

COMMENTARY ON RESULTS

The year to 30th September 2022, particularly the second half, was extremely challenging. The Russian invasion of Ukraine in February 2022 brought a host of unforeseeable challenges including significant inflation, exchange rate fluctuations, dollar shortages and logistic challenges. As a result, coupled with the Kenyan election in August, quarter 3 and quarter 4 were difficult. Whereas the Group posted 13% growth in turnover, sales in Kenya dropped 5%. Sales outside Kenya grew 48%. Uganda and Tanzania now represent over 45% of Group sales. Our two-wheeler ("bodaboda") business in Kenya was most affected with volumes dropping almost 50%. Our equipment businesses (namely tractors, construction equipment and forklifts) remained stable and grew marginally.

As a result of the above, turnover for the year ended 30th September 2022 was Shs 19.3 billion against Shs 17.1 billion achieved in the previous financial year. EBITDA (Earnings before interest, tax, depreciation, and amortization) grew by 7% to Shs 2 billion from Shs 1.8 billion. Profit after tax over the same period was Shs 679 million which is 23% lower than Shs 887 million made during the same period last year. Profitability was significantly impacted by forex losses in Kenya of Shs 301 million and demurrage costs of Shs 139 million in the Trading businesses, resulting from global logistical issues and localization of production. Our cashflow was negatively impacted by lower sales in Kenya and supply chain issues in Kenya and Tanzania, resulting in higher levels of paid-up stock to the tune of Shs 1.9 billion.

The highlight of the financial year was the volume growth

in our consumer business particularly in two wheelers in Tanzania. Our equipment business was also stable and enjoyed a gain in market share. 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.

Our investment in Watu Holdings is also performing well. In addition to Kenya, Watu has now established operations in Uganda, Tanzania and Sierra Leone. Uganda is growing satisfactorily, and we expect similar growth in Tanzania in 2023. The contribution from Watu to the Group's net profit was significant.

Our investment property business saw a valuation gain of Shs 112 million this year. Footfall has grown at Nairobi Mega now that the Nairobi Expressway is complete, and Uhuru Highway is fully open. We continue to review the property portfolio to ensure it generates satisfactory returns.

In order to support the Government's localization initiatives and create industrial employment, we opened Boda Plus, our helmet manufacturing business. Production commenced in September 2021. This is the first of its kind in East and Central Africa. In addition, we have worked with manufacturers to produce an additional six parts (Phase 2) locally to support our assembly process. Phase 1 (which also comprised of six parts) are now in full production at various local manufacturers. We now employ over 3000 people as a Group (including associates). We employed over 500 additional people in 2022.

Going forward, we believe uncertainty will persist in 2023 given the challenging economic environment, both global and local, particularly with regard to the inflationary impact and the continual devaluation of the Kenyan shilling. This has been exacerbated by the continued drought in East Africa. This has resulted in the reduction in demand in our consumer business which continues in 2023.

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

We continue to strive to deliver on our Triple P bottom line – People, Planet and Profit.

People – We are already having a significant impact on millions of lives in terms of delivering daily livelihoods and entrepreneurship opportunities.

Planet - We are focusing more energy on electric vehicles, and we intend to launch electric three wheelers in April 2023. In addition, we have made two investments in the electric two wheeler space. We are also working hard with our regular suppliers to develop fit for market two wheelers.

Profit - Key to success will be maintaining strict fundamentals in terms of 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 drive volume, increase margin

and reduce costs to ensure profitability given the volatile environment.

Final Dividend

The Directors have resolved to recommend to shareholders at the Annual General Meeting to be held on Thursday, 23rd March 2023 that a first and final dividend of Shs 0.80 per share on the Issued Share Capital be declared payable to those registered at the close of business on Friday, 24th February 2023. The total dividend will amount to Shs 64,165,293/- (2021 Shs 128,330,586/- which equals Shs 1.60/- per share). Subject to approval by the shareholders, the dividend is to be paid on or about 23rd March 2023.

Closure of Register

Notice is hereby given that the Register of Members will be closed on Friday, 24th February 2023 for purposes of the preparation of a dividend list.

Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held in a hybrid format at the Company's Registered Office, New Cargen House, Lusaka/Dunga Road, Industrial Area, Nairobi via electronic means on Thursday, 23rd March 2023 at 10.00 a.m.

By Order of the Board
Conrad Nyukuri
Company Secretary

25 January 2023

Independent Auditors' Report on Summary Financial Statements To the Shareholders of Car & General (Kenya) PLC

Opinion

The summary consolidated financial statements which comprise the summary consolidated statement of financial position as at 30 September 2022 and the summary consolidated statement of profit or loss and other comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of Car & General (Kenya) PLC for the year ended 30 September 2022.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Car & General (Kenya) PLC, in accordance with the requirements of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulation, 2002 ("the Regulations") as applicable to summary financial statements.

Other matter

We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Car & General (Kenya) PLC and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 January 2023. That report also includes the communication of a key audit matter related to valuation of investment properties. Key audit matters are those matters that in our professional judgement were of most significance in our audit of the financial statements of the current period.

Directors' Responsibility for the Summary Consolidated Financial Statements

The Directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulation, 2002 Requirements as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is **Fred Aloo**, Practising certificate No. 1537.

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

25 January 2023

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2022

	2022 Sh '000	2021 Sh '000
Revenue	19,398,885	17,141,960
Gross profit	3,006,267	3,051,118
Other income	208,208	118,884
Gain in fair value of investment properties	111,500	12,294
Impairment provision for Financial Assets	(73,926)	(15,629)
Operating expenses	(2,226,133)	(1,955,631)
Share of profit in an associate	623,273	370,373
Share of gain in a joint venture	17,497	25,350
Profit before finance costs and taxation	1,666,686	1,606,759
Finance costs	(930,946)	(503,517)
Profit before taxation	735,740	1,103,242
Taxation charge	(56,280)	(215,999)
Profit for the year	679,460	887,243
Other comprehensive income/(loss) for the year	199,291	(5,422)
Total comprehensive income for the year	878,751	881,821
Earnings per share - basic and diluted	8.55	11.21
Earnings before interest, taxes, depreciation & Amortization (EBITDA)	1,980,431	1,844,282

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	2022 Sh '000	2021 Sh '000
ASSETS		
Non-current assets		
Investment properties	3,061,437	3,525,004
Property, plant and equipment	2,840,067	2,011,185
Right of Use Asset	614,006	567,016
Other non-current assets	2,161,578	1,461,575
	8,677,088	7,564,780
Working Capital		
Current assets	10,245,796	6,882,829
Current liabilities	(10,327,103)	(7,365,255)
Total assets less current liabilities	8,595,781	7,082,354
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	401,033	200,516
Reserves and retained earnings	4,938,809	4,382,245
Non-controlling interests	264,532	271,192
Total equity	5,604,374	4,853,953
Non-current liabilities		
Deferred tax liabilities	883,736	832,622
Due to related parties	165,266	165,266
Lease liabilities	515,794	410,919
Borrowings	1,426,611	819,594
	2,991,407	2,228,401
Total equity and non current liabilities	8,595,781	7,082,354

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Share capital Shs'000	Reserves and retained earnings Shs'000	Non-controlling interests Shs'000	Total Shs'000
Year ended 30 September 2021				
At 1 October 2020	200,516	3,520,302	218,502	3,939,320
Profit for the year	-	899,447	(12,204)	887,243
Other comprehensive income	-	(5,422)	-	(5,422)
Dividend paid - 2020	-	(32,082)	-	(32,082)
Minority Interest arising from Bodaplus	-	-	64,894	64,894
At 30 September 2021	200,516	4,382,245	271,192	4,853,953
Year ended 30 September 2022				
At 1 October 2021	200,516	4,382,245	271,192	4,853,953
Bonus shares issue	200,517	(200,517)	-	-
Profit for the year	-	686,120	(6,660)	679,460
Other comprehensive income	-	199,291	-	199,291
Dividend paid - 2021	-	(128,330)	-	(128,330)
Minority Interest arising from BodaPlus	-	-	-	-
At 30 September 2022	401,033	4,938,809	264,532	5,604,374

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2022

	2022 Sh '000	2021 Sh '000
Profit before taxation	735,740	1,103,242
Net cash used in from operating activities	(1,621,712)	(591,555)
Net cash used in investing activities	(233,332)	(314,291)
Net cash generated from financing activities	1,530,932	1,023,099
Net (decrease)/increase in cash and cash equivalents	(324,112)	117,253
Cash and cash equivalents at the beginning of the year	349,120	229,779
Effects of exchange rate changes on the balance of cash held in foreign operations	32,566	2,088
Cash and cash equivalents at the end of the year	57,574	349,120

Basis of Preparation

The summary consolidated financial statements for the year ended 30 September 2022 have been prepared as per the requirements of the Capital Markets (Securities) (Public Offers, Listings, and Disclosures) Regulations 2002 ("the Regulations") as applicable to summary financial statements. The summarised financial statements are not a substitute to reading the full set of financial statements available on the Company website



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