (Kenya)
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Kenya

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Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Audit of the Consolidated and Separate Financial Statements

Our opinion

We have audited the accompanying financial statements of Car & General (Kenya) Plc (the Company) and its subsidiaries (together, the Group), set out on pages 22 to 84, which comprise consolidated and separate statements of financial position as at 30 September 2019 and consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company at 30 September 2019 and of its consolidated and separate financial performance and its consolidated and separate 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 ("ISAs"). 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), together with the other 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.

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

Key Audit Matter

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters are addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 in both the consolidated and company financial statements The carrying value of the group's investment properties and land and buildings amounted to Sh 3.4 billion and Sh 1.4 billion respectively, (in total Sh 4.8 billion) and the net fair value adjustment recorded in the total comprehensive income for the year in respect of investment properties and land and buildings was Sh 82 million and Sh 36.7 million respectively, (in total Sh 118.7 million).	We performed the following procedures, among others, to address the key audit matter: 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 them. We confirmed that the approaches they used are consistent with International Financial Reporting Standards (IFRS) and industry norms.

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matter (continued)

Key audit matter	How our audit addressed the Key audit matter
The carrying value of the company's investment properties and land and buildings amounted to Sh 2.2 billion and Sh 540 million respectively, (in total Sh 2.7 billion) and the net fair value adjustment recorded in the total comprehensive income for the year in respect of investment properties and land and buildings was Sh 46.4 million and (Sh 3.5 million) respectively, (in total Sh 42.9 million). These properties are disclosed in notes 13, 14 and 15 to the financial statements. 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 analysed the inputs with the most significant impact on the valuations for buildings which included future cash flows and market-related cash flows and discount rates. We audited the assumptions made in identifying properties that are similar to the group's land from recent sales of neighbouring properties. We found the valuers to be competent, capable and objective. We also found that the models used for the various property valuations were appropriate and the significant assumptions made and methodologies used to be reasonable and appropriate. We concluded that the disclosures in the company and consolidated financial statements for investment properties and land and buildings included in property, plant and equipment were in line with applicable international accounting standards (IAS 40, Investment Property and IAS 16, Property, Plant and Equipment).

Other Information

The directors are responsible for the other information, which comprises the corporate information on pages 2 to 3, chairman's report on pages 5 to 7, corporate governance report on pages 10 to 11, report of the directors' on pages 12 to 14, directors' remuneration report on pages 15 to 16 and statement of directors' responsibilities on page 17 which were obtained prior to the date of our report. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate 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 separate 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 separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Other Information (continued)

If based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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 consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal controls as directors determine are necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as going concerns, 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 and/or its subsidiaries 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 company's and its subsidiaries financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 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 its subsidiaries 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

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

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

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

related disclosures in the 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 its subsidiaries 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain responsible for our audit opinion.

We communicate with the Directors 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 Directors 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 Directors, 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 on pages 12 to 14 is consistent with the consolidated and company financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 15 to 16 has been prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants (Kenya)
Nairobi
7 January 2020

CPA Fredrick Okwiri, Practising certificate No. 1699
Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 Sh '000	2018 Sh '000
REVENUE	4 (b)	11,907,237	10,079,734
COST OF SALES		(10,026,975)	(8,513,513)
OTHER COSTS	5	(188,159)	(1,035)
GROSS PROFIT		1,692,103	1,565,186
OTHER INCOME	6	119,695	89,531
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	13	117,250	339,513
SELLING AND DISTRIBUTION COSTS		(631,222)	(575,535)
ADMINISTRATIVE EXPENSES		(817,525)	(748,344)
SHARE OF PROFIT IN ASSOCIATE	19	151,560	28,504
SHARE OF (LOSS)/PROFIT IN JOINT VENTURE	20	(9,753)	7,777
EARNINGS BEFORE FINANCE COSTS AND TAXATION		622,108	706,632
FINANCE COSTS	7	(522,785)	(348,821)
PROFIT BEFORE TAXATION	8	99,323	357,811
TAXATION CREDIT/(CHARGE)	9	83,036	(132,095)
PROFIT FOR THE YEAR		182,359	225,716
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus on property, net of deferred tax		36,768	70,902
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations net of tax		33,671	(26,397)
		70,439	44,505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		252,798	270,221
PROFIT ATTRIBUTABLE TO:			
Owners of the parent		171,098	214,530
Non - controlling interests	10	11,261	11,186
Profit for year		182,359	225,716
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		241,537	259,035
Non - controlling interests		11,261	11,186
Total comprehensive income for the year		252,798	270,221
		Sh	**Sh**
EARNINGS PER SHARE - basic and diluted	11	4.27	5.35

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 Sh '000	2018 Sh '000
REVENUE		53,067	112,517
OTHER INCOME		30,525	36,241
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES		66,364	289,513
ADMINISTRATIVE EXPENSES		(136,242)	(113,591)
EARNINGS BEFORE FINANCE COSTS AND TAXATION		13,714	324,680
FINANCE COSTS		(2,048)	(930)
PROFIT BEFORE TAXATION	8	11,666	323,750
TAXATION CHARGE	9	(7,382)	(104,122)
PROFIT FOR THE YEAR		4,284	219,628
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation (deficit)/surplus on property, net of deferred tax		(3,502)	41,832
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations net of tax		(60)	(321)
		(3,562)	41,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		722	261,139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	2019 Sh '000	2018 Sh '000
ASSETS			
Non-current assets			
Investment properties	13	3,472,754	3,115,525
Property, plant and equipment	14	1,650,715	1,507,052
Intangible assets	16	22,538	22,674
Education reference materials	17	-	4,633
Investment in associate	19	197,797	55,938
Investment in joint venture	20	301,071	310,824
Deferred tax asset	25	289,039	127,615
		5,933,914	5,144,261
Current assets			
Inventories	21	3,713,960	3,070,281
Trade and other receivables	22	1,573,344	1,696,754
Due from related parties	23(b)	10,070	40,220
Corporate tax recoverable	9(c)	69,223	46,034
Cash and bank balances		183,233	175,957
		5,549,830	5,029,246
Total assets		11,483,744	10,173,507
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	200,516	200,516
Revaluation surplus		744,283	709,379
Retained earnings		2,477,248	2,548,536
Exchange translation reserve		(28,528)	(62,199)
Equity attributable to owners of the parent		3,393,519	3,396,232
Non-controlling interests	10	218,995	207,734
Total equity		3,612,514	3,603,966
Non-current liabilities			
Deferred tax liabilities	25	881,287	904,759
Due to related parties	23(c)(ii)	159,205	159,205
Borrowings	26	474,148	427,015
		1,514,640	1,490,979
Current liabilities			
Borrowings	26	4,184,662	3,003,756
Trade and other payables	27	1,924,897	1,821,191
Due to related parties	23(c)(i)	234,021	247,713
Corporate tax payable	9(c)	13,010	5,902
		6,356,590	5,078,562
Total equity and liabilities		11,483,744	10,173,507

The financial statements on pages 22 to 84 were approved and authorised for issue by the board of directors on 7 January 2020 and were signed on its behalf by:

N. Ng'ang'a, EBS
Director

V. V. Gidoomal
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	2019 Sh '000	2018 Sh '000
ASSETS			
Non-current assets			
Investment properties	13	2,202,694	1,898,052
Property, plant and equipment	15	583,268	549,556
Intangible assets	16	1,524	1,905
Investment in subsidiaries	18	516,892	516,892
		3,304,378	2,966,405
Current assets			
Trade and other receivables	22	71,601	51,849
Due from subsidiaries	23(a)	456,922	432,697
Due from related parties	23(b)	290,380	257,652
Corporate tax recoverable	9(c)	17,278	8,671
Cash and bank balances		5,174	2,918
		841,355	753,787
Total assets		4,145,733	3,720,192
EQUITY AND LIABILTIES			
Capital and Reserves			
Share capital	24	200,516	200,516
Revaluation surplus		432,743	442,698
Retained earnings		1,315,703	1,338,268
Exchange translation reserve		2,948	3,008
Total equity		1,951,910	1,984,490
Non-current liabilities			
Deferred tax liability	25(a)	714,587	709,228
Borrowings	26	-	530
		714,587	709,758
Current liabilities			
Borrowings	26	1,345,308	150,641
Trade and other payables	27	64,582	39,766
Due to subsidiaries	23(d)	69,346	835,537
		1,479,236	1,025,944
		4,145,733	3,720,192

The financial statements on pages 22 to 84 were approved and authorised for issue by the board of directors on 7 January 2020 and were signed on its behalf by:

N. Ng'ang'a, EBS
Director

V. V. Gidoomal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share capital Sh '000	Revaluation surplus Sh '000	Retained earnings Sh '000	Exchange Translation Reserve Sh '000	Attributable to owners of the parent Sh '000	Non - interest Sh '000	Total Sh '000
Year ended 30 September 2018							
At 1 October 2017	200,516	647,412	2,349,133	(35,802)	3,161,259	196,548	3,357,807
Profit for the year	-	-	214,530	-	214,530	11,186	225,716
Other comprehensive income/(loss) for the year	-	70,902	-	(26,397)	44,505	-	44,505
Total comprehensive income/(loss) for the year	-	70,902	214,530	(26,397)	259,035	11,186	270,221
Transfer of excess depreciation	-	(11,701)	11,701	-	-	-	-
Deferred tax on excess depreciation transfer	-	2,766	(2,766)	-	-	-	-
Dividend paid – 2017	-	-	(24,062)	-	(24,062)	-	(24,062)
At 30 September 2018	200,516	709,379	2,548,536	(62,199)	3,396,232	207,734	3,603,966
Year ended 30 September 2019							
At 1 October 2018 – As previously reported	200,516	709,379	2,548,536	(62,199)	3,396,232	207,734	3,603,966
Day 1 impairment losses under IFRS 9 on group financial assets	-	-	(288,030)	-	(288,030)	-	(288,030)
Day 1 impairment losses under IFRS 9 on joint venture financial assets	-	-	(15,067)	-	(15,067)	-	(15,067)
Deferred tax on Day 1 impairment losses under IFRS 9 on group and joint venture financial assets	-	-	90,929	-	90,929	-	90,929
At 1 October 2018- Restated	200,516	709,379	2,336,368	(62,199)	3,184,064	207,734	3,391,798
Profit for the year	-	-	171,098	-	171,098	11,261	182,359
Other comprehensive income for the year	-	36,768	-	33,671	70,439	-	70,439
Total comprehensive income for the year	-	36,768	171,098	33,671	241,537	11,261	252,798
Transfer of excess depreciation	-	(2,663)	2,663	-	-		-
Deferred tax on excess depreciation transfer	-	799	(799)	-	-	-	-
Dividend paid – 2018	-	-	(32,082)	-	(32,082)	-	(32,082)
At 30 September 2019	200,516	744,283	2,477,248	(28,528)	3,393,519	218,995	3,612,514

The foreign currency translation reserve represents the cumulative position of translation gains and losses arising from translation of the net assets of the foreign subsidiary companies to the reporting currency. The revaluation reserve represents the cumulative surplus on revaluation of property, plant and equipment.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share capital Sh' 000	Revaluation surplus Sh' 000	Retained earnings Sh' 000	Exchange translation Sh' 000	Total Sh' 000
Year ended 30 September 2018					
At 1 October 2017	200,516	407,319	1,136,249	3,329	1,747,413
Profit for the year	-	-	219,628	-	219,628
Other comprehensive income/(loss) for the year	-	41,832	-	(321)	41,511
Total comprehensive income/(loss) for the year	-	41,832	219,628	(321)	261,139
Transfer of excess depreciation	-	(9,219)	9,219	-	-
Deferred tax on depreciation transfer	-	2,766	(2,766)	-	-
Dividend paid – 2017	-	-	(24,062)	-	(24,062)
At 30 September 2018	200,516	442,698	1,338,268	3,008	1,984,490
Year ended 30 September 2019					
At 1 October 2018 – As previously reported	200,516	442,698	1,338,268	3,008	1,984,490
Day 1 impairment losses under IFRS 9 on financial assets	-	-	(1,742)	-	(1,742)
Deferred tax on Day 1 impairment losses under IFRS 9	-	-	522	-	522
At 1 October 2018- Restated	200,516	442,698	1,337,048	3,008	1,983,270
Profit for the year	-	-	4,284	-	4,284
Other comprehensive loss for the year	-	(3,502)	-	(60)	(3,562)
Total comprehensive (loss)/income for the year	-	(3,502)	4,284	(60)	722
Transfer of excess depreciation	-	(9,219)	9,219	-	-
Deferred tax on depreciation transfer	-	2,766	(2,766)	-	-
Dividend paid – 2018	-	-	(32,082)	-	(32,082)
At 30 September 2019	200,516	432,743	1,315,703	2,948	1,951,910

The foreign currency translation reserve represents the cumulative position of translation gains and losses arising from translation of the net assets of the foreign subsidiary branch to the reporting currency. The revaluation reserve represents the cumulative surplus on revaluation of property, plant and equipment.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 Sh '000	2018 Sh '000
Cash flows from operating activities			
Net cash (used in)/generated from operations	28(a)	(252,818)	555,145
Corporation tax paid	9(c)	(34,053)	(16,513)
Net cash (used in)/ generated from operating activities		(286,871)	538,632
Cash flows from investing activities			
Additions to investment properties	13	(238,458)	(1,873)
Purchase of property, plant and equipment	14	(168,844)	(92,564)
Purchase of intangible assets		(6,572)	(10,331)
Purchase of education reference materials		-	(4,633)
Investment in an associate		-	(619)
Investment in Joint venture		-	(80,605)
Proceeds on disposal of property, plant and equipment		22,537	1,441
Dividend received from an associate		9,701	-
Net cash used in investing activities		(381,636)	(189,184)
Cash flows from financing activities			
Loans received	28(b)	12,505,924	6,482,838
Loans repaid	28(b)	(11,311,452)	(6,658,020)
Dividend paid		(32,082)	(24,062)
Interest paid	7	(475,772)	(353,182)
Hire - purchase finance	28(b)	(1,788)	8,770
Net cash generated from/(used in) financing activities		684,830	(543,656)
Net increase/(decrease) in cash and cash equivalents		16,323	(194,208)
Cash and cash equivalents at beginning of the year		61,817	258,353
Effects of exchange rate changes on the balance of cash held in foreign operations		1,240	(2,328)
Cash and cash equivalents at end of the year	28(c)	79,380	61,817

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 Sh '000	2018 Sh '000
Cash flows from operating activities			
Net cash used in operations	28(a)	(857,379)	(28,373)
Corporation tax paid	9(c)	(8,607)	(3,480)
Net cash used in operating activities		(865,986)	(31,853)
Cash flows from investing activities			
Additions to investment properties	13	(238,458)	(1,873)
Purchase of property, plant and equipment	15	(51,338)	(2,395)
Net cash used in investing activities		(289,796)	(4,268)
Cash flows from financing activities			
Loans received	28(b)	2,199,850	5,133
Loans repaid	28(b)	(1,005,208)	(8,090)
Dividend paid		(32,082)	(24,062)
Interest paid		(1,914)	(176)
Net cash generated from/(used in) financing activities		1,160,646	(27,195)
Net increase/(decrease) in cash and cash equivalents		4,864	(63,316)
Cash and cash equivalents at the beginning of the year		(43,011)	20,305
Effects of exchange rate changes on the balance of cash held in foreign operations		-	-
Cash and cash equivalents at the end of the year	28(c)	(38,147)	(43,011)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 GENERAL INFORMATION

Car & General (Kenya) Plc is incorporated in Kenya under the Kenyan Companies Act, 2015. The group derives its revenue from rental income and management fees and dealing 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, 2015.

For the Kenyan Companies Act, 2015 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 2019

The following revised IFRSs were effective in the current period and the nature and the impact of the relevant amendments are described below.

Impact of initial application of IFRS 9 Financial Instruments

The Group has adopted IFRS 9 'Financial Instruments' from 1 October 2018. The standard amends the classification and measurement models for financial assets and adds new requirements to address the impairment of financial assets.

The transition provision of IFRS 9 allow an entity not to restate comparatives. Consequently, the Group has elected not to restate comparatives. Therefore, the comparative information for September 2018 is reported under IAS 39 and is not comparable to the information presented for 2019. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 October 2018 and are disclosed in the consolidated and company Statements of Changes in Equity.

The standard amends the classification and measurement models for financial assets as set out below:

(1) Classification and measurement of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on de-recognition; and
- Financial assets FVPL.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2019 (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

(1) Classification and measurement of financial assets (continued)

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed

(2) Impairment of financial assets

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 the Group 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Trade receivables;
- Related party receivables; and
- Bank balances.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

Related parties' balances have low credit risk as the risk of default is low hence no allowance recognised because such allowance would be immaterial.

Items existing as at 1 October 2018 that are subject to impairment provision of IFRS 9	Credit risk attributes at 1 October 2018	Cumulative additional allowance recognized on 1 October 2018	Cumulative additional allowance recognized on 1 October 2018
		Group Sh'000	Company Sh'000
Trade receivables	For trade receivables, the Group applied the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.	288,030	1,742

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2019 (continued)

Impact of initial application of IFRS 9 Financial Instruments (continued)

(2) Impairment of financial assets (continued)

Items existing as at 1 October 2018 that are subject to impairment provision of IFRS 9	Credit risk attributes at 1 October 2018	Cumulative additional allowance recognized on 1 October 2018	Cumulative additional allowance recognized on 1 October 2018
		Group Sh'000	Company Sh'000
Bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	NIL	NIL
Deferred tax on Day 1 adjustment		(86,409)	(522)
Day 1 adjustment net of deferred tax		201,621	1,220

The additional credit loss allowance of Sh 288,030,000 as at 1 October 2018 for the Group and Sh 1,742,000 for the Company and the associated deferred taxation credit of Sh 86,409,000 for the Group and Sh 522,000 for the Company have been recognised against retained earnings. The additional loss allowance is charged against the respective assets.

(3) Classification and measurement of financial liabilities

The application of IFRS 9 has not affected the Group's accounting for its liabilities. The payables continue to be recognised initially at fair value and subsequently measured at amortised cost.

(4) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at fair value through profit or loss ("FVTPL") under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a five step approach to revenue recognition.

Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services has been satisfied. For sales of products to customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet.

The application of IFRS 15 has not had a significant impact on the Group's accounting policies as the nature of the Group's revenue is that the main revenue stream is recognised at a point in time. See section 2 for the Group's accounting policies for its revenue streams. Accordingly, there has been no adjustment for any of the financial statement line items as a result of the application of IFRS 15.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2019 (continued)

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

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

The amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions clarify the following aspects:

- 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 (typically in cash), 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 to the standard had no impact on the Group's financial statements

Amendments to IAS 40 Transfers of Investment Property

The amendments to IAS 40 Transfers of Investments Property clarify the following aspects:

- Transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- 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 had no impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2014-2016 Cycle

The annual improvements to IFRSs 2014-2016 cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 September 2019 (Continued)

Annual Improvements to IFRS Standards 2014-2016 Cycle (continued)

In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

The amendments to the standard had no impact on the Group's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The application of this interpretation had no effect on the Group's financial statements.

(ii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2019.

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 16 Leases	1 January 2019, with earlier application permitted
IFRS 17 Insurance Contracts	1 January 2022, with earlier application permitted
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019, with earlier application permitted
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019, with earlier application permitted
Annual Improvements to IFRS Standards 2015–2017	1 January 2019, with earlier application permitted
Amendments to IAS 19 Employee Benefits	1 January 2019, with earlier application permitted
IFRIC 23: Uncertainty over Income Tax Treatments	Effective for annual periods beginning on or after 1 January 2019
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Effective for annual periods beginning on or after a date to be determined

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2019.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

(1) 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 will be adopted by the Group from 1 October 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lease accounting model.

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.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 October 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 October 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2019. (continued)

(1) IFRS 16 Leases (continued)

Impact on Lessee Accounting (continued)

Operating leases (continued)

On initial application of IFRS 16, for all leases the Group will:

(a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 September 2019, the Group has non-cancellable operating lease commitments of Sh 457,629,000. The directors are in the process of assessing the total impact of adoption of the standard.

(2) Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2019 (continued)

(3) Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

(4) Annual improvements to IFRS Standards 2015 – 2017 Cycle

The Annual Improvements to IFRS Standards 2015-2018 cycle makes amendments to the following standards:

- IAS 12 Income Taxes - The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

- IAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- IFRS 11 Joint Arrangements - The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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

(ii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 30 September 2019 (continued)

(5) Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

(6) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

  (i) If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  (ii) ii.If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the consolidated and company financial statements.

(iii) Early adoption of standards

The Group did not early adopt new or amended standards in the period ended 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Basis of preparation

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

Basis of consolidation

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

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

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

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

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

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

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

The consolidated financial statements incorporate the audited financial statements of the company and its subsidiaries as at 30 September 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Interests in joint ventures (continued)

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

For sales of products to customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods. Revenue is stated net of Value Added Tax (VAT) and discounts. Interest income is recognised as it accrues using the effective interest rate method, unless collectability is in doubt. The group also provides maintenance services for equipment sold to customers. Revenue relating to services is recognised upon performance of those services and the amount of revenue and the costs associated with the performance of those services can be measured reliably.

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

Property, plant and equipment

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

All other items of property, plant and equipment are stated at historical cost less 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Depreciation

Freehold land is not depreciated.

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

The Group as lessor

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

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

Investment properties

Investment properties, which is property held to earn rentals and/or for capital appreciation (including property under construction and leasehold land held for such purposes), is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Investment in subsidiaries

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method, less any impairment because they are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Related party loans receivable

Related party loans receivable are measured at amortised cost using the effective interest method, less any impairment because they are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Third party and related party 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Trade payables

Trade payables are carried at amortised cost.

Derecognition of financial liabilities

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

Employee entitlements

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

Employee benefits obligations

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

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

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

Taxation

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 Chief Executive Officer). The directors then allocate resources to and assess the performance of the operating segments of the Group.

The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; trade and workshop, rental, poultry, investment properties, financial services, joint venture, and Information and Computer Technology (ICT) training and development.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Critical accounting judgments in applying accounting policies (continued)

Impairment assessments

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 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

The group's investment properties and land and buildings 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 work 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 are disclosed in notes 13 and 14.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.
- Financial Services
- ICT Training and Talent development

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(b) Segment revenues and results

The segment information provided to the Group Chief Executive Officer for reportable segments is as follows:

	TVS bikes Sales Sh '000	3 wheeler Sales Sh'000	Generators, tyres & others Sh '000	Heavy machinery Sales Sh '000	Poultry Sales Sh'000	Rental Income Sh'000	Total 2019 Sh'000	Total 2018 Sh '000
Revenue analysis								
Kenya	4,172,039	1,210,739	1,121,880	875,675	-	53,067	7,433,400	6,935,569
Tanzania	1,373,392	1,649,900	459,441				3,482,733	2,417,993
Kibo	-		-	-	255,773	-	255,773	143,611
Rwanda	-		16,835	-	-	-	16,835	45,461
Uganda	-	10,757	586,809	120,930	-	-	718,496	537,100
	5,545,431	2,871,396	2,184,965	996,605	255,773	53,067	11,907,237	10,079,734

	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	Financial Services sh'000	Joint Venture sh'000	ICT Training and development Sh'000	Group Sh '000
30 September 2019							
Revenue	11,596,284	53,067	255,773	-	-	2,113	11,907,237
Gain in fair value of investment properties	-	117,250	-	-	-	-	117,250
Earnings /(loss) before finance cost & Tax	372,445	81,783	50,465	151,560	(9,753)	(24,392)	622,108
30 September 2018							
Revenue	9,837,266	98,857	143,611	-	-	-	10,079,734
Gain in fair value of investment properties	-	339,513	-	-	-	-	339,513
Earnings/ (loss) before finance cost & tax	301,132	362,215	10,170	28,504	7,777	(3,166)	706,632

Revenue reported above represents revenue generated from external customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(b) Segment revenues and results (continued)

	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	Financial services sh '000	Joint venture sh '000	ICT Training & Development sh '000	Group sh '000
30 September 2019							
Earnings/(loss) before finance cost and taxation							
Kenya	215,558	81,783	-	151,560	(9,753)	(24,392)	414,756
Uganda	65,503	-	-	-	-	-	65,503
Tanzania	103,885	-	50,465	-	-	-	154,350
Rwanda	(12,501)	-	-	-	-	-	(12,501)
Total	372,445	81,783	50,465	151,560	(9,753)	(24,392)	622,108
30 September 2018							
Earnings/(loss) before finance cost and taxation							
Kenya	216,036	362,215	-	28,504	7,777	(3,166)	611,366
Uganda	19,317	-	-	-	-	-	19,317
Tanzania	68,245	-	10,170	-	-	-	78,415
Rwanda	(2,466)	-	-	-	-	-	(2,466)
Total	301,132	362,215	10,170	28,504	7,777	(3,166)	706,632

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(c) Segment assets and liabilities

30 September 2019	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	ICT Training & Talent Development sh '000	Group sh '000
Assets	7,521,523	3,480,536	449,345	32,340	11,483,744
Liabilities	7,197,588	587,984	83,644	2,014	7,871,230
30 September 2018					
Assets	6,623,983	3,128,838	402,769	17,917	10,173,507
Liabilities	5,921,648	487,430	160,101	362	6,569,541

(d) Other segment information

	Trade and workshop sh '000	Investment properties sh '000	Poultry sh '000	ICT Training & Talent Development sh '000	Group sh '000
30 September 2019					
Cost of sales	9,911,821	-	115,154	-	10,026,975
Other costs	188,159	-	-	-	188,159
Expenses - selling and administrative	1,312,014	11,325	98,903	26,505	1,448,747
Taxation (charge)/credit	86,998	24,535	(35,396)	6,899	83,036
Interest expenses	401,307	74,162	303	-	475,772
Depreciation/amortisation	75,212		4,440	3,362	83,014
Capital expenditure	386,006	-	22,591	5,277	413,874
30 September 2018					
Cost of sales	8,443,508	-	70,005	-	8,513,513
Expenses - selling and administrative	1,228,132	10,530	82,051	3,166	1,323,879
Taxation (charge)/credit	25,399	108,665	(1,969)	-	132,095
Interest expenses	285,824	65,625	1,733	-	353,182
Depreciation/amortisation	61,147		4,590	-	65,737
Capital expenditure	104,121	-	5,280	-	109,401

(e) Geographical information

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

	2019 Sh '000	2018 Sh '000
Kenya	7,433,400	6,935,569
Uganda	718,496	537,100
Tanzania	3,482,733	2,417,993
Kibo	255,773	143,611
South Sudan	-	-
Rwanda	16,835	45,461
Total	11,907,237	10,079,734

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

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

	2019 Sh '000	2018 Sh '000
Non-current assets (excluding deferred tax assets)		
Kenya	4,659 880	4,145,188
Uganda	101,413	92,034
Tanzania	878,206	773,622
South Sudan	5,194	5,552
Rwanda	182	250
	5,644,875	5,016,646
Total assets		
Kenya	8,695,453	7,885,711
Uganda	589,985	462,939
Tanzania	2,141,695	1,776,997
South Sudan	5,620	6,187
Rwanda	50,991	41,673
	11,483,744	10,173,507

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

	2019 Sh '000	2018 Sh '000
Total liabilities		
Kenya	6,258,203	5,193,639
Uganda	273,341	189,245
Tanzania	1,336,013	1,183,214
Rwanda	3,673	3,443
	7,871,230	6,569,541

5 OTHER COSTS

Demurrage and storage costs	188,159	1,035

The Kenya Trading operations suffered significant storage and demurrage charges of Sh 188 Million (2018: Sh 1 Million) during clearing processes. This arose due to the government directive to transport, by Standard Gauge Railway (SGR), imported items to Nairobi Inland Container Depot (ICD) and to clear therefrom. The process has been subsequently streamlined and these expenses will not recur on the same scale.

Prior year additional demurrage and storage costs were included in cost of sales. The comparative figure was reclassified to conform with changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 OTHER INCOME - GROUP

	2019 Sh '000	2018 Sh '000
Gain/(loss) on disposal of property, plant and equipment	3,429	(13)
Hire of property and equipment	59,309	52,899
Management fees	21,921	19,801
Interest income from loan to associate	2,128	4,516
Miscellaneous income	32,908	12,328
	119,695	89,531

7 FINANCE COSTS

	2019 Sh '000	2018 Sh '000
Interest on borrowings	475,772	353,182
Net foreign exchange losses/(gains)	47,013	(4,361)
	522,785	348,821

8 PROFIT BEFORE TAXATION - GROUP

The profit before tax is arrived at after charging:

	2019 Sh '000	2018 Sh '000
Employment costs	746,577	704,957
Directors remuneration - fees	9,075	8,260
- other emoluments	17,467	17,122
Auditors' remuneration	12,400	11,031

EMPLOYMENT COSTS - GROUP

	2019 Sh '000	2018 Sh '000
Salaries and wages	710,408	671,761
Retirement benefit costs:		
- Defined contribution scheme	15,378	11,487
- National Social Security Fund contribution	18,955	20,738
Leave pay provision charge	1,836	971
	746,577	704,957

8 PROFIT BEFORE TAXATION - COMPANY

	2019 Sh '000	2018 Sh '000
Employment costs	69,090	59,026
Directors remuneration - fees	9,075	8,260
- other emoluments	17,467	17,122
Auditors' remuneration	1,800	1,700

EMPLOYMENT COSTS - COMPANY

	2019 Sh '000	2018 Sh '000
Salaries and wages	64,333	53,781
Retirement benefit costs	4,137	4,935
Leave pay provision charge	620	310
	69,090	59,026

9 TAXATION

(a) Taxation (credit)/charge

	2019 Sh '000	2018 Sh '000
GROUP		
Current taxation based on taxable income	18,914	25,613
Deferred tax (credit)/charge – (note 25)	(41,403)	104,867
Deferred tax credit on tax losses not previously recognised now recognised	(36,018)	-
Prior year (under)/over provision - deferred taxation	(24,529)	1,615
Total deferred taxation (credit)/charge	(101,950)	106,482
Taxation (credit)/charge	(83,036)	132,095
COMPANY		
Current taxation based on taxable income	-	12,070
Deferred tax charge - (note 25)	7,382	92,083
Prior year over provision- deferred tax	-	(31)
Taxation charge	7,382	104,122

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

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

	2019 Sh '000	2018 Sh '000
GROUP		
Group profit before taxation	99,323	357,811
Tax calculated at the applicable rate of 30% (2018: 30%)	29,797	107,343
Tax effect of income not taxable	(57,023)	(10,884)
Deferred tax credit not recognised	1,359	3,209
Tax effect of expenses not deductible for tax	3,378	30,812
Deferred tax credit on tax losses not previously recognised now recognised	(36,018)	-
Prior year (under)/over provision - deferred taxation	(24,529)	1,615
Taxation (credit)/charge	(83,036)	132,095

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 **TAXATION** (continued)

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

	2019 Sh '000	2018 Sh '000
COMPANY		
Company profit before taxation	11,666	323,750
Tax calculated at the applicable rate of 30% (2018: 30%)	3,500	97,125
Tax effect of expenses not deductible for tax	3,882	7,028
Prior year over provision – deferred tax	-	(31)
Taxation charge	7,382	104,122

(c) Corporate tax movement

	2019 Sh '000	2018 Sh '000
GROUP		
At the beginning of the year - recoverable	40,132	50,933
Charge for the year	(18,914)	(25,613)
Paid in the year	34,053	16,513
Currency translation differences	942	(1,701)
At the end of the year - recoverable	56,213	40,132
This is analysed as:		
Corporate tax recoverable	69,223	46,034
Corporate tax payable	(13,010)	(5,902)
	56,213	40,132
COMPANY		
At the beginning of the year - recoverable	8,671	17,261
Charge for the year	-	(12,070)
Paid in the year	8,607	3,480
At the end of year - recoverable	17,278	8,671

10 **NON-CONTROLLING INTERESTS**

	2019 Sh '000	2018 Sh '000
At the beginning of the year	207,734	196,548
Share of profit for the year	11,261	11,186
At the end of the year	218,995	207,734

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 NON-CONTROLLING INTERESTS (continued)

	2019 %	2018 %
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	34

The above entities are incorporated in Kenya.

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:

	2019 Sh '000	2018 Sh '000
Profit attributable to owners of the parent (Sh' 000)	171,098	214,530
Number of shares (note 24)	40,103,308	40,103,308
Basic and diluted earnings per share (Sh)	4.27	5.35

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 2019 of Sh 0.80 per share (2018 - Sh 0.80 per share) amounting to Sh 32,082,646 (2018 - Sh 32,082,646) The financial statements for the year ended 30 September 2019 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 2020.

13 INVESTMENT PROPERTIES - GROUP AND COMPANY

	GROUP Sh '000	COMPANY Sh '000
At 1 October 2017	2,778,042	1,607,662
Exchange rate adjustments	(3,903)	(996)
Additions	1,873	1,873
Fair value gains	339,513	289,513
At 30 September 2018	3,115,525	1,898,052
At 1 October 2018	3,115,525	1,898,052
Exchange rate adjustments	1,521	(180)
Additions	238,458	238,458
Fair value gains	117,250	66,364
At 30 September 2019	3,472,754	2,202,694

The exchange rate adjustments arise as a result of translation of the investment properties opening balances of subsidiaries outside Kenya.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTIES - GROUP AND COMPANY (continued)

The investment properties were valued by independent valuers being R R Oswald & Company Limited, registered valuers in Kenya, Survesis Co Ltd, registered valuers in Uganda and Trace Associates Limited, registered valuers in Tanzania as at 30 September 2019 on an open market basis having regard to the highest and best use. The valuers have appropriate qualifications and recent experience in valuation of properties in the relevant locations.

A legal charge exists over investment properties with a net book value of Sh 3,472,754,000 (2018: 3,115,525,000) to secure borrowings granted to the Group.

The group earned rental income of Sh 53,067,000 from investment properties during the year (2018: Sh 98,857,000) while it incurred direct operating costs of Sh 14,372,000 (2018: Sh 10,530,000).

	GROUP 2019 Sh '000	GROUP 2018 Sh '000	COMPANY 2019 Sh '000	COMPANY 2018 Sh '000
Leasehold over 50 years unexpired	1,802,694	1,748,052	602,694	598,052
Leasehold under 50 years unexpired	1,670,060	1,367,473	1,600,000	1,300,000
	3,472,754	3,115,525	2,202,694	1,898,052

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings Sh '000	Plant and machinery Sh '000	Furniture and equipment Sh '000	Motor vehicles Sh '000	Computers Sh '000	Work in progress Sh '000	Total Sh '000
COST OR VALUATION							
At 1 October 2017	1,228,017	89,420	138,864	167,331	48,466	-	1,672,098
Exchange rate adjustments	(23,611)	(96)	(3,202)	(3,072)	131	-	(29,850)
Additions	2,457	43,832	23,716	14,617	7,105	837	92,564
Disposals	-	-	(1,465)	(3,531)	(209)	-	(5,205)
Revaluation surplus	74,813	-	-	-	-	-	74,813
At 30 September 2018	1,281,676	133,156	157,913	175,345	55,493	837	1,804,420
At 1 October 2018	1,281,676	133,156	157,913	175,345	55,493	837	1,804,420
Exchange rate adjustments	22,975	75	2,082	2,035	526	21	27,714
Additions	27,917	39,703	56,406	10,553	19,439	14,826	168,844
Disposals	-	(33,423)	(259)	(5,904)	(188)	-	(39,774)
Revaluation surplus	26,138	-	-	-	-	-	26,138
At 30 September 2019	1,358,706	139,511	216,142	182,029	75,270	15,684	1,987,342
COMPRISING:							
At 30 September 2019							
At valuation 2019	1,358,706	-	-	-	-	-	1,358,706
At cost	-	139,511	216,142	182,029	75,270	15,684	628,636
	1,358,706	139,511	216,142	182,029	75,270	15,684	1,987,342
At 30 September 2018							
At valuation 2018	1,281,676	-	-	-	-	-	1,281,676
At cost	-	133,156	157,913	175,345	55,493	837	522,744
	1,281,676	133,156	157,913	175,345	55,493	837	1,804,420

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 PROPERTY, PLANT AND EQUIPMENT - GROUP (continued)

	Land and buildings Sh '000	Plant and machinery Sh '000	Furniture and equipment Sh '000	Motor vehicles Sh '000	Computers Sh '000	Work in progress Sh '000	Total Sh '000
DEPRECIATION							
At 1 October 2017	4,573	39,089	70,056	108,729	41,438	-	263,885
Exchange rate adjustments	(377)	(55)	(1,671)	(1,542)	(702)	-	(4,347)
Charge for the year	20,486	12,942	9,655	14,863	3,898	-	61,844
Eliminated on disposals	-	-	(950)	(2,740)	(147)	-	(3,837)
Write back on revaluation	(20,177)	-	-	-	-	-	(20,177)
At 30 September 2018	4,505	51,976	77,090	119,310	44,487	-	297,368
At 1 October 2018	4,505	51,976	77,090	119,310	44,487	-	297,368
Exchange rate adjustments	442	56	1,213	1,270	518	-	3,499
Charge for the year	20,807	22,850	11,942	15,125	6,326	-	77,050
Eliminated on disposals	-	(15,612)	(29)	(4,886)	(139)	-	(20,666)
Write back on revaluation	(20,624)	-	-	-	-	-	(20,624)
At 30 September 2019	5,130	59,270	90,216	130,819	51,192	-	336,627
NET BOOK VALUE							
At 30 September 2019	1,353,576	80,241	125,926	51,210	24,078	15,684	1,650,715
At 30 September 2018	1,277,171	81,180	80,823	56,035	11,006	837	1,507,052
NET BOOK VALUE (COST BASIS)							
At 30 September 2019	310,520	80,241	125,926	51,210	24,078	15,684	607,659
At 30 September 2018	316,857	81,180	80,823	56,035	11,006	837	546,738

These properties were last valued by independent valuers being R R Oswald & Company Limited, registered valuers in Kenya, Survesis Co Limited, registered valuers in Uganda, Byokusheka and Company, registered valuers in Uganda, Land Masters Combine Limited, registered valuers in Tanzania and Trace Associates Limited, registered valuers in Tanzania as at 30 September 2019. 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 46,762,000 (2018 - Sh 94,990,000) 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 9,994,000 (2018 - Sh 24,088,000).

ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION	**2019 Sh '000**	**2018 Sh '000**
Leasehold buildings over 50 years unexpired	316,350	299,630
Leasehold buildings under 50 years unexpired	1,037,226	977,541
	1,353,576	1,277,171

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 1,650,715,000 (2018 – Sh 1,507,052,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT 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 2017	488,000	1,296	23,741	22,711	535,748
Additions	-	-	1,229	1,166	2,395
Transfer to related parties	-	-	-	(70)	(70)
Revaluation surplus	50,000	-	-	-	50,000
At 30 September 2018	538,000	1,296	24,970	23,807	588,073
At 1 October 2018	538,000	1,296	24,970	23,807	588,073
Additions	17,910	-	33,245	183	51,338
Transfer from to related parties	-	-	319	-	319
Revaluation deficit	(15,910)	-	-	-	(15,910)
At 30 September 2019	540,000	1,296	58,534	23,990	623,820
COMPRISING					
At 30 September 2019					
At valuation 2019	540,000	-	-	-	540,000
At cost	-	1,296	58,534	23,990	83,820
	540,000	1,296	58,534	23,990	623,820
At 30 September 2018					
At valuation 2018	538,000	-	-	-	538,000
At cost	-	1,296	24,970	23,807	50,073
	538,000	1,296	24,970	23,807	588,073
DEPRECIATION					
At 1 October 2017	-	879	14,911	20,676	36,466
Charge for the year	9,760	104	1,201	753	11,818
Eliminated on transfer to related parties	-	-	-	(7)	(7)
Written back on revaluation	(9,760)	-	-	-	(9,760)
At 30 September 2018	-	983	16,112	21,422	38,517
At 1 October 2018	-	983	16,112	21,422	38,517
Charge for the year	10,907	78	1,169	752	12,906
Transfer from related parties	-	-	36	-	36
Written back on revaluation	(10,907)	-	-	-	(10,907)
At 30 September 2019	-	1,061	17,317	22,174	40,552

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT 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 2019	540,000	235	41,217	1,816	583,268
At 30 September 2018	538,000	313	8,858	2,385	549,556
NET BOOK VALUE (COST BASIS)					
At 30 September 2019	25,470	235	41,217	1,816	68,738
At 30 September 2018	25,990	313	8,858	2,385	37,546

Land and buildings are carried at a valuation carried out by R.R Oswald & Co Limited, independent professional valuers on 30 September 2019. 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 deficit of Sh 5,003,000 (2018 - Sh 59,760,000) that is not distributable and represents a cumulative deficit from revaluation of property, has been presented in other comprehensive income net of related deferred taxation of Sh 3,502,000 (2018 - Sh 17,928,000).

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.

	2019 Sh '000	2018 Sh '000
ANALYSIS OF LAND AND BUILDINGS AT COST OR VALUATION		
Leasehold buildings over 50 years unexpired	40,000	38,000
Leasehold buildings under 50 years unexpired	500,000	500,000
	540,000	538,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP Sh '000	COMPANY Sh '000
COST		
At 1 October 2017	25,753	10,251
Exchange rate adjustments	(94)	-
Additions	10,331	-
Disposals	(131)	-
At 30 September 2018	35,859	10,251
At 1 October 2018	35,859	10,251
Exchange rate adjustments	67	-
Additions	6,572	-
Disposals	(26)	-
Transfer to related parties	(5,391)	-
Reclassification from education reference materials	4,633	-
At 30 September 2019	41,714	10,251
AMORTISATION		
At 1 October 2017	9,422	7,870
Exchange rate adjustments	(71)	-
Charge for the year	3,893	476
Eliminated on disposals	(59)	-
At 30 September 2018	13,185	8,346
At 1 October 2018	13,185	8,346
Exchange rate adjustments	49	-
Charge for the year	5,964	381
Eliminated on disposals	(22)	-
At 30 September 2019	19,176	8,727
NET BOOK VALUE		
At 30 September 2019	22,538	1,524
At 30 September 2018	22,674	1,905

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 EDUCATION REFERENCE MATERIALS

	GROUP Sh '000
COST	
1 October 2017	-
Additions	4,633
At 30 September 2018	4,633
At 1 October 2018	4,633
Reclassification to intangible assets	(4,633)
At 30 September 2019	-
NET BOOK VALUES	
At 30 September 2019	-
At 30 September 2018	4,633

18 INVESTMENT IN SUBSIDIARIES

The composition of the investment in subsidiaries is as follows:

	2019 Sh '000	2018 Sh '000
At the beginning of the year	516,892	26,844
Conversion of intercompany debt to equity	-	490,048
At the end of the year	516,892	516,892

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)		Progen Company Limited		Dewdrops Limited	
	2019 Sh '000	2018 Sh '000	2019 Sh '000	2018 Sh '000	2019 Sh '000	2018 Sh '000
Summarised statement of financial position						
Total assets	66,654	66,654	1,205,621	1,155,781	1,052,823	1,052,823
Total liabilities	18,573	18,489	1,131,375	1,114,725	430,590	430,559
Equity attributable to owners of the company	48,081	48,165	74,246	41,056	622,264	622,264
Non - controlling interests	16%	16%	34%	34%	34%	34%
Summarised statement of profit or loss						
Gain in fair value of investment property	-	-	50,000	50,000	-	-
Revenue	-	-	-	-	-	-
Expenses	(84)	(112)	(2,586)	(2,872)	(31)	(36)
Total comprehensive (loss)/income for the year	(84)	(112)	47,414	47,128	(31)	(36)
Summarised statement of cash flows						
Net cash used in operating activities	(84)	(108)	(2,271)	(6,730)	(31)	(36)
Net cash used in financing activities	84	108	2,271	6,730	31	36
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 the year	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN AN ASSOCIATE

The Group, through Car & General Trading Ltd - Kenya, holds 26.5% of the equity holding in Watu Credit Limited.

Details of the Group's associate at the end of 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	
			30/09/2019	30/09/2018
Watu Credit Limited	Microfinance services	Kenya	26.50%	26.50%

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

- The financial year end date of Watu Credit Limited is 31 December. This is 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 2019 have been used which incorporate the audited figures to 31 December 2018. The last audited financial statements were for the year ended 31 December 2018.
- The group holds over 20% of the equity shares of Watu Credit Limited and 26.5% of the voting rights at shareholder meetings.

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

Summarised financial information in respect of the group's associate is set out below. The summarised financial information below represents the amount shown in the associate's financial statements for the 12 months period ended 30 September prepared in accordance with IFRSs.

Watu Credit Limited

	2019 Sh '000	**2018 Sh '000**
Current assets	2,931,272	725,064
Non-current assets	114,833	28,919
Non-current liabilities	-	96,372
Current liabilities	1,777,121	441,292
The above amounts include the following: Cash and cash equivalents	108,315	73,190
Total revenue	2,313,309	545,082
Associate's profit for the period	571,925	107,562
Group's share of profit of associate	151,560	28,504

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN AN ASSOCIATE (continued)

The above profit for the year is after charging/crediting the following:

	2019 Sh '000	2018 Sh '000
Depreciation	31,554	6,834
Interest on income	(1,307,705)	(296,207)

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

	2019 Sh '000	2018 Sh '000
Carrying amount of the company's interest in associate	197,797	55,938

The carrying amount of the Car & General Trading Limited- Kenya's interest in Watu Credit Limited is summarised as follows:

	Sh '000
At October 2017	26,815
Investment in the year 2018	619
Share of profit in the year 2018	28,504
At 30 September 2018	55,938
At 1 October 2018	55,938
Share of profit in the year	151,560
Less: dividend received from associate	(9,701)
At 30 September 2019	197,797

The group has also advanced a loan to the associate whose outstanding balance at the end of the year was Sh 10,070,000 (2018: Sh 40,220,000) as at 30 September and attracts interest at the rate of 18% p.a. (2018:18% p.a). Please also refer to note 23(b).

20 INVESTMENT IN JOINT VENTURE

The joint venture, Cummins C&G Holdings Limited, is jointly owned (50:50) by Cummins Africa Holdings BV and Car & General (Trading) Limited. Cummins C&G Holdings Limited carries on the business of distributing, selling and service of Cummins products.

Details of the company's joint venture at 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	
			30/09/2019	30/09/2018
Cummins C&G Holdings Limited	Product Distribution	Mauritius	50%	50%

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT IN JOINT VENTURE (continued)

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 for the year ended 30 September 2019 prepared in accordance with IFRSs.

	2019	2018
	Sh '000	Sh '000
Value of net assets at year end		
Total assets	1,611,888	1,531,294
Total liabilities	1,029,935	903,048
Net assets at year end	581,953	628,246
The above amounts of assets and liabilities includes the followings:		
Cash and cash equivalents	56,983	44,016
Total revenue	1,490,086	1,584,052
(Loss)/profit for the year	(19,506)	15,555
Company share of (loss)/ profit	(9,753)	7,777
The above (loss)/profit for the year is after charging/crediting the following:		
Depreciation	10,205	11,081
Income tax credit	(5,700)	1,220

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

	2019	2018
	Sh '000	Sh '000
Net assets of the joint venture	581,953	628,246
Proportion of the company's ownership interest in the Joint venture	50%	50%
Share of net assets in the joint venture	290,977	314,123
Effect of exchange rate adjustments	10,094	(3,299)
Carrying amount of the company's interest in the venture	301,071	310,824

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT IN JOINT VENTURE (continued)

The carrying amount of the company's interest in the venture is summarised as follows:

	Sh '000
1 October 2017	222,442
Investment in year 2018	80,605
Share of profit in year 2018	7,777
At 30 September 2018	310,824
At 1 October 2018	310,824
Share of loss year 2019	(9,753)
At 30 September 2019	301,071

21 INVENTORIES

	Group		Company	
	2019 Sh '000	2018 Sh '000	2019 Sh '000	2018 Sh '000
Goods in transit and in bond	1,732,178	1,496,508	-	-
Finished products	1,195,143	848,250	-	-
Raw materials, spares and consumables	721,055	690,333	-	-
Work in progress	43,896	17,700	-	-
Livestock (parent stock) inventories	20,488	17,490	-	-
Books and learning materials	1,200	-	-	-
	3,713,960	3,070,281	-	-

The cost of inventories recognised as an expense during the year in respect of continuing operations was Sh 9,757,511,000 (2018 - Sh 8,221,912,000).

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 Sh '000	2018 Sh '000	2019 Sh '000	2018 Sh '000
Trade receivables	1,402,479	1,486,994	50,583	51,581
Provision for bad and doubtful debts	(465,337)	(185,024)	(48,594)	(43,805)
Net trade receivables	937,142	1,301,970	1,989	7,776
Other receivables and prepayments	636,202	394,784	69,612	44,073
	1,573,344	1,696,754	71,601	51,849
Movement in allowance for doubtful debts				
Balance at the beginning of the year	185,024	181,574	43,805	43,655
IFRS 9 day 1 transition adjustment	288,030	-	1,742	-
Net (reversals)/provisions for bad debts	(7,717)	3,450	3,047	150
Balance at the end of the year	465,337	185,024	48,594	43,805

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 RELATED PARTIES BALANCES

	Company	
	2019	**2018**
	Sh '000	**Sh '000**
Kibo Poultry Products Limited	33,123	29,988
Car & General (Automotive) Limited	19,451	19,197
NIIT Learning Limited	42,056	11,702
Car & General (Tanzania) Limited	1,371	1,371
Car & General (Trading) Limited - (Tanzania)	-	860
Car & General (Uganda) Limited	84	11,346
Progen Company Limited	43,543	41,271
Sovereign Holdings International Limited	10,067	9,947
Car & General (Marine) Limited	18,232	18,148
Car & General (Engineering) Limited	14,678	14,581
Dewdrops Limited	274,317	274,286
	456,922	432,697

(b) Due from related parties

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Sh '000	**Sh '000**	**Sh '000**	**Sh '000**
Cummins C&G Holdings Limited	-	-	290,380	257,652
Watu Credit Limited *	10,070	40,220	-	-
	10,070	40,220	290,380	257,652

* The loan to the associate is denominated in Kenya Shillings and attracts interest at the rate of 18% p.a. (2018:18% p.a).

The carrying amount of related party receivables is a reasonable approximation of fair value.

(c) (i) Due to related parties - current

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Sh '000	**Sh '000**	**Sh '000**	**Sh '000**
Cummins C&G Holdings Limited	234,021	247,713	-	-

(c) (ii) Due to related parties - non current

Loan from a minority interest shareholder	159,205	159,205	-	-

The unsecured loan from a minority interest shareholder in a subsidiary is denominated in Kenya Shillings and is non-interest bearing. The loan is repayable beyond 12 months of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 RELATED PARTIES BALANCES (continued)

(d) Due to group companies (subsidiaries)

	Company	
	2019	**2018**
	Sh '000	**Sh '000**
Car & General (Trading) Limited - (Kenya)	65,728	831,751
Car & General (Industries) Limited	3,466	3,551
Car & General (Rwanda) Limited	152	235
	69,346	835,537

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

24 SHARE CAPITAL - GROUP AND COMPANY

	2019	**2018**
	Sh '000	**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		Par Value	
	2019	**2018**	**2019**	**2018**
			Sh 000	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:

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% (2018: 30%). The gross movement on the deferred income tax account is as follows:

	2019 Sh '000	2018 Sh '000
GROUP		
At the beginning of the year	777,144	643,527
Exchange difference on translation	(6,531)	3,047
Property revaluation - other comprehensive income	9,994	24,088
(Credit)/charge for the year - (note 9(a)	(41,403)	104,867
Deferred tax credit on tax losses not previously recognised now recognised	(36,018)	-
Prior year (under)/over provision – deferred taxation	(24,529)	1,615
Impairment losses under IFRS 9 on financial assets	(86,409)	-
At the end of the year – net liability	592,248	777,144
COMPANY		
At the beginning of the year	709,228	599,248
Charge for the year (note 9(a))	7,382	92,083
Prior year under (over) provision	-	(31)
Property revaluation - other comprehensive income	(1,501)	17,928
Impairment losses under IFRS 9 on financial assets	(522)	-
At the end of the year – net liability	714,587	709,228

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

	2019 Sh '000	2018 Sh '000
Deferred tax assets	(289,039)	(127,615)
Deferred tax liabilities	881,287	904,759
	592,248	777,144

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. The directors are confident that the group will have future taxable profits against which the unused tax losses can be utilized based on the group's budgets and forecasts.

At 30 September 2019, the group had tax losses amounting to Sh 823,883,000 (2018 - Sh 468,837,000) available for carry forward and set off against future taxable income. At 30 September 2019, the company had tax losses amounting to Sh 42,997,000 (2018 - Sh Nil) available for carry forward and set off against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAX (continued)

	At 1 October 2018 Sh '000	Exchange adjustment and prior year adjustments Sh '000	Charged to revaluation reserve Sh '000	Charged/ (credited) to profit or loss Sh '000	At 30 September 2019 Sh '000
GROUP					
Deferred tax liabilities					
Accelerated capital allowances	24,156	809	-	1,095	26,060
Revaluation surplus on land and buildings	252,217	1,166	9,994	-	263,377
Fair value gains on investment properties	650,494	5	-	35,175	685,674
Unrealised exchange differences	(3,341)	(7,783)	-	(13,111)	(24,235)
	923,526	(5,803)	9,994	23,159	950,876
Deferred tax assets					
Tax losses carried forward	(140,651)	(1,740)	-	(104,774)	(247,165)
Leave pay provision	(993)	-	-	1,052	59
Bad debts provision	(4,282)	4,562	-	3,580	3,860
Stocks provision	(456)	(3,550)	-	(438)	(4,444)
Impairment losses under IFRS 9 on financial assets	-	-	-	-	(86,409)
Prior year under provision	-	-	-	(24,529)	(24,529)
	(146,382)	(728)	-	(125,109)	(358,628)
Net deferred tax liability	777,144	(6,531)	9,994	(101,950)	592,248
COMPANY					
Deferred tax liabilities					
Revaluation surplus	170,794	-	(1,501)	-	169,293
Fair value gains on investment properties	535,931	-	-	19,909	555,840
	706,725	-	(1501)	19,909	725,133
Deferred tax assets					
Accelerated capital allowances	1,388	-	-	1,092	2,480
Tax losses carried forward	-	-	-	(12,899)	(12,899)
Leave pay provision	(93)	-	-	186	93
Unrealised exchange differences	1,208	-	-	(906)	302
Impairment losses under IFRS 9 on financial assets	-	-	-	-	(522)
	2,503	-	-	(12,527)	(10,546)
Net deferred tax liability	709,228	-	(1,501)	7,382	714,587

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS

	2019 Sh '000	2018 Sh '000
GROUP		
Loans (secured):		
Loans in Kshs	100,036	170,814
Loans in USD	16,739	64,862
Import loans in USD	2,634,494	1,938,149
Hire purchase finance - Ksh	6,982	8,770
Bank overdrafts (secured and denominated in Ksh)	103,853	114,140
	2,862,104	2,296,735
Loans (unsecured):		
Short term notes - medium term (1 to 2 years)	469,200	1,134,036
Short term notes – current (3 months to 1 year)	1,327,506	-
	4,658,810	3,430,771
Current - due within one year	(4,184,662)	(3,003,756)
Non-current	474,148	427,015
COMPANY		
Loans (secured):		
Loans in Kshs	1,018,224	105,242
Loans in USD	18,032	-
Loans (Unsecured):		
Short term notes	265,731	-
	1,301,987	105,242
Bank overdrafts (Secured and denominated in Ksh)	43,321	45,929
	1,345,308	151,171
Current-due within one year	(1,345,308)	(150,641)
Non-current	-	530

Included in the short term notes are unsecured loans advanced to the company amounting to Ksh 220,000,000 that are due to two company directors or their associates. The loans are unsecured, denominated in Kenya Shillings and attract interest at the rate of 12% p.a.

MATURITY OF NON CURRENT BORROWINGS

	Group		Company	
	2019 Sh '000	2018 Sh '000	2019 Sh '000	2018 Sh '000
Between 1 and 2 years	471,234	410,269	-	530
Between 2 and 5 years	2,914	16,746	-	-
	474,148	427,015	-	530

The carrying amount of borrowings is a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

INTEREST RATES

The effective interest rates at 30 September were as follows:

	2019	2018
Bank overdrafts	13.00%	13.00%
Loans		
Loans in Kshs	13.00%	8.88%
Loans in USD	9.12%	6.90%
Loans in TZS	9.62%	7.18%
Loans in Ush - base rate set by the bank from time to time plus 0.75%		
Medium-term notes	12.94%	14.00%
Short-term notes	12.46%	11.92%
Hire purchase facility	13%	13%

Details of security for group 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 collateralised 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 by Car & General (Trading) Limited, Car & General (Piaggio) Limited and Car & General (Kenya) Plc.
- A legal charge for Sh 200,000,000 over land and buildings located on LR No. 209/8319, LR 209/8320 and LR 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) Ltd, Car & General (Trading) Ltd for Sh2,373,000,000 ranking pari passu with I&M Bank.

(b) The I&M Bank Limited loans and overdraft are secured by:

- A debenture of Sh 510,000,000 over all assets of Car & General (Kenya) Ltd, 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 No. 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) Ltd.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

(d) The Standard Chartered Bank Uganda Ltd overdraft is secured by a legal charge over land and building and a debenture over fixed and floating assets of Car & General (Uganda) Limited for Sh 501,120,000 and a corporate guarantee by holding company.

(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 274,382,739 (2018: Sh 653,804,209). Additional long term loan of Sh 500,000,000 has been negotiated to clear short term borrowings.

27 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	Sh '000	**Sh '000**	**Sh '000**	**Sh '000**
Trade payables	1,554,198	1,412,851	27,806	10,940
Other payables	370,699	408,340	36,776	28,826
	1,924,897	1,821,191	64,582	39,766

28 NOTES TO THE STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	Sh '000	**Sh '000**	**Sh '000**	**Sh '000**
Profit before taxation	99,323	357,811	11,666	323,750
Adjusted for:				
Depreciation	77,050	61,844	12,906	11,818
Amortisation	5,964	3,893	381	476
Fair value gains	(117,250)	(339,513)	(66,364)	(289,513)
(Gain)/ loss on disposal of assets	(3,429)	13	-	-
Net book value of assets transferred	5,391	-	(283)	63
Interest expense	475,772	353,182	1,914	176
Exchange translation	(10,886)	10,094	120	675
Exchange rate adjustment on borrowings	45,642	(59,447)	2,103	-
Share of profit from associate	(151,560)	(28,504)	-	-
Share of loss /(profit) from joint venture	9,753	(7,777)	-	-
Movements in working capital items:				
Inventories	(643,679)	(171,441)	-	-
Receivables	123,410	(243,753)	(19,752)	(19,514)
IFRS 9 Day 1 impairment adjustment	(288,030)	-	(1,742)	-
Related parties	16,458	182,948	(823,144)	(49,819)
Payables	103,253	435,795	24,816	(6,485)
Net cash (used in)/generated from operations	(252,818)	555,145	(857,379)	(28,373)

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Analysis of changes in borrowings

	GROUP		COMPANY	
	2019	2018	2019	2018
	Sh '000	Sh '000	Sh '000	Sh '000
At the beginning of the year	3,316,631	3,542,490	105,242	108,199
Loans received	12,505,924	6,482,838	2,199,850	5,133
Repayments	(11,311,452)	(6,658,020)	(1,005,208)	(8,090)
Hire purchase facility (note 26)	(1,788)	8,770	-	-
Exchange rate adjustments	45,642	(59,447)	2,103	-
At the end of the year	4,554,957	3,316,631	1,301,987	105,242

(c) Analysis of cash and cash equivalents

Cash and bank balances	183,233	175,957	5,174	2,918
Bank overdrafts (note 26)	(103,853)	(114,140)	(43,321)	(45,929)
	79,380	61,817	(38,147)	(43,011)

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

29 CAPITAL COMMITMENTS

	2019	2018
	Sh '000	Sh '000
Authorised and contracted for	37,641	30,599

In addition, the board of directors has approved capital expenditure of Sh 70 million (2018: Sh 288 million). This had not been contracted for as at the end of the year.

30 CONTINGENT LIABILITIES

	2019	2018
	Sh '000	Sh '000
GROUP		
Sundry bank guarantees	39,331	13,687
COMPANY		
Guarantees in respect of bank facilities for subsidiaries	4,094,730	3,629,938
Sundry bank guarantees	26,297	7,030
	4,121,027	3,636,968

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

	2019 Sh '000	2018 Sh '000
Within one year	116,943	4,912
In the second to fifth year inclusive	674,730	12,925
	791,673	17,837

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:

	2019 Sh '000	2018 Sh '000
Within one year	104,187	50,076
In the second to fifth year inclusive	353,442	99,078
	457,629	149,154

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 18 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32 RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	Sh '000	**Sh '000**	**Sh '000**	**Sh '000**
Borrowings repaid	671,483	280,694	5,436	9,000
Borrowings received	986,603	361,077	220,000	-
Interest paid on related company loans (banks)	57,508	50,440	3,213	910
Interest paid on directors loans	2,946	-	2,946	-
Loan balance at year end – directors	220,000	-	220,000	-
Loan balance at year end - banks	537,925	434,977	220,036	5,242
Overdraft balance at year end - banks	55,662	78,298	43,321	45,929

Compensation of key management personnel

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

	2019	**2018**
	Sh '000	**Sh '000**
Salaries and other benefits	309,411	292,319
Fees for services as directors	9,075	8,260
Other emoluments for executive directors (included in key management compensation above)	17,467	17,122
	26,542	25,382

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 capital structure of the Company consists of borrowings, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, revaluation reserves, revenue reserves and non-controlling interests.

Consistent with others in similar industry, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 CAPITAL MANAGEMENT (continued)

	GROUP 2019 Sh'000'	GROUP 2018 Sh'000'	COMPANY 2019 Sh'000'	COMPANY 2018 Sh'000'
Equity	3,612,514	3,603,966	1,951,910	1,984,490
Total borrowings	4,658,810	3,430,771	1,345,308	151,171
Less: cash and bank balances	(183,233)	(175,957)	(5,174)	(2,918)
Net debt	4,475,577	3,254,814	1,340,134	148,253
Gearing Ratio	124%	90%	69%	7%

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 group and 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.

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

Credit risk

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns generally, trade receivables are written-off if past due for more than one year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group and Company do not have significant concentrations of credit risk on derivative counterparties where transactions are limited to financial institutions possessing high credit quality since the risk of default is low.

The amount that best represented the Group's maximum exposure to credit risk as at 30 September 2018 was as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >90 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL–not credit-Impaired
In default	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-Impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the company has no realistic prospect of recovery.	Amount is written off

The amount that best represented the Group's and Company's maximum exposure to credit risk as at 30 September 2019 was as follows:

GROUP

Finance asset 30 September 2019	Internal/ external rating	12-month lifetime ECL	Gross carrying amount Sh'000	Loss allowance Sh'000	Net carrying amount Sh'000
Bank balance	Investment grade	Lifetime ECL (simplified approach -SPPI)	183,233	-	183,233
Due from a related company	Performing	Lifetime ECL not credit-impaired	10,070	-	10,070
Trade and other receivables	Doubtful	Lifetime ECL not credit-impaired	2,038,681	(465,337)	1,573,344
			2,231,984	(465,337)	1,766,647

COMPANY

Finance asset 30 September 2019	Internal/ external rating	12-month lifetime ECL	Gross carrying amount Sh'000	Loss allowance Sh'000	Net carrying amount Sh'000
Bank balance	Investment grade	Lifetime ECL (simplified approach -SPPI)	5,174	-	5,174
Due from related parties	Performing	Lifetime ECL not credit-impaired	290,380	-	290,380
Trade and other receivables	Doubtful	Lifetime ECL not credit-impaired	120,195	(48,594)	71,601
			415,750	(48,594)	367,155

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Bank balances are fully performing, they are held in reputable banks that have a high credit rating. The customers under the fully performing category are paying their debts as they continue trading. Part of trade and other receivables in the past due category are fully impaired and have been provided for. The Group does not hold any collateral or other enhancements to cover the credit risk.

Liquidity risk

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

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

At 30 September 2019	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
Liabilities						
Trade payables	400,141	1,104,635	33,538	15,884	-	1,554,198
Borrowings	742,319	2,323,520	1,118,823	474,148	-	4,658,810
Deferred borrowing costs	23,010	51,370	26,541	245,419	-	346,340
Due to related parties	-	-	234,021	159,205	-	393,226
Total financial liabilities	1,165,470	3,479,525	1,412,923	894,656	-	6,952,574
At 30 September 2018						
Liabilities						
Trade payables	518,994	760,085	133,772	-	-	1,412,851
Borrowings	416,958	1,580,222	1,006,576	427,015	-	3,430,771
Deferred borrowing costs	4,142	47,091	79,989	239,128	-	370,350
Due to related parties	-	-	247,713	159,205	-	406,918
Total financial liabilities	940,094	2,387,398	1,468,050	825,348	-	5,620,890

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Market risk

(i) Foreign exchange risk

A sizable portion of the Group's purchases are denominated in foreign currencies. The Group manages the currency risk on net exposure by monitoring exchange rate movements and mitigates the risks by 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	EURO	SSP	RWF	JPY	GBP	ZAR
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
2019							
Assets							
Bank and cash balances	6,251	-	-	384	-	-	-
Trade receivables	132,456	-	-	26,934	-	3,725	-
	138,707	-	-	27,318	-	3,725	-
Liabilities							
Trade payables	939,162	1,629	-	-	40,953	-	8,269
2018							
Assets							
Bank and cash balances	234	-	-	162	-	-	-
Trade receivables	152,498	263	269	25,174	-	3,725	-
	152,732	263	269	25,336	-	3,725	-
Liabilities							
Trade payables	1,159,569	1,573	-	-	2,824	-	4,308

Foreign currency sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(i) Foreign exchange risk (continued)

Foreign currency sensitivity analysis (continued)

	2019 Sh'000 Effect on profit	2018 Sh'000 Effect on profit
Currency - US Dollar (USD)		
+ 10 % KSh Movement	80,045	100,684
- 10 % KSh Movement	(80,045)	(100,684)
Currency - Euro (Euro)		
+ 10 % KSh Movement	163	131
- 10 % KSh Movement	(163)	(131)
Currency - South Sudan Pound (SSP)		
+ 10 % KSh Movement	-	(27)
- 10 % KSh Movement	-	27
Currency - Rwanda (RWF)		
+ 10 % KSh Movement	(2,732)	2,534
- 10 % KSh Movement	2,732	(2,534)
Currency - Japanese Yen (JPY)		
+ 10 % KSh Movement	4,095	282
- 10 % KSh Movement	(4,095)	(282)
Currency - British Pound (GBP)		
+ 10 % KSh Movement	(372)	(372)
- 10 % KSh Movement	372	372
Currency - South Africa Rand (ZAR)		
+ 10 % KSh Movement	827	431
- 10 % KSh Movement	(827)	(431)

(ii) Interest rate risk

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

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

	Up to 1 month Sh'000	1-3 months Sh'000	3-12 months Sh'000	1-5 years Sh'000	Over 5 years Sh'000	Total Sh'000
At 30 September 2019						
Financial assets						
Cash and bank balances	175,957	-	-	-	-	175,957
Liabilities						
Total financial liabilities	(810,170)	(1,649,133)	(319,519)	(474,148)	-	(3,252,970)
Interest sensitivity gap	(634,213)	(1,649,133)	(319,519)	(474,148)	-	(3,077,013)

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (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 2018						
Financial assets						
Cash and bank balances	175,957	-	-	-	-	175,957
Liabilities						
Total financial liabilities	(416,958)	(1,580,222)	(1,006,576)	(427,015)	-	(3,430,771)
Interest sensitivity gap	(241,001)	(1,580,222)	(1,006,576)	(427,015)	-	(3,254,814)

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.

	2019 Sh'000 Effect on profit	2018 Sh'000 Effect on profit
+ 1% Movement	(30,770)	(32,548)
-1 % Movement	30,770	32,548

(iii) Price risk

As at 30 September 2019, the group did not hold financial instruments that are subject to price fluctuations.

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 categorized 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 measurements 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 company determines fair values of investment properties. Fair value of the company's investment properties that are measured at fair value on a recurrent basis.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Fair value of the Group's investment properties and property, plant & equipment (land and buildings) that is measured at fair value on a recurrent basis.

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant un-observable inputs	Relationship of unobservable inputs to fair value
	30/9/19 Sh'000	30/9/18 Sh'000				
Investment properties (Group)	3,472,754	3,115,525	Level 2	Open Market valuation on investment basis	Impact of property location	*
Investment properties (Company)	2,202,694	1,898,052	Level 2	Open Market valuation on investment basis	Impact of property location	*
Property, plant and equipment (Group) (Land and Buildings)	1,353,576	1,277,171	Level 2	Open Market valuation on investment basis	Impact of property location	*
Property, plant and equipment (Company) (Land and Buildings)	540,000	538,000	Level 2	Open Market valuation on investment basis	Impact of property location	*

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.

* The closer the property is to modern infrastructure and other amenities, the higher the value.

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 Kenyan Companies Act, 2015.

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...being

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 in Jasmine "B" Room, Azure Hotel, Lantana Road, Westlands, Nairobi on Wednesday, 25th March 2020 at 11.00 a.m., and at any adjournment thereof.

Dated this .... day of 2020

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 25th March 2020, 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.***