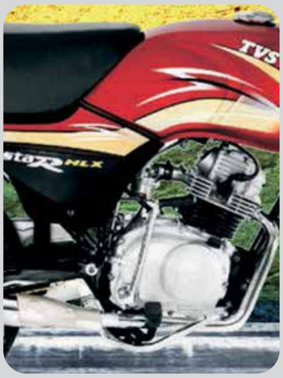
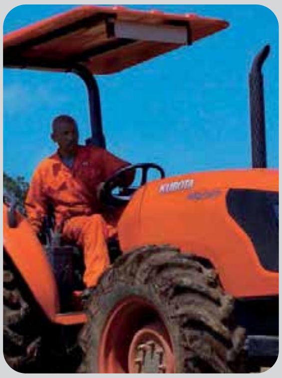
CAR and GENERAL

Car & General (Kenya) PLC

Kenya • Uganda • Tanzania • Rwanda • South Sudan





Power for better living

Annual report 2020

www.cargen.com

CONTENTS

Annual Report and Financial Statements
for the year ended 30 September 2020

VISION, MISSION AND VALUES

Vision:

Make customers smile in every street, in every town

Mission:

- No. 1 in all core markets.
- To achieve leadership position in all our primary markets - power generation, automotive and engine-related products in East Africa

Values:

- Making customers smile - every street, every town through the lens of the customer.
- Quality - products, processes, people
- Integrity - Doing the right thing every minute, every day.
- Innovation - Maximizing output at minimum cost.
- Empowerment - Taking responsibility.

Strategic objectives:

- To be the No. 1 choice of customer
- To achieve our financial objectives
- To be a great place to work
- To be a regional organization
- To be a good corporate citizen

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)

REGISTERED OFFICE

New Cargen House
Lusaka Road
P O Box 20001 - 00200
Nairobi, Kenya

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P O Box 40092 - 00100
Nairobi, Kenya

PRINCIPAL BANKERS

Standard Chartered Bank
Kenya Limited
Standard Chartered
Headquarters
48 Westlands Road
P O Box 30003 - 00100
Nairobi, Kenya

I&M Bank Limited
I&M Bank House
2nd Ngong Avenue
P O Box 30238 - 00100
Nairobi, Kenya

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, household goods, agricultural tractors and implements, marine engines, motor cycles and three wheeler vehicles, commercial laundry equipment, commercial engines, forklifts, excavators 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 in accordance with an Order issued by the High Court of Kenya in Miscellaneous Application No E.680 of 2020 on 29th April 2020, the Eighty First Annual General Meeting of Car & General (Kenya) plc (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, 25th March, 2021 at 10.00 a.m., to conduct business detailed below. The Company has convened and is conducting the meeting in hybrid format following receipt of NO OBJECTION from the Capital Markets Authority.

In view of ongoing Government of Kenya restrictions on public gatherings shareholders will not be able to attend the Annual General Meeting in person but will be able to attend register for, access the information pertaining to the Audited Financial Statements for the year ended 30th September 2020, vote electronically in person or by proxy and follow the meeting in the manner detailed in the Notes below. Shareholders may ask questions in advance of the meeting as detailed in the Notes below.

All resolutions will be conducted by way of a Poll.

ORDINARY BUSINESS

1. To receive the Directors' Report and audited financial statements for the year ended 30th September 2020.

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

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

4. To elect Directors:

   (a) Mr C M Ngini who retires by rotation and, being eligible, offers himself for re-election.

   (b) Ms G M Mboya who retires by rotation and, being eligible, offers herself 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 Messrs Deloitte & Touche as auditors of the Company until the conclusion of the next Annual General Meeting in accordance with Section 721 of the Companies Act and to authorize the Directors to fix the remuneration of the auditors in terms of Section 724 of The Companies Act, 2015.

NOTICE OF ANNUAL GENERAL MEETING (continued)

SPECIAL BUSINESS

7. To consider and if thought fit pass the following resolution as a Special Resolution for *Amendment of Articles:*

The Company's Articles of Association be amended

(a) By deleting the words, "shall be under the Seal" in Article 17.

(b) By adding the following Article as Article 51A

5 1A (i) The Board may, In the case of any General Meeting, resolve to and make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at the place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.

(ii) The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:

(a) participate in the business for which the meeting has been convened, and.

(b) see and hear all persons who speak (whether through the use of microphones, loudspeakers, computer, audio – visual communication equipment or otherwise, whether in use when these Articles are adopted (or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.

(c) By adding the following Article as Article 103A

103A The Board, or any committee of the Board, may hold meetings by telephone or video conference, either by a conference telephone or video connection or by a series of telephone conversations, or by any communication equipment which allows all persons participating in the meeting to speak and hear each other. The views of the Board, or any committee of the Board, as ascertained by such telephone conversations or other means and communicated to the Chairman of the meeting shall be treated as votes in favour of or against a particular resolution. A resolution passed at any meeting held in this manner, and signed by the Chairman of the meeting, shall be as valid and effectual as if is it had been passed at a meeting of the Board (or, as the case may be, of that committee) duly convened and held.

NOTICE OF ANNUAL GENERAL MEETING (continued)

(d) By deleting Article 110 in toto and substituting with the following new Article:

110 (a) Where the Company elects to maintain the Seal, the Directors shall provide for safe custody of the Seal which shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf; and every instrument to which the Seal shall be affixed shall be signed by two Directors or one Director and the Secretary or one Director and such other person as the Directors may appoint for the purpose.

110 (b) Unless a contract specifically requires to be affixed the seal, a contract may be made by the Company in writing and on behalf of the Company by a person acting under its authority, express or implied; and a document may be validly executed by the Company if it is signed on behalf of the Company either by two authorized signatories or by a director of the Company in the presence of a witness who attests the signature."

By Order of the Board

N P Kothari
Secretary
2nd March 2021

Notes:

(a) In view of the ongoing Coronavirus 2019 (COVID-19) pandemic and the related Public Health Regulations and directives passed by the Government of Kenya precluding inter alia public gatherings, it is impracticable, for Car & General (Kenya) plc to hold a physical Annual General Meeting (AGM) in the manner prescribed in its Articles of Association.

(b) On 29 April 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the provisions of Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange ("Public Company") to convene and conduct a virtual general meeting subject to receipt of a No Objection from the Capital Markets Authority (CMA).

(c) Car & General (Kenya) plc has convened and will conduct its Eighty first Annual General Meeting via virtual/electronic means following receipt of a No Objection from the Capital Markets Authority.

(d) Shareholders wishing to participate in the meeting should register for the AGM by dialling *483*824# for all networks and following the various prompts regarding the registration process. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders (whether in Kenya or outside) should dial the following helpline number: (+254) 709 170 000 from 9:00 a.m. to 3:00 p.m. from Monday to Friday.

NOTICE OF ANNUAL GENERAL MEETING (continued)

A Shareholder domiciled outside of Kenya can send an email to Image Registrars via info@image.co.ke providing their details i.e Name, Passport/ID no., CDS no. and Mobile telephone number requesting to be registered. Image registrars shall register the shareholder and send them an email link once registered

(e) Registration for the AGM opens on 5th day of March, 2021 at 9:00 am and will close on Tuesday 23rd March, 2021 at 11.00 a.m. Shareholders will not be able to register after Tuesday 23rd March, 2021 at 11.00 am.

(f) In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.cargen.com (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year 2020; (iii) Copy of the Articles of Association with proposed amendments; (iv) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (v) a copy of the No Objection issued by the CMA.

(g) Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

i. sending their written questions by email to info@image.co.ke
ii. shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialing the USSD code above and selecting the option (ask Question) on the prompts
iii. to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, or
iv. sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 58485-00200 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Tuesday 23rd March, 2021 at 11:00 am.

Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

(h) In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is available on the Company's website via this link: http://www.cargen.co.ke. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall under the hand of an officer or duly authorized attorney of such body corporate.

NOTICE OF ANNUAL GENERAL MEETING (continued)

A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than Wednesday, 24th March, 2021 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday, 24th March, 2021 at 11.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 24th March, 2021 to allow time to address any issues.

(i) The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

(j) Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the chairman) via the USSD prompts.

(k) A poll shall be conducted for all the resolutions put forward in the notice.

(l) Results of the AGM shall be published on the Company's website within 24 hours following conclusion of the Annual General Meeting.

(m) In light of the escalating COVID-19 pandemic, we encourage our Shareholders to monitor the Car & General's website for updates (if any) post the issuing of this Notice.

CHAIRMAN'S REPORT

"Turnover for the year ended 30 September 2020 was Shs 12.1 billion against Shs 11.9 billion achieved the previous financial year"

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

The year to September 2020 proved extremely challenging given the impact of Covid-19. Notwithstanding, in spite of significant upheaval throughout East Africa, the Group posted 2% growth in revenue. Q3 was extremely challenging with sales dropping as much as 70% in certain markets. Overall, revenue in Kenya dropped 2.5% and revenue outside Kenya grew 8.7%. Our two wheeler and three wheeler businesses experienced reasonable growth. Our equipment businesses (namely tractors, construction equipment and forklifts) remained flat.

As a result of the above, turnover for the year ended 30 September 2020 was Shs 12.1 billion against Shs 11.9 billion achieved the previous financial year. EBITDA grew by 33% to Shs 937` million from Shs 705 million. Profit after tax over the same period was Shs 274 million which is 50% higher than Shs 182 million made during the same period last year. Profitability was significantly impacted by forex losses of Shs 82 million resulting from the depreciation of the Kenya Shilling. Our results would have been significantly better without this.

Our cash flow was reasonably positive, reflecting improved working capital efficiency and operating profitability. The highlight of the financial year was the volume recovery in Q4 in our consumer businesses particularly in motorcycles and three wheelers which offset the overall economic business contraction. Our equipment business also stabilized. 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 a valuation loss of Shs 50 million this year given adverse current market conditions. We have completed one development, Nairobi Mega, on Uhuru Highway which opened on 10 June 2020. The anchor tenant is Carrefour. 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 in non-core properties business.

Going forward, we believe uncertainty will persist in 2021 given the continuing impact of Covid-19 on the business environment. 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 further in 2020/2021 having launched various new models and financing initiatives, especially through 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 continued growth in our sales of parts, tyres and oils.

The Equipment Business

The Cummins business in Kenya and regionally was flat in 2019/2020. 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 prosperity throughout the region translates into development opportunities in terms of new projects. This has been lacking.

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. We have seen reasonable sales performance in wheeler loaders and excavators. We are confident that we can achieve sustainable profitability and market share in this sector in 2021.

Our Toyota forklift business is also gaining traction. The market size remains restrictive to building a scalable 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 model constraints and low market share. This business will grow over time.

The Property Business

We expect the benefit of a full year's rental with the opening of Nairobi Mega. 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 the two and three wheeler business. The business grew 9% and was not significantly impacted by Covid-19. We expect to continue growing this year given product traction.

Car & General (Uganda) Limited

The operation performed reasonably this year with growth at 8%. This was in spite of strict Covid -19 lockdown in Q3. Without the volume of two wheelers and three wheelers, this will remain a medium sized business.

CHAIRMAN'S REPORT (continued)

Kibo Poultry Products Limited

Sales of poultry were depressed in the first half of the year but recovered strongly in the second half. We generated a small loss for the year. We expect reasonable performance this financial year.

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.

The Directors recommend the payment of a dividend of Shs 32,082,646 (Shs 0.80 per share) which is the same level as the previous year.

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

N Ng'ang'a, EBS – Chairman

26th **January 2021**

CORPORATE SOCIAL RESPONSIBILTY

Cargen in Society:

At Car & General (C&G), we believe in working to improve communities in which we operate. Our Corporate Social Responsibility policy promotes employee engagement by ensuring that every C&G employee has an opportunity to serve and improve his or her community as per our priority areas.

Top management endorses this policy and ensures it is compatible with the context and strategic direction of the organization. Top management will also ensure that the policy is communicated, understood, implemented and maintained at all levels within Car & General.

Our Corporate Responsibility priority areas are Education, Health, Environment and Road Safety.
Our efforts to pursue positive relationships in our communities with partner organizations aligned with our priority areas and has a presence where C&G does business.

Cargen in Society Programs:

Education:

Collaboration with Technical Education Institutions - We have signed several MOUs with universities and technical training institutions to offer training sessions to students and lecturers at our facility.

School Adoption - As we strive to improve communities we live in, Cummins C&G has have adopted the Treeside School for the Deaf, giving them a chance to nurture their talents and get a fair chance of life, by donating necessities to the pupils.
Health:

Eye Care Programs - Car & General runs an eye care programme with Lions Club International. This is intended to reach needy people with eyesight problems. We recognize that eyesight is the biggest gift to humanity and thus we intervene by offering free eye diagnosis, and treatment for those affected by offering medicines, glasses and corrective surgeries.

Blood Donation - In partnership with the Kenya Blood Transfusion Services, our members of staff donate blood to help boost the country's blood bank which in turn will help reduce loss of lives due to lack of blood during emergencies.

Staff Fitness - We recognize that healthy employees are good for business, C&G is continuously investing in staff wellness programmes geared towards cultivating a healthy lifestyle. Together with internal medical camps, we have opened a gym within the premises that is supervised by a qualified trainer.

Environment:

Water Pans - C&G, Cummins Inc (through the Cummins Foundation) and the Lions Club of Mombasa constructed two dams at over Kshs 3m to aid residents to harvest rain water for farming in order to reduce the perennial problem of starvation. The dams have a capacity of holding 5m liters of water each.

Tree Planting - To help rehabilitate degraded forest land in Kenya, Cummins C&G has partnered with the East African Wild Life Society, Kijabe Environment Volunteers and Kenya Forest Service to plant trees across the country.
Road Safety:

Training - To help fight against road accidents in Kenya, we have rolled out an extensive road safety campaign program which targets motorcycle and three wheeler drivers, mechanics and users in Kenya.

CORPORATE SOCIAL RESPONSIBILTY (continued)

Mechanics training programmes - We have developed a programme of training juakali mechanics in order to keep them up to speed technically so that they can maintain our products, and earn a living. At C&G, we believe that our business impacts on lives on so many people.

Employee Engagement:

At Car & General our CarGen in Society program encourages every employee to perform at least four hours per calendar year on Company time to serve and improve his or her community in projects that are aligned with our priority areas as articulated above. C&G promotional activities such as exhibitions, recruiting fairs and open days do not count as CarGen in Society activity. Business leaders will work with the Communications team to identify community partners and employee engagement opportunities. The program should be consistent across the Company and not vary per business unit and region and aligned to our vision and mission. Employee employment projects are voluntary, and they serve as a way of strengthening C&G existing or develop new partnerships with not for profit/non-governmental organizations making a positive impact.

ACE

BT

Electrolux

BRIGGS & STRATTON

TOYOTA

Cummins Power Generation

IR Ingersoll Rand

KUKU BINGWA KIBO CHICK

Cummins

WATU CREDIT

PIAGGIO® Complete transportation solutions

5


6


7

8

1. David Chesoni (left), Car & Trading (Trading) Limited Managing Director hands over keys to the car winner of the TVS Chomoka na Gari promotion, Saphina Jepchirchir in Eldoret.
2. Aldoms Orwa (left), Sales Engineer, Cummins C&G shows a customer the operations of a Cummins power generator.
3. Edgar Luvanda (right), Sales Manager for Doosan hands over keys of a wheel loader to officials of Kemwat Company Limited.
4. Vijay Gidoomal (left) Group Chief Executive Officer of Car & General (Kenya) PLC hands over a certificate of long service to Titus Murage, the company's Group Commercial Manager. Murage has been with Car & General for over 25 years.
5. Car & General has formed its own Lions Club, Lions Club of Cargen. The club will champion CSR programs.
6. Car & General ensures healthy people. C&G invests in staff wellness programs geared towards cultivation a healthy lifestyle. Gym, internal medical camps and medical talks.
7. Loise Wangui (left) Car & General's Nairobi Sales Manager shows a snapper ride-on mower to a customer in the showroom. They are powered by Briggs & Stratton engines.
8. Wallace Chege (right), Piaggio National Sales Manager and Fiona Adala, Sales Executive for Piaggio discuss features of the new larger model of Piaggio three wheelers at the Lusaka Road showroom.

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 Group and the Company 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 Articles of Association.

Committees of the Board

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

Audit Committee

The Board has an audit committee that meets at least four times a year. Its responsibilities include review of financial information, budgets, development plans, compliance with accounting standards, liaison with the external auditors, fixing the remuneration of external auditors and overseeing internal control systems.

Members of the audit committee comprise four Non-Executive Directors; P Shah (Chairman), M Soundararajan, C M Ngini and S P Gidoomal. Internal and external auditors and other company executives attend on invitation as required.

Governance, Nominations and Compensation Committee

The 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.

The Committee's role is also 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.

The Committee also reviews all group policies and governance related issues.

The committee meets as necessary and is comprised of four Non-Executive Directors; C M Ngini (Chairman), M Soundararajan, S P Gidoomal, Gladys Mboya and the Group Chief Executive Officer, Mr V V Gidoomal.

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.

CORPORATE GOVERNANCE REPORT (continued)

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

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

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, Sam Njenga, is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Distribution of shareholders as at 30 September 2020

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of Shareholding
Less than 500	86,617	648	0.22
500 - 5,000	686,189	380	1.71
5,001 - 10,000	589,257	78	1.47
10,001 -100,000	2,159,667	81	5.39
100,001 - 1,000,000	3,442,763	10	8.58
above 1,000,000	33,138,815	6	82.63
Total	40,103,308	1,203	100

Top ten shareholders

	30 September 2020	
	No. of shares	**Percentage**
Fincom Limited	13,033,419	32.50
Betrin Limited	6,387,159	15.93
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	843,180	2.10
Nairobi Commercial Continental Limited	540,000	1.35
Chandan Jethanand Gidoomal	442,218	1.10
Kestrel Capital Nominees Limited A/c 009	315,900	0.79

Directors' direct shareholdings

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

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated and company financial statements of Car & General (Kenya) Plc (the "Company) and its subsidiaries (together the "Group") for the year ended 30 September 2020, in accordance with the Kenya Companies Act, 2015 which discloses the state affairs of the Group and Company.

PRINCIPAL 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 subsidiaries are detailed on page 3.

GROUP RESULTS

	2020 Shs '000	2019 Shs '000
Profit before taxation	129,839	99,323
Taxation credit	144,295	83,036
Profit for the year	274,134	182,359
Attributable to:		
Owners of the parent	274,627	171,098
Non - controlling interests	(493)	11,261
	274,134	182,359

DIVIDEND

The Directors propose payment of a first and final dividend of Shs 0.80 (2019: Shs 0.80) per share equivalent to a total sum of Shs 32,082,646 (2019: Shs 32,082,646).

DIRECTORS

The present Board of Directors is shown on page 2.

ENHANCED BUSINESS REVIEW

The general business environment in the region has been challenging given the impact of Covid-19. GDP in the East African economies declined. The weak economies are underpinned by constrained credit and liquidity conditions caused by the upheaval of curfews and travel restrictions. Tourism, hospitality, real estate and retail have been particularly affected thereby having a knock on effect on other industries.

As a result, the Group's markets have remained challenging during the financial year ended 30 September 2020. Q3 was particularly difficult with volumes dropping as much as 70% in certain markets. The consumer business (two wheelers and three wheelers) has recovered fast driven by access to finance, particularly through our associate Watu Credit Limited. The Equipment businesses (namely generators, construction equipment, tractors and forklifts) have also shown signs of recovery. The Group has managed to recover volume and been able to achieve its market share objectives and grow revenue by 2%. The Tanzania and Watu Credit Limited businesses 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 2021 assuming no further lockdowns. Achieving 2021 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 completed one property project being the refurbishment of Nairobi Mega, Uhuru Highway. This retail complex opened on 10 June 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 2020, the Group's staff headcount stood at 724 (2019: 739).

Social community issues

The Group continues to support the eye clinic and water security programs although activity has been restricted due to Covid-19.

BOARD AUDIT COMMITTEE

The Directors recommend that Mr P Shah, Mr M Soundararajan, Mr S P Gidoomal and Mr C Ngini being 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 Group 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 Companies Act, 2015 Laws of Kenya) 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)

DIRECTOR'S STATEMENT AS TO INFORMATION GIVEN 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

To appoint Deloitte & Touche as auditors of the Company in accordance with Section 721 of the Companies Act, 2015 and to authorize the Directors to fix the remuneration of the auditors in terms of Section 724 of the 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

N.P Kothari
Secretary

26th January 2021

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

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

Remuneration policy

The Governance, Nominations and Compensation 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 presented 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

	2020 Shs	2019 Shs
Main Board Chairman	131,462	122,862
Audit Committee Chairman	118,316	110,576
Other Directors	105,171	98,290

Sitting allowances

	Board Committee Shs	Audit Committee Shs	Governance, Nominations and Compensation Committee Shs
Chairman	131,462	118,316	87,641
Other Directors	105,171	87,641	87,641

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 Group 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 Group has taken a Directors' and officers' liability insurance cover for all the Directors.

Shareholding requirements

The remuneration of Directors is paid in cash. As per the 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 Director has 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.

INFORMATION SUBJECT TO AUDIT

Remuneration

30 September 2020	Salaries and benefits Shs'000'	Pension scheme Shs'000'	Directors fees Shs'000'	Total Shs'000'
Mr V V Gidoomal*	17,951	180	-	18,131
Mr N Ng'ang'a EBS	-	-	1,205	1,205
Mr P Shah	-	-	1,733	1,733
Mr S P Gidoomal	-	-	1,281	1,281
Mr M Soundararajan	-	-	1,090	1,090
Mr C M Ngini	-	-	1,264	1,264
Ms G M Mboya	-	-	872	872
Total	17,951	180	7,445	25,576

30 September 2019				
Mr V V Gidoomal*	17,285	182		17,467
Mr N Ngángá, 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

*Mr V V Gidoomal is an Executive Director and the Group Chief Executive Officer.

BY ORDER OF THE BOARD

Secretary
Nairobi
26th January 2021

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.

N Ng'ang'a, EBS
Director

V V Gidoomal
Director

26th January 2021

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
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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 19 to 81, which comprise the consolidated and company statements of financial position as at 30 September 2020 and consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and 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 consolidated and company financial position of Car & General (Kenya) Plc as at 30 September 2020 and of its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("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 company financial statements of the current period. These matters are addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide an 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 As disclosed in note 14 of the consolidated and company financial statements, the Group's and Company's investment property amounted to Shs 3,509,690,000 and Shs 2,237,150,000 as at 30 September 2020 respectively. The fair valuation of the investment properties for the current period resulted to a net loss of Shs 50,542,000 for both Group and Company.	Our procedures to address the risk relating to valuation of investment properties and land and buildings included: • Assessing the competence, capabilities and objectivity of the Group's and Company's professional valuers, and verified their qualifications and experience; • Discussing the scope of their work and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them;

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

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
As disclosed in note 15 of the consolidated and company financial statements, the Group's and Company's land and buildings amounted to Shs 1,411,001,000 and Shs 575,000,000 as at 30 September 2020 respectively. The revaluation surplus of the land & buildings for Group and Company for the current period resulted to a gain of Shs 36,898,000 and Shs 43,409,000 respectively. The valuation of the investment properties and land and buildings is based on significant judgements on the capitalization rate made by Directors and thus may be subject to bias. Accordingly, valuation of the investment properties and land and buildings is considered as a key audit matter. Refer to note 2 for the accounting policy on investment properties and land and buildings.	• Involved our in house fair value specialists in evaluating the judgements applied by the Directors and the Group's independent professional valuers and in particular the assumptions and methodologies used to estimate the fair value of the investment properties and land and buildings; and • Checking the accuracy and completeness of the input data provided by management to the independent professional valuers. Based on procedures completed, we concluded that the methodology and assumptions used by the Directors in the valuation of investment properties and land and building were appropriate. In addition, the disclosures pertaining to the valuation of investment properties and land and building were found to be appropriate in the financial statements.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Corporate Governance Report, Report of the Directors and Directors' Remuneration Report which were obtained prior to the date of our report. The other information does not include the consolidated and company financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed 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 for the consolidated and consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and company 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 company financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of Directors for the consolidated and consolidated financial statements (continued)

In preparing the consolidated and company 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 Company and its subsidiaries or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and company financial statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

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

- 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; and

- 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.

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 company financial statements (continued)

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

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

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

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

Report of the Directors

In our opinion the information given in the Report of the Directors on pages 16 to 18 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 19 to 20 has been prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants (Kenya)
Nairobi
26th January 2021

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 2020

	Note	2020 Shs '000	2019 Shs '000
REVENUE	5	12,117,976	11,907,237
COST OF SALES		(10,147,703)	(10,026,975)
OTHER COSTS	6	(19,498)	(188,159)
GROSS PROFIT		1,950,775	1,692,103
OTHER INCOME	7	131,866	119,695
(LOSS)/GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	14	(50,452)	117,250
IMPAIRMENT PROVISION FOR FINANCIAL ASSETS	34(a)	1,163	7,717
SELLING AND DISTRIBUTION COSTS		(595,747)	(631,222)
ADMINISTRATIVE EXPENSES		(737,753)	(742,228)
SHARE OF PROFIT IN ASSOCIATE	19	247,452	151,560
SHARE OF LOSS IN JOINT VENTURE	20	(10,324)	(9,753)
EARNINGS BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION		936,980	705,122
FINANCE COSTS	8	(612,883)	(522,785)
DEPRECIATION OF PROPERTY, PLANT & EQUIPMENT	15	(89,278)	(77,050)
AMORTISATION OF INTANGIBLE ASSETS	16	(4,557)	(5,964)
DEPRECIATION OF RIGHT OF USE ASSET	17	(100,423)	-
PROFIT BEFORE TAXATION	10	129,839	99,323
TAXATION CREDIT	11	144,295	83,036
PROFIT FOR THE YEAR		274,134	182,359
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation	15	36,898	46,762
Deferred tax on revaluation of property	25	(8,366)	(9,994)
Effect of change in tax rate	25	25,727	-
		54,259	36,768
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations net of tax		30,495	33,671
Other comprehensive income for the year, net of tax		84,754	70,439
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		358,888	252,798

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020 (continued)

	Note	2020 Shs '000	2019 Shs '000
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of the company		274,627	171,098
Non - controlling interests	12	(493)	11,261
Profit for the year		274,134	182,359
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		359,381	241,537
Non - controlling interests	12	(493)	11,261
Total comprehensive income for the year		358,888	252,798
EARNINGS PER SHARE:			
Basic and diluted earnings per share (Shs)	13	6.85	4.27

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 Shs '000	2019 Shs '000
REVENUE	5	87,149	53,067
OTHER INCOME	7	44,749	30,525
(LOSS)/GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	14	(50,452)	66,364
IMPAIRMENT PROVISION FOR FINANCIAL ASSETS	34(a)	(80,246)	(3,047)
ADMINISTRATIVE EXPENSES		(103,638)	(119,908)
(LOSS)/EARNINGS BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION		(102,438)	27,001
FINANCE COSTS	8	(29,101)	(2,048)
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	15	(14,022)	(12,906)
AMORTIZATION OF INTANGIBLE ASSETS	16	(286)	(381)
DEPRECIATION OF RIGHT OF USE ASSET	17	(24,344)	-
(LOSS)/PROFIT BEFORE TAXATION	10	(170,191)	11,666
TAXATION CREDIT/(CHARGE)	11	149,506	(7,382)
(LOSS)/PROFIT FOR THE YEAR		(20,685)	4,284
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on property revaluation	15	43,409	(5,003)
Deferred tax on revaluation of property	25	(10,852)	1,501
Effect of change in tax rate	25	25,727	-
		58,284	(3,502)
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations net of tax		1	(60)
Other comprehensive income/(loss) for the year, net of tax		58,285	(3,562)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		37,600	722

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	2020 Shs '000	2019 Shs '000
ASSETS			
Non-current assets			
Investment properties	14	3,509,690	3,472,754
Property, plant and equipment	15	1,784,105	1,650,715
Intangible assets	16	17,236	22,538
Right of Use Asset	17	566,702	-
Investment in associate	19	418,830	197,797
Investment in joint venture	20	290,747	301,071
Deferred tax asset	25	364,154	289,039
		6,951,464	5,933,914
Current assets			
Inventories	21	2,999,196	3,713,960
Trade and other receivables	22	1,295,796	1,573,344
Due from related companies	23(a)	335,394	290,380
Loan due from related company	23(b)	10,110	10,070
Corporate tax recoverable	11(c)	78,951	69,223
Cash and bank balances	29(c)	232,575	183,233
		4,952,022	5,840,210
Total assets		11,903,486	11,774,124
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	200,516	200,516
Revaluation reserve		788,445	744,283
Retained earnings		2,729,890	2,477,248
Exchange translation reserve		1,967	(28,528)
Equity attributable to owners of the parent		3,720,818	3,393,519
Non-controlling interests	12	218,502	218,995
		3,939,320	3,612,514
Non-current liabilities			
Deferred tax liabilities	25	741,025	881,287
Borrowings	26	857,718	474,148
Lease liabilities	27	478,320	-
Loan due to related party	23(c)	165,266	159,205
		2,242,329	1,514,640
Current liabilities			
Due to related companies	23(d)	446,888	524,401
Borrowings	26	2,834,910	4,184,662
Lease liabilities	27	123,771	-
Trade and other payables	28	2,295,193	1,924,897
Corporate tax payable	11(c)	21,075	13,010
		5,721,837	6,646,970
Total equity and liabilities		11,903,486	11,774,124

The financial statements on pages 26 to 88 were approved and authorised for issue by the Board of Directors on 26th January 2021 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 2020

	Note	2020 Shs '000	2019 Shs '000
ASSETS			
Non-current assets			
Investment properties	14	2,237,150	2,202,694
Property, plant and equipment	15	638,421	583,268
Intangible assets	16	320	1,524
Right of Use Asset	17	318,500	-
Investment in subsidiaries	18	516,892	516,892
		3,711,283	3,304,378
Current assets			
Trade and other receivables	22	52,634	71,601
Due from related companies	23(a)	735,067	747,302
Corporate tax recoverable	11(c)	25,100	17,278
Cash and bank balances	29(c)	9,214	5,174
		822,015	841,355
Total assets		4,533,298	4,145,733
EQUITY AND LIABILTIES			
Capital and reserves			
Share capital	24	200,516	200,516
Revaluation reserve		484,574	432,743
Retained earnings		1,269,389	1,315,703
Exchange translation reserve		2,949	2,948
		1,957,428	1,951,910
Non-current liabilities			
Deferred tax liability	25	550,206	714,587
Lease liabilities	27	331,304	-
		881,510	714,587
Current liabilities			
Due to related companies	23(d)	652,928	69,346
Borrowings	26	938,197	1,345,308
Lease liabilities	27	6,714	-
Trade and other payables	28	96,521	64,582
		1,694,360	1,479,236
		4,533,298	4,145,733

The financial statements on pages 26 to 88 were approved and authorised for issue by the Board of Directors on 26th January 2021 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 2020

	Share capital Shs '000	Revaluation reserve Shs '000	Retained earnings Shs '000	Exchange translation Reserve* Shs '000	Exchange to owners of the company Shs '000	Non - controlling interest Shs '000	Total Shs '000
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
Transfer of excess depreciation	-	(2,663)	2,663	-	-		-
Deferred tax on excess depreciation transfer	-	799	(799)	-	-	-	-
Dividend paid	-	-	(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
At 1 October 2019	200,516	744,283	2,477,248	(28,528)	3,393,519	218,995	3,612,514
Profit for the year	-	-	274,627	-	274,627	(493)	274,134
Other comprehensive income for the year	-	54,259	-	30,495	84,754	-	84,754
Transfer of excess depreciation	-	(14,424)	14,424	-	-	-	-
Deferred tax on excess depreciation transfer	-	4,327	(4,327)	-	-	-	-
Dividend paid	-	-	(32,082)	-	(32,082)	-	(32,082)
At 30 September 2020	200,516	788,445	2,729,890	1,967	3,720,818	218,502	3,939,320

*The exchange 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

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital	Revaluation reserve	Retained earnings	Exchange translation reserve*	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
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)
Transfer of excess depreciation	-	(9,219)	9,219	-	-
Deferred tax on depreciation transfer	-	2,766	(2,766)	-	-
Dividend paid	-	-	(32,082)	-	(32,082)
At 30 September 2019	200,516	432,743	1,315,703	2,948	1,951,910
At 1 October 2019	200,516	432,743	1,315,703	2,948	1,951,910
Loss for the year	-	-	(20,685)	-	(20,685)
Other comprehensive income for the year	-	58,284	-	1	58,285
Transfer of excess depreciation	-	(9,219)	9,219	-	-
Deferred tax on depreciation transfer	-	2,766	(2,766)	-	-
Dividend paid	-	-	(32,082)	-	(32,082)
At 30 September 2020	200,516	484,574	1,269,389	2,949	1,957,428

*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.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 Shs '000	2019 Shs '000
Cash flows from operating activities			
Net cash generated from/(used in) operations	29(a)	1,991,791	(252,818)
Corporate tax paid	11(c)	(56,799)	(34,053)
Interest paid	8	(483,863)	(475,772)
Net cash generated from/(used in) operating activities		1,451,129	(762,643)
Cash flows from investing activities			
Additions to investment properties	14	(84,912)	(238,458)
Purchase of property, plant and equipment	15	(165,713)	(168,844)
Purchase of intangible assets	16	(187)	(6,572)
Investment in associate	19	(38,621)	-
Dividend received from an associate	19	65,040	9,701
Proceeds on disposal of property, plant and equipment		3,210	22,537
Net cash used in investing activities		(221,183)	(381,636)
Cash flows from financing activities			
Repayment of lease liabilities	27	(112,280)	-
Loans received	29(b)	9,374,640	12,505,924
Loans repaid	29(b)	(10,311,066)	(11,311,452)
Hire - purchase finance	29(b)	(2,070)	(1,788)
Dividend paid		(32,082)	(32,082)
Net cash (used in)/generated from financing activities		(1,082,858)	1,160,602
Net increase in cash and cash equivalents		147,088	16,323
Cash and cash equivalents at beginning of the year		79,380	61,817
Effects of foreign exchange rates		3,311	1,240
Cash and cash equivalents at end of the year	29(c)	229,779	79,380

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 Shs '000	2019 Shs '000
Cash flows from operating activities			
Net cash generated from/(used in) operations	29(a)	615,309	(857,559)
Corporation tax paid	11(c)	(7,822)	(8,607)
Interest paid		(4,547)	(1,914)
Net cash generated from/(used in) operating activities		602,940	(868,080)
Cash flows from investing activities			
Additions to investment properties	14	(84,912)	(238,458)
Purchase of property, plant and equipment	15	(26,528)	(51,338)
Net cash used in investing activities		(111,440)	(289,796)
Cash flows from financing activities			
Repayment of lease liabilities	27	(29,373)	-
Loans received	29(b)	2,322,641	2,199,850
Loans repaid	29(b)	(2,708,125)	(1,005,208)
Dividend paid		(32,082)	(32,082)
Net cash (used in)/generated from financing activities		(446,939)	1,162,560
Net increase in cash and cash equivalents		44,561	4,684
Cash and cash equivalents at the beginning of the year		(38,147)	(43,011)
Effects of foreign exchange rate changes		4	180
Cash and cash equivalents at the end of the year	29(c)	6,418	(38,147)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 GENERAL INFORMATION

Car & General (Kenya) Plc is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. 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 Company shares are listed on the Nairobi Securities Exchange.

2 ACCOUNTING POLICIES

Statement of compliance

The consolidated and company 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.

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

(i) Relevant new and amendments standards effective for the year ended 30 September 2020

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 2.

The date of initial application of IFRS 16 for the Group is 1 October 2019.

The Group has applied IFRS 16 retrospectively using the cumulative effect of initially applying the new standard recognised on 1 October 2019. The comparatives for the 2019 financial year have not been restated.

The Group has recognized lease liabilities at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lease liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 October 2019.

The Group has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The Group has, on a lease-by-lease basis, measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(i) Relevant new and amendments standards effective for the year ended 30 September 2020 (continued)

Impact of initial application of IFRS 16 Leases (continued)

The impact of the adoption of IFRS 16 on the consolidated and company financial statements is described below:

(a) Impact of the new definition of a lease

The Group has made 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 be applied to those contracts entered or modified before 1 October 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises 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) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are 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 incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

When applying IFRS 16, the Group has applied the following practical expedients on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on date of initial application;
- Reliance on previous amendments on whether leases are onerous instead of performing an impairment review;
- Exclusion of initial direct costs from the measurement of right-of-use at the date of initial application;
- The use of hindsight; such as in determining the lease term if the contract contains options to extend or terminate; and
- The amendment of short term leases

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(i) Relevant new and amendments standards effective for the year ended 30 September 2020 (continued)

Impact of initial application of IFRS 16 Leases (continued)

(b) Impact on Lessee Accounting (continued)

(ii) Former finance leases

The Group did not have any finance leases under IAS 17. Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position.

Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Group was not impacted by changes to lessor accounting.

(d) Financial impact of the initial application of IFRS 16

Impact on profit or loss

	Group 2020 Shs'000	**Company 2020 Shs'000**
Increase in depreciation of right-of-use asset	100,423	24,344
Increase in finance cost	47,246	24,547
Decrease in lease rentals	(112,280)	(29,372)
	35,389	19,519

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(i) Relevant new and amendments standards effective for the year ended 30 September 2020 (continued)

Impact of initial application of IFRS 16 Leases (continued)

(d) Financial impact of the initial application of IFRS 16 (continued)

Impact on assets, liabilities and equity as at 1 October 2019

	Original Carrying amount Shs'000	IFRS 16 transition impact Shs '000	New Carrying amount Shs '000
Group			
ASSETS			
Right-of-use assets	-	667,125	667,125
EQUITY AND LIABILITIES			
Liabilities			
Lease liabilities	-	(667,125)	(667,125)
Capital and reserves			
Retained earnings	2,477,248	-	2,477,248
Company			
ASSETS			
Right-of-use assets	-	342,844	342,844
EQUITY AND LIABILITIES			
Liabilities			
Lease liabilities	-	(342,844)	(342,844)
Capital and reserves			
Retained earnings	1,315,703	-	1,315,703

For tax purposes, the depreciation expense and finance cost in respect of the right-of-use asset and lease liabilities respectively have not been treated as tax allowable deductions. The application of IFRS 16 has an impact on the statement of cash flows of the Group and Company. Under IFRS 16, lessees must present cash payments for the principal portion for a lease liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities for the Group and Company has increased by Shs 112 million and Shs 29 million respectively, being lease payments, and net cash used in financing activities for the Group and Company has increased by Shs 112 million and Shs 29 million respectively.

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 October 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(i) Relevant new and amendments standards effective for the year ended 30 September 2020 (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions.

The Interpretation did not have an impact on the consolidated and company financial statements.

Annual Improvements to IFRS Standards 2016-2017 Cycle

The Annual Improvements to IFRS Standards 2016-2017 cycle makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - 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.

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

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 2020, 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 application of the amendment did not have an impact on the consolidated and company financial statements.

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

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment; and
- or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(i) Relevant new and amendments standards effective for the year ended 30 September 2020 (continued)

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

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments had no impact on the consolidated and company financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

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).

These amendments had no impact on the consolidated and company financial statements as the Group do not have long- term interests in its associate and joint venture.

(ii) New and amended standards in issue but not yet effective in the year ended 30 September 2020

New standards and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IFRS 3: Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020
Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17 Insurance Contracts	1 January 2022
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date yet to be set by IASB

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 September 2020

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

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)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 September 2020 (continued)

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

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.

Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to various standards.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended 30 September 2020 (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

The 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.

(iv) Early adoption of standards

The Group did not early adopt new or amended standards in the year.

Basis of preparation

The financial statements are prepared under the historical cost basis of accounting except for land and buildings and investment properties which are measured at revalued amounts.

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 measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Investment in associate and joint ventures

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.

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).

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

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue

Trade and workshop and Poultry income

For sales of products to customers, revenue is recognised when rights and obligations 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.

Rental Income

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.

ICT Training and Talent development

ICT Training and Talent development revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the school's activities. This is shown net of the rebates and discounts.

The school recognizes revenue to depict the transfer of promised services to students in an amount that reflects the consideration to which the school expects to be entitled in exchange for those services.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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. 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.

Depreciation

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%
Heavy machinery	12.5% - 25%
Furniture and equipment	12.5% - 30%
Motor vehicles	25%
Computers	30%

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 of tangible and intangible assets

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of the business including direct material costs and other overheads incurred to bring the asset to the existing location and condition. Cost of issues is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of disposal. An allowance is made for obsolete, slow moving and defective inventories.

Livestock

Livestock comprises poultry and is carried at fair value. The fair value of livestock is determined based on the prices of livestock existing in the market less estimated point of sale costs.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(a) Classification of financial assets

The Group classifies financial instruments into three categories as described below.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(ii) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

Impairment of Financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its Trade receivables and Bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other assets include cash and bank balances and deposits which the Group uses counter party external rating equivalent both to determine whether the financial asset has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Related parties

The Group is controlled by Car & General (Kenya) Plc incorporated in Kenya being the ultimate parent. There are other companies that are related to Car & General (Kenya) Plc through common shareholdings or common Directorships.

The Group discloses the nature and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the Directors, executive officers and related companies.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amounts of deferred tax assets are 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES (continued)

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.

Foreign currencies

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

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

Cash and cash equivalents

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

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group 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. In particular, the consolidated and company statement of profit or loss and other comprehensive income has been presented to show the earnings before finance costs, depreciation, amortisation and taxation. In addition, the due from related companies has been presented gross of amounts due to related companies in the consolidated statement of financial postion.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and intangible assets

Useful life of assets

Critical estimates are made by the Group management, in determining depreciation rates for property, plant and equipment.

(b) Revaluation of land and buildings

Land and buildings are measured at revalued amounts. The fair value is determined based on the market and cost approaches using comparable market prices for similar items when available and replacement cost when appropriate.

(c) Valuation of investment properties

Investment properties are stated at valuation. 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.

(d) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The measurement of impairment losses across all categories of financial assets requires judgement and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Losses (ECL) calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Historical default and expected loss rates;
- The Group's criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulas and the choice of inputs.

(e) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. Non -financial assets that are not subject to amortisation are tested annually for impairment. These calculations require the use of estimates and assumptions such as future expected cash flows and pre-tax discount rate

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Key sources of estimation uncertainty (continued)

(f) Deferred tax asset

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 judgement 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.

(g) Determination of discount rate

The discount rate used in the calculation of the lease liability involves estimation. For property leases that make up substantially all of the Group's lease portfolio, the discount rate is the estimated property yield over a similar lease term assessed at commencement date. Otherwise for any other lease, the rate used is the incremental borrowing rate

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately above), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several property lease contracts that include extension options.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

(ii) Classification of rental property as property, plant and equipment or investment property

The Group determines whether a property should be classified as investment property or property, plant and equipment by considering the following factors;

- The intention for the use of the property;
- The proportion of leased space to the owner occupied space;
- The proportion of rental income to the total income;
- The portion that is held for rentals or capital appreciation versus the portion that is held for use in the production or supply of goods or services or for administrative purposes; and
- The significance of ancillary services provided to the occupants of the property.

Included in land and buildings is a property valued at Shs 535 million (2019: Shs 500 million) that is currently partly leased out to third parties and occupied by the Group. The Group has treated the property as land and buildings as opposed to investment property since the proportion of leased space to the owner occupied space is less than 70 percent.

4 SEGMENTAL INFORMATION

(a) Reportable segments

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(a) Reportable segments (continued)

- Poultry – day old chick farming.
- Financial Services
- ICT Training and Talent development

(b) Segment revenues and results

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

	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	Total Sh '000
30/09/2020							
Revenue	11,849,258	66,842	198,086	-	-	3,790	12,117,976
Loss in fair value of investment properties	-	(50,452)	-	-	-	-	(50,452)
30/09/2019							
Revenue	11,596,284	53,067	255,773	-	-	2,113	11,907,237
Gain in fair value of investment properties	-	117,250	-	-	-	-	117,250

Revenue reported above represents revenue generated from external customers.
No single customer contributed 5% or more to the group's revenue in either 2020 or 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(b) Segment revenues and results (continued)

	Trade and workshop Shs '000	Investment properties Shs '000	Poultry Shs '000	Financial services Shs '000	Joint venture Shs '000	ICT Training & Development Shs '000	Total Shs '000
30 September 2020							
Earnings before finance cost, depreciation, amortization and taxation FinanceCost							
Kenya	451,812	(10,244)	-	247,452	(10,324)	(13,792)	664,904
Uganda	37,174	-	-	-	-	-	35,060
Tanzania	243,132	-	848	-	-	-	237,906
Rwanda	(9,078)	-	-	-	-	-	(9,078)
Total	723,040	(10,244)	848	247,452	(10,324)	(13,792)	936,980
30 September 2019							
Earnings before finance cost, depreciation, amortization and taxation							
Kenya	272,983	81,783	-	151,560	(9,753)	(21,030)	475,543
Uganda	71,386	-	-	-	-	-	71,386
Tanzania	115,729	-	54,905	-	-	-	170,634
Rwanda	(12,441)	-	-	-	-	-	(12,441)
Total	447,657	81,783	54,905	151,560	(9,753)	(21,030)	705,122

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

(c) Segment assets and liabilities

	Trade and workshop Shs '000	Investment properties Shs '000	Poultry Shs '000	ICT Training & Talent Development Shs '000	Total Shs '000
30 September 2020					
Assets	7,893,787	3,509,690	461,091	38,918	11,903,486
Liabilities	7,860,848	-	93,394	9,924	7,964,166
30 September 2019					
Assets	7,819,685	3,472,754	449,345	32,340	11,774,124
Liabilities	8,075,952	-	83,644	2,014	8,161,610

(d) Other segment information

30 September 2020					
Cost of sales	9,972,509	-	175,194	-	10,147,703
Other costs	19,498	-	-	-	19,498
Expenses - selling and administrative	1,243,366	18,103	47,321	24,710	1,333,500
Interest expenses	479,511	-	3,174	1,178	483,863
Depreciation/amortisation	182,129	-	5,001	7,128	194,258
30 September 2019					
Cost of sales	9,911,821	-	115,154	-	10,026,975
Other costs	188,159	-	-	-	188,159
Expenses - selling and administrative	1,233,670	14,372	98,903	26,505	1,373,450
Interest expenses	475,469	-	303	-	475,772
Depreciation/amortisation	75,212	-	4,440	3,362	83,014

(e) Geographical information

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

	2020 Shs '000	2019 Shs '000
Kenya	7,253,943	7,433,400
Uganda	781,376	718,496
Tanzania	4,066,981	3,738,506
Rwanda	15,676	16,835
	12,117,976	11,907,237

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 SEGMENTAL INFORMATION (continued)

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

	2020 Shs '000	2019 Shs '000
Non-current assets (excluding deferred tax assets)		
Kenya	5,564,667	4,659 880
Tanzania	911,373	878,206
Uganda	106,489	101,413
South Sudan	4,650	5,194
Rwanda	131	182
	6,587,310	5,644,875
Total assets		
Kenya	9,148,477	8,985,833
Tanzania	2,060,214	2,141,695
Uganda	661,837	589,985
Rwanda	27,962	50,991
South Sudan	4,996	5,620
	11,903,486	11,774,124
Total liabilities		
Kenya	6,449,176	6,548,583
Tanzania	1,190,862	1,336,013
Uganda	314,140	273,341
Rwanda	9,988	3,673
	7,964,166	8,161,610

5 REVENUE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Trade and workshop	11,849,258	11,596,284	-	-
Poultry	198,086	255,773	-	-
ICT training and development	3,790	2,113		
Investment properties	66,842	53,067	87,149	53,067
Total	12,117,976	11,907,237	87,149	53,067

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 OTHER COSTS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Demurrage and storage costs	19,498	188,159	-	-

The Kenya Trading operations suffered significant storage and demurrage charges in prior year 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.

7 OTHER INCOME

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
(Loss)/gain on disposal of property, plant and equipment	(2,835)	3,429	(762)	-
Hire of property and equipment	42,238	59,309	-	-
Management fees	45,511	21,921	45,511	21,921
Interest income on related party loan – Watu Credit Limited	3,172	2,128	-	-
Miscellaneous income	43,780	32,908	-	8,604
	131,866	119,695	44,749	30,525

8 FINANCE COSTS

Interest on borrowings	483,863	475,772	4,547	1,914
Interest expense on lease liability (note 27)	47,246	-	24,547	-
Net foreign exchange losses	81,774	47,013	7	134
	612,883	522,785	29,101	2,048

9 EMPLOYMENT COSTS

Salaries and wages	654,257	710,408	24,521	64,333
Retirement benefit costs:				
- Defined contribution scheme	21,614	15,378	2,826	4,106
- National Social Security Fund contribution	21,162	18,955	21	31
Leave pay provision charge	-	1,836	-	620
	697,033	746,577	27,368	69,090

10 PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before tax is arrived at after charging:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Employment costs (note 9)	697,033	746,577	27,368	69,090
Directors remuneration - Non-Executive	7,445	9,075	7,445	9,075
- Executive	18,131	17,467	18,131	17,467
Auditors' remuneration	12,674	12,400	1,444	1,800
Depreciation of property, plant and equipment (note 15)	89,278	77,050	14,022	12,906
Amortisation of intangible assets (note 16)	4,557	5,964	286	381
Depreciation of right-of-use asset (note 17)	100,423	-	24,344	-
Impairment provision relating to trade receivables (note 22)	(1,163)	(7,717)	-	3,047
Interest expense on lease liability (note 27)	47,246	-	24,547	-
Impairment provision relating to related party balances	-	-	80,246	-

11 TAXATION

(a) Taxation (credit)/charge

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Current taxation based on taxable income	56,163	18,914	-	-
Deferred tax (credit)/charge (note 25)	(99,004)	(41,403)	(31,623)	7,382
Effect of change in tax rate* (note 25)	(36,809)	-	(88,469)	-
Deferred tax credit on tax losses not previously recognised now recognised (note 25)	49,501	(36,018)	-	-
Prior year under provision - deferred taxation (note 25)	(114,146)	(24,529)	(29,414)	-
Taxation (credit)/charge	(144,295)	(83,036)	(149,506)	7,382

*On 25 March 2020, the Kenyan government announced tax measures to in response to the Covid-19 and on April 25, 2020, the Income tax Act amended Paragraph 2(a) Head B of the Third Schedule to the Income Tax Act by reducing the corporate income tax rate to 25% from the previous 30%.

(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:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Profit/(loss) before taxation	129,839	99,323	(170,191)	11,666
Tax calculated at the applicable rate	32,460	29,797	(42,547)	3,500
Tax effect of share of results of associate and joint venture	(59,282)	(42,542)	-	-
Tax effect of income not taxable	(40,514)	(14,481)	(7,344)	-
Tax effect of expenses not deductible for tax	19,847	4,737	18,268	3,882
Deferred tax credit on tax losses not previously recognised now recognised	49,501	(36,018)	-	-
Effect of change in tax rate	(36,809)	-	(88,469)	-
Prior year under provision - deferred taxation	(114,146)	(24,529)	(29,414)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,648	-	-	-
Taxation (credit)/charge	(144,295)	(83,036)	(149,506)	7,382

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 TAXATION (continued)

(c) Corporate tax recoverable/(payable)

	GROUP		COMPANY	
	2020	2019	2020	2019
	Shs '000	Shs '000	Shs '000	Shs '000
At beginning of the year	56,213	40,132	17,278	8,671
Charge for the year (note 11(a))	(56,163)	(18,914)	-	-
Paid in the year	56,799	34,053	7,822	8,607
Translation adjustments	1,027	942	-	-
At end of the year	57,876	56,213	25,100	17,278
This is analysed as:				
Corporate tax recoverable	78,951	69,223	25,100	17,278
Corporate tax payable	(21,075)	(13,010)	-	-
	57,876	56,213	25,100	17,278

12 NON-CONTROLLING INTEREST - GROUP

	2020	2019
	Shs '000	Shs '000
At the beginning of the year	218,995	207,734
Share of (loss)/profit for the year	(493)	11,261
At the end of the year	218,502	218,995

	2020	2019
	%	%
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.

13 EARNINGS PER SHARE - GROUP

Earnings per share is calculated based on the profit attributable to equity holders of the Group divided by the weighted average number of ordinary shares outstanding during the year:

	2020	2019
Profit attributable to owners of the company (Shs' 000)	274,627	171,098
Weighted average number of ordinary shares	40,103,308	40,103,308
Basic and diluted earnings per share (Shs)	6.85	4.27

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2020 Shs '000	2019 Shs '000	2020 Shs '000	2019 Shs '000
At beginning of the year	3,472,754	3,115,525	2,202,694	1,898,052
Additions	84,912	238,458	84,912	238,458
Fair value (loss)/gain	(50,452)	117,250	(50,452)	66,364
Translation adjustments	2,476	1,521	(4)	(180)
At end of the year	3,509,690	3,472,754	2,237,150	2,202,694

The fair value of the Group's and Company's investment properties as at 30 September 2020 have been arrived at on the basis of valuation carried out at that date by R.R Oswald & Company Limited, Survesis Company Limited and Trace Associates Limited. The valuers are registered, independent and not connected with the Group. R.R Oswald & Company Limited are members of the Institute of Surveyors of Kenya, Survesis Company Limited are members of the Institute of Surveyors of Uganda and Trace Associates are members of the Institute of Surveyors of Tanzania. The valuers have the appropriate qualifications, relevant and recent experience in the fair value measurement of property in various locations in Kenya, Uganda and Tanzania.

The net book value of the investment properties charged as security for loan facilities is Shs 3,510 million (2019: Shs 3,473 million) and Shs 2,237 million (2019: Shs 2,203 million) for Group and Company at the end of the year. Details of the outstanding loan facilities are disclosed in note 26.

Details of the Group's and Company's investment properties and information about the fair value hierarchy at the end of the reporting period are as follows:

Group

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
30 September 2020				
New Cargen House	-	-	1,635,000	1,635,000
Shanzu plots	-	-	1,200,000	1,200,000
C.G. Retread	-	-	510,000	510,000
Diani Beach plots	-	-	87,500	87,500
Tanzania plot	-	-	72,540	72,540
Juba plot	-	-	4,650	4,650
	-	-	3,509,690	3,509,690
30 September 2019				
New Cargen House	-	-	1,600,000	1,600,000
Shanzu plots	-	-	1,200,000	1,200,000
C.G. Retread	-	-	510,000	510,000
Diani Beach plots	-	-	87,500	87,500
Tanzania plot	-	-	70,060	70,060
Juba plot	-	-	5,194	5,194
	-	-	3,472,754	3,472,754

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INVESTMENT PROPERTIES - GROUP AND COMPANY (continued)

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Company				
30 September 2020				
New Cargen House	-	-	1,635,000	1,635,000
C.G. Retread	-	-	510,000	510,000
Diani Beach plots	-	-	87,500	87,500
Juba plot	-	-	4,650	4,650
	-	-	2,237,150	2,237,150
30 September 2019				
New Cargen House	-	-	1,600,000	1,600,000
C.G. Retread	-	-	510,000	510,000
Diani Beach plots	-	-	87,500	87,500
Juba plot	-	-	5,194	5,194
	-	-	2,202,694	2,202,694

Property	Valuation technique	Significant observable inputs	Sensitivity
New Cargen House	Discounted cash flow method.	The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth, occupancy rates and other costs not paid by tenants. The net cash flows are discounted using the discount rate.	An increase in the discount rate would result in a decrease in fair value, and vice versa. An increase in the annual rent escalation rate would lead to an increase in fair value, and vice versa.
C.G. Retread Shanzu plots Diani Beach plots Tanzania plot Juba plot	Market comparable approach	The valuation model considers the recent transaction prices for similar properties	None

There has been no change on the valuation technique during the year.

The income generated from the properties is as follows:

	2020 Shs'000	2019 Shs'000
Rental income from investment properties (note 5)	66,842	53,067
Direct operating expense arising from rented out investment property *	(18,103)	(14,372)
	48,739	38,695

*These expenses are recorded together with other administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings Shs '000	Machinery Shs '000	Furniture, fittings and equipment Shs '000	Motor vehicles Shs '000	Computers Shs '000	Work in progress Shs '000	Total Shs '000
Cost or valuation							
At 1 October 2018	1,281,676	133,156	157,913	175,345	55,493	837	1,804,420
Translation 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
At 1 October 2019	1,358,706	139,511	216,142	182,029	75,270	15,684	1,987,342
Translation adjustments	10,506	1,547	13,167	7,455	425	556	33,656
Additions	12,187	102,483	28,619	18,669	3,755	-	165,713
Transfers in/(out)	-	14,642	-	-	-	(14,642)	-
Disposals	-	(10,607)	(10,179)	(16,644)	(23,205)	-	(60,635)
Revaluation surplus	12,794	-	-	-	-	-	12,794
At 30 September 2020	1,394,193	247,576	247,749	191,509	56,245	1,598	2,138,870
Depreciation							
At 1 October 2018	4,505	51,976	77,090	119,310	44,487	-	297,368
Translation 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
At 1 October 2019	5,130	59,270	90,216	130,819	51,192	-	336,627
Translation adjustments	3,054	843	1,623	1,499	535	-	7,554
Charge for the year	15,920	40,096	13,494	14,095	5,673	-	89,278
Eliminated on disposals	-	(9,463)	(8,249)	(14,353)	(22,525)	-	(54,590)
Write back on revaluation	(24,104)	-	-	-	-	-	(24,104)
At 30 September 2020	-	90,746	97,084	132,060	34,875	-	354,765
Net book value							
At 30 September 2020	1,394,193	156,830	150,665	59,449	21,370	1,598	1,784,105
At 30 September 2019	1,353,576	80,241	125,926	51,210	24,078	15,684	1,650,715
Net book value (cost basis)							
At 30 September 2020	258,762	156,830	150,665	59,449	21,370	1,598	648,674
At 30 September 2019	310,520	80,241	125,926	51,210	24,078	15,684	607,659

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT AND EQUIPMENT – COMPANY

	Land and buildings Shs '000	Motor vehicles Shs '000	Furniture, fittings & equipment Shs '000	Computers Shs '000	Total Shs '000
Cost Or Valuation					
At 1 October 2018	538,000	1,296	24,970	23,807	588,073
Additions	17,910	-	33,245	183	51,338
Transfer 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
At 1 October 2019	540,000	1,296	58,534	23,990	623,820
Additions	2,417	-	23,681	430	26,528
Disposals	-	(69)	(2,242)	(17,835)	(20,146)
Revaluation surplus	32,583	-	-	-	32,583
At 30 September 2020	575,000	1,227	79,973	6,585	662,785
Depreciation					
At 1 October 2018	-	983	16,112	21,422	38,517
Charge for the year	10,907	78	1,169	752	12,906
Transfer to related parties	-	-	36	-	36
Written back on revaluation	(10,907)	-	-	-	(10,907)
At 30 September 2019	-	1,061	17,317	22,174	40,552
At 1 October 2019	-	1,061	17,317	22,174	40,552
Charge for the year	10,826	59	2,505	632	14,022
Eliminated on disposals	-	(66)	(1,755)	(17,563)	(19,384)
Written back on revaluation	(10,826)	-	-	-	(10,826)
At 30 September 2020	-	1,054	18,067	5,243	24,364
Net book value					
At 30 September 2020	575,000	173	61,906	1,342	638,421
At 30 September 2019	540,000	235	41,217	1,816	583,268
Net book value (cost basis)					
At 30 September 2020	27,352	173	61,906	1,342	90,773
At 30 September 2019	25,470	235	41,217	1,816	68,738

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY (continued)

Work in progress relates to renovations of one of the buildings in Tanzania.

Assets pledged as security

The net book value of land and buildings charged as security for loan facilities is Shs 1,411 million (2019: Shs 1,354 million) and Shs 575 million (2019: Shs 540 million) for Group and Company respectively at the end of the year. Details of the outstanding loan facilities are disclosed in note 26.

Fair value measurement of the Group's and Company's land and buildings

The Group's and Company's land and buildings were revalued as at 30 September 2020 by independent valuers, R.R. Oswald Company Limited and Trace Associates Limited, not related to the Group. R.R Oswald & Company Limited are members of the Institute of Surveyors of Kenya and Trace Associates Limited are members of the Institute of Surveyors of Tanzania. The valuers have the appropriate qualifications and recent experience in the fair value measurements of properties in the relevant locations. The valuation conforms to International Valuation Standards (IVS) and Institution of Surveyors of Kenya (ISK) guidelines.

The fair value of the land was determined based on the sales comparison/market approach that reflects recent transaction prices for similar properties.

The fair value for the buildings was determined using the contractors' method/cost approach that reflects the cost to a market participant to construct or purchase assets of comparable utility adjusted for depreciation.

There has been no change in the valuation technique during the year.

Details of the fair value hierarchy for the Group's and Company's property carried at fair value as at 30 September 2020 and 30 September 2019 are as follows:

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
30 September 2020				
Group				
Land and buildings	-	-	1,411,001	1,411,001
Company				
Land and buildings	-	-	575,000	575,000
30 September 2019				
Group				
Land and buildings	-	-	1,353,576	1,353,576
Company				
Land and buildings	-	-	540,000	540,000

There were no transfers between the levels during the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP Shs '000	COMPANY Shs '000
Cost		
At 1 October 2018	35,859	10,251
Translation adjustments	67	-
Additions	6,572	-
Write off	(26)	-
Transfer to related parties	(5,391)	-
Reclassification from education reference materials	4,633	-
At 30 September 2019	41,714	10,251
At 1 October 2019	41,714	10,251
Translation adjustments	98	-
Additions	187	-
Write off	(7,933)	(7,563)
At 30 September 2020	34,066	2,688
Amortisation		
At 1 October 2018	13,185	8,346
Translation adjustments	49	-
Charge for the year	5,964	381
Eliminated on write off	(22)	-
At 30 September 2019	19,176	8,727
At 1 October 2019	19,176	8,727
Translation adjustments	77	-
Charge for the year	4,557	286
Eliminated on write off	(6,980)	(6,645)
At 30 September 2020	16,830	2,368
Net book value		
At 30 September 2020	17,236	320
At 30 September 2019	22,538	1,524

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 RIGHT OF USE ASSETS

Group

	Buildings Shs '000	Motor vehicles Shs '000	Total Shs '000
Cost:			
At 1 October 2019 and 30 September 2019	-	-	-
At 1 October 2019 - as previously reported	-	-	-
Effects of adoption of IFRS 16	631,152	35,973	667,125
At 1 October 2019 - restated	631,152	35,973	667,125
At 30 September 2020	631,152	35,973	667,125
Depreciation:			
At 1 October 2019 and 30 September 2019	-	-	-
At 1 October 2019	-	-	-
Charge for the year	87,383	13,040	100,423
At 30 September 2020	87,383	13,040	100,423
Net book value:			
At 30 September 2020	543,769	22,933	566,702
At 30 September 2019	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 RIGHT OF USE ASSETS (continued)

Company

	Buildings Shs '000
Cost:	
At 1 October 2019 and 30 September 2019	-
At 1 October 2019 - as previously reported	-
Effects of adoption of IFRS 16	342,844
At 1 October 2019 - restated	342,844
At 30 September 2020	342,844
Depreciation:	
At 1 October 2019 and 30 September 2019	-
At 1 October 2019	-
Charge for the year	24,344
At 30 September 2020	24,344
Net book value:	
At 30 September 2020	318,500
At 30 September 2019	-

The Group and Company leases several assets including buildings and motor vehicles. The average lease term for buildings is 3 to 8 years and motor vehicles is 2 to 5 years.

The various lease agreements do not provide for purchase options on expiry of the lease terms.

No restrictions have been imposed by the lessors on the Group and Company in respect to dividend pay outs, borrowings or further leasing.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INVESTMENT IN SUBSIDIARIES - COMPANY

Details of investment	Country of incorporation	2020 % of equity interest	2019 Shs '000	2020 Shs '000	2019 Shs '000
Wholly-owned subsidiaries					
Car & General (Trading) Limited - Tanzania	Tanzania	100%	100%	248,671	248,671
Kibo Poultry Products Limited	Tanzania	100%	100%	256,539	256,539
Car & General (Tanzania) Limited	Tanzania	100%	100%	2,600	2,600
Car & General (Uganda) Limited	Uganda	100%	100%	2,250	2,250
Car & General (Engineering) Limited	Kenya	100%	100%	2,600	2,600
Car & General (Rwanda) Limited	Rwanda	100%	100%	508	508
NIIT Learning Limited	Kenya	100%	100%	500	500
Car & General (Industries) Limited	Kenya	100%	100%	20	20
Car & General (Trading) Limited - Kenya	Kenya	100%	100%	40	40
Cargen Insurance Agencies Limited	Kenya	100%	100%	2	2
Sovereign Holdings International Limited	British	100%	100%	-	-
Car & General (Marine) Limited	Kenya	100%	100%	-	-
Car & General (Automotive) Limited	Kenya	100%	100%	-	-
Dew Tanzania Limited	Tanzania	100%	100%	-	-
Non-wholly-owned subsidiaries					
Car & General (Marine) Limited	Kenya	84%	84%	3,155	3,155
Dewdrops Limited	Kenya	66%	66%	7	7
Progen Company Limited Kenya	Kenya	66%	66%	-	-
				516,892	516,892

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

	Car & General (Marine) 2020 Shs '000	Progen Company Limited 2019 Shs '000	Dewdrops Limited 2020 Shs '000	2019 Shs '000	2020 Shs '000	2019 Shs '000
Summarised statement of financial position						
Total assets	66,654	66,654	1,216,249	1,205,621	1,052,823	1,052,823
Total liabilities	18,647	18,573	1,143,388	1,131,375	430,618	430,590
Net assets	48,007	48,081	72,861	74,246	622,205	622,233
Non - controlling interests	16%	16%	34%	34%	34%	34%
Summarised statement of profit or loss						
Revenue	-	-	-	50,000	-	-
Loss for the year	(73)	(84)	(1,385)	47,414	(28)	(31)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	(73)	(84)	(1,385)	47,414	(28)	(31)

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN ASSOCIATE - GROUP

The Group, through Car & General Trading Limited - Kenya, holds 29% (2019: 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	
			2020	2019
Watu Credit Limited	Microfinance services	Kenya	29.00%	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 2020 have been used which incorporate the audited figures to 31 December 2019. The last audited financial statements were for the year ended 31 December 2019; and
- The Group holds 29% (2019: 26.5%) of the equity shares of Watu Credit Limited.

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.

	2020 Shs '000	**2019 Shs '000**
Current assets	4,866,024	2,931,272
Non-current assets	461,015	114,833
Non-current liabilities	-	-
Current liabilities	1,446,920	1,777,121
Revenue	3,480,806	2,313,309
Profit for the year	853,283	571,925
Group's share of profit of associate	247,452	151,560

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 INVESTMENT IN ASSOCIATE – GROUP (continued)

The carrying amount of the Group's interest in Watu Credit Limited is recognised in the consolidated financial statements:

	2020	2019
	Shs '000	Shs '000
At beginning of year	197,797	55,938
Purchase of additional 2,500 shares*	38,621	-
Share of profit in the year	247,452	151,560
Dividend received from associate	(65,040)	(9,701)
At end of year	418,830	197,797

* In the current year, the Group acquired additional 2,500 shares in Watu Credit Limited leading to the total owership by the Group in Watu Credit Limited to 29%. The investment continued to be treated as an investment in associate.

The Group has also advanced a loan to the associate whose outstanding balance at the end of the year was
Shs 10 million (2019: Shs 10 million) and attracts interest at the rate of 18% (2019:18%) p.a. Please refer to note 23(b).

20 INVESTMENT IN JOINT VENTURE – GROUP

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

Details of the Group'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	
			2020	2019
Cummins C&G Holdings Limited	Product Distribution	Mauritius	50%	50%

	2020	2019
	Shs '000	Shs '000
Value of net assets at year end		
Total assets	1,521,565	1,611,888
Total liabilities	927,661	1,029,935
Net assets at year end	593,904	581,953

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 INVESTMENT IN JOINT VENTURE - GROUP (continued)

The above amounts of assets and liabilities includes the followings:

	2020 Shs '000	2019 Shs '000
Cash and cash equivalents	111,599	56,983
Revenue	1,888,164	1,490,086
Loss for the year	(20,647)	(19,506)
Company share of loss	(10,324)	(9,753)

The above loss for the year is after charging/(crediting) the following:

Depreciation	10,282	10,205
Income tax credit	(10,574)	(5,700)

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

	2020 Shs '000	2019 Shs '000
Net assets of the joint venture	593,904	581,953
Proportion of the Group's ownership interest in the joint venture	50%	50%
Share of net assets in the joint venture	296,952	290,977
Effect of exchange rate adjustments	(6,205)	10,094
Carrying amount of the Group's interest in the venture	290,747	301,071

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

At beginning of the year	301,071	310,824
Share of loss in year	(10,324)	(9,753)
At end of the year	290,747	301,071

21 INVENTORIES - GROUP

Goods in transit and in bond	1,075,315	1,732,178
Finished products	1,157,006	1,195,143
Raw materials, spares and consumables	724,265	721,055
Work in progress	21,645	43,896
Livestock (parent stock) inventories	20,045	20,488
Books and learning materials	920	1,200
	2,999,196	3,713,960

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2020	2019	2020	2019
	Shs '000	Shs '000	Shs '000	Shs '000
Trade receivables	1,329,466	1,402,479	60,769	50,583
Provision for bad and doubtful debts	(464,174)	(465,337)	(48,594)	(48,594)
Net trade receivables	865,292	937,142	12,175	1,989
Prepayments and other receivables	430,504	636,202	40,459	69,612
	1,295,796	1,573,344	52,634	71,601
Movement in provision for bad and doubtful debts				
At 1 October	465,337	185,024	48,594	43,805
Effect of adoption of IFRS 9	-	288,030	-	1,742
(Decrease)/increase in provision during the period	(1,163)	(7,717)	-	3,047
At 30 September	464,174	465,337	48,594	48,594

23 RELATED PARTIES BALANCES AND TRANSACTIONS

(a) Due from related companies

Kibo Poultry Products Limited	-	-	27,335	33,123
Car & General (Automotive) Limited	-	-	-	19,451
NIIT Learning Limited	-	-	-	42,056
Car & General (Tanzania) Limited	-	-	1,371	1,371
Car & General (Trading) Limited - (Tanzania)	-	-	2,261	-
Car & General (Uganda) Limited	-	-	463	84
Progen Company Limited	-	-	50,824	43,543
Sovereign Holdings International Limited	-	-	10,192	10,067
Car & General (Marine) Limited	-	-	18,232	18,232
Car & General (Engineering) Limited	-	-	14,678	14,678
Dewdrops Limited	-	-	274,317	274,317
Cummins C&G Holdings Limited	335,394	290,380	335,394	290,380
	335,394	290,380	735,067	747,302

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 RELATED PARTIES BALANCES AND TRANSACTIONS (continued)

(b) Loan due from related company

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Watu Credit Limited	10,110	10,070	-	-

(c) Loan due to related party

Due to a minority interest shareholder	165,266	159,205	-	-

(d) Due to related companies

Cummins C&G Holdings Limited	446,888	524,401	-	-
Car & General (Trading) Limited - (Kenya)	-	-	649,312	65,728
Car & General (Industries) Limited	-	-	3,466	3,466
Car & General (Rwanda) Limited	-	-	150	152
	446,888	524,401	652,928	69,346

The loan to Watu Credit Limited is denominated in Kenya Shillings and attracts interest at the rate of 18% (2019: 18%) per annum.

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.

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

(e) Compensation of key management personnel

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

	2020	**2019**
	Shs '000	**Shs '000**
Salaries and other benefits to key management	312,418	309,411
Directors remuneration		
Executive Director	18,131	17,467
Non-Executive Directors	7,445	9,075
	25,576	26,542

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 RELATED PARTIES TRANSACTIONS (continued)

(f) 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.

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 Director.

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Borrowings repaid	534,860	671,483	2,430	5,436
Borrowings received	669,951	986,603	5,746	220,000
Interest paid on related company loans (Banks)	75,818	57,508	33,732	3,213
Interest paid on Directors' loans	2,946	2,946	2,946	2,946
Loan balance – Directors	220,000	220,000	220,000	220,000
Loan balance - Banks	682,240	537,925	223,499	220,036
Overdraft balance - Banks	-	55,662	-	43,321
Management fees Cummins C&G Holdings Limited	45,511	21,921	45,511	21,921
Rental income Car & General (Trading) Limited - (Kenya)	-	-	20,307	20,574

24 SHARE CAPITAL - GROUP AND COMPANY

	2020	**2019**
	Shs '000	**Shs '000**
Authorised:		
42,000,000 (2019: 42,000,000) ordinary shares of Shs 5 each	210,000	210,000
Issued and fully paid:		
40,103,308 (2019: 40,103,308) ordinary shares of Shs 5 each	200,516	200,516

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 DEFERRED TAXATION

Deferred income tax is calculated using the enacted income tax rate of 25% (2019: 30%). The deferred income tax liability/(asset) is made up as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Shs '000	Shs '000	Shs '000	Shs '000
Other provisions	(61,058)	(25,054)	4,769	93
Tax losses	(243,966)	(247,165)	(5,820)	(12,899)
Unrealised exchange differences	(6,452)	(24,235)	-	302
Accelerated capital allowances	30,268	26,060	849	2,480
IFRS 16: Leases	(9,450)	-	(4,880)	-
Provision for bad and doubtful debts	(155,972)	(86,409)	(32,210)	(522)
Fair value gain on investment property	504,805	685,674	450,586	555,840
Revaluation surplus on property, plant and equipment	269,695	263,377	136,912	169,293
Net deferred tax asset	327,370	592,248	550,206	714,587
Deferred tax assets derecognised	49,501	-	-	-
	376,871	592,248	550,206	714,587
Presented in the statement of financial position as follows:				
Deferred tax asset	(364,154)	(289,039)	-	-
Deferred tax liability	741,025	881,287	550,206	714,587
	376,871	592,248	550,206	714,587

The movement on the deferred tax account is as follows:

	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
At start of year	592,248	777,144	714,587	709,228
Credit to profit or loss (note 11(a))	(99,004)	(41,403)	(31,623)	7,382
Deferred tax on revaluation surplus of property	8,366	9,994	10,852	(1,501)
Deferred tax on tax losses previously not recognized now recognized	-	(36,018)	-	-
Effect of change of accounting policy for IFRS 9	-	(86,409)	-	(522)
Effect of change in tax rate to profit & loss	(36,809)	-	(88,469)	-
Effect of change in tax rate – revaluation surplus	(25,727)	-	(25,727)	-
Prior year under provision	(114,146)	(24,529)	(29,414)	-
Deffered tax derecognised on tax losses	49,501	-	-	-
Translation reserve	2,442	(6531)	-	-
At end of year	376,871	592,248	550,206	714,587

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At 30 September 2020, the Group had tax losses amounting to Shs 942 million (2019: Shs 824 million) available for carry forward and set off against future taxable income. At 30 September 2020, the company had tax losses amounting to Shs 23 million (2019: Shs 43 million) available for carry forward and set off against future taxable income. Kenyan Income Tax laws allow for carry forward of tax losses for a maximum period of 10 years. The accumulated tax losses will be utilised to offset future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Loans – working capital loans	2,194,805	1,913,481	935,401	1,301,987
Import loans	1,490,115	2,634,494	-	-
Hire purchase finance	4,912	6,982	-	-
Bank overdrafts	2,796	103,853	2,796	43,321
	3,692,628	4,658,810	938,197	1,345,308
Presented in the statement of financial position as follows:				
Non-current liability	857,718	474,148	-	-
Current liability	2,834,910	4,184,662	938,197	1,345,308
	3,692,628	4,658,810	938,197	1,345,308

Maturities of amounts included in loans is as follows:

Within one year	2,834,910	4,184,662	938,197	1,345,308
Between two and five years	808,919	471,234	-	-
Later than 5 years	48,799	2,914	-	-
	3,692,628	4,658,810	938,197	1,345,308

Analysis of loans by currency

Borrowings in USD	1,728,063	2,797,163	210,862	918,188
Borrowings in KShs	1,851,365	1,690,948	727,335	427,120
Borrowings in TZS	113,200	170,699	-	-
	3,692,628	4,658,810	938,197	1,345,308

Analysis of loans by security

Secured borrowings	2,171,556	2,862,104	332,186	1,079,577
Unsecured borrowings	1,521,072	1,796,706	606,011	265,731
	3,692,628	4,658,810	938,197	1,345,308

Included in loans are unsecured loans advanced to the Group amounting to Shs 220 million (2019: Shs 220 million) 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.

The unsecured borrowings are from various lenders while the secured borrowings are from Banks, mainly Standard Chartered Bank Kenya Limited, I&M Bank Limited and Standard Chartered Bank Uganda Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

26 BORROWINGS (continued)

Interest rates

The effective interest rates at 30 September were as follows:

	2020	2019
Bank overdrafts	12.50%	13.00%
Loans		
Loans in Kshs	12.04%	13.00%
Loans in USD	7.35%	9.12%
Loans in TZS	7.08%	9.62%
Loans in Ush - base rate set by the bank from time to time plus 0.75%		
Hire purchase facility	12.00%	13%

Details of security

(a) The Standard Chartered Bank Kenya Limited loans and overdraft are secured by:

- A first legal charge for Shs 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 Shs 510,000,000.
- Corporate cross guarantees for Shs 2,200,000,000 by Car & General (Trading) Limited, Car & General (Piaggio) Limited and Car & General (Kenya) Plc.
- A legal charge for Shs 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 Shs 260,000,000.
- A legal charge for Shs 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 Shs 260,000,000.
- All Assets Debenture over assets of Car & General (Kenya) Ltd, Car & General (Trading) Ltd for Shs2,373,000,000 ranking pari passu with I&M Bank.

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

- A debenture of Shs 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 Shs 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 Shs 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 Shs 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)

Details of security (continued)

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

Undrawn facilities

At the end of the reporting period, the Group had undrawn committed borrowing facilities amounting to Shs 1,272 million (2019: Shs 274 million).

27 LEASE LIABILITIES

	GROUP		COMPANY	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
At beginning of year	-	-	-	-
Effect of adoption of IFRS 16	667,125	-	342,844	-
At beginning of year - restated	667,125	-	342,844	-
Interest expense on lease liabilities	47,246	-	24,547	-
Lease payments	(112,280)	-	(29,373)	-
At end of year	602,091	-	338,018	-
Maturity analysis				
Year 1	148,835	-	30,841	-
Year 2	126,355	-	32,383	-
Year 3	101,465	-	34,002	-
Year 4	86,175	-	35,702	-
Year 5	79,149	-	37,487	-
Year 6 and onwards	375,870	-	375,870	-
Undiscounted lease payments at the end of the year	917,849	-	546,285	-
Less unearned interest	(315,758)	-	(208,267)	-
	602,091	-	338,018	-
Analysed as:				
Current	123,771	-	6,714	-
Non-current	478,320	-	331,304	-
	602,091	-	338,018	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

28 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Trade payables	1,839,702	1,554,198	27,783	27,806
Other payables	455,491	370,699	68,738	36,776
	2,295,193	1,924,897	96,521	64,582

29 NOTES TO THE STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Profit/(loss) before taxation	129,839	99,323	(170,191)	11,666
Adjusted for:				
Loss/(gain) in fair value of investment properties (note 14)	50,452	(117,250)	50,452	(66,364)
Depreciation of property, plant and equipment (note 15)	89,278	77,050	14,022	12,906
Amortisation of intangible assets (note 16)	4,557	5,964	286	381
Depreciation of right of use asset (note 17)	100,423	-	24,344	-
Loss/(gain) on disposal of property, plant and equipment	2,835	(3,429)	762	-
Write off of intangible assets (note 16)	953	4	918	-
Interest on borrowings (note 8)	483,863	475,772	4,547	1,914
Interest expense on lease liability (note 8)	47,246	-	24,547	-
Unrealised exchange on borrowings (note 29(b))	73,371	45,642	18,898	2,103
Share of profit in associate	(247,452)	(151,560)	-	-
Share of loss in joint venture	10,324	9,753	-	-
Effect of change of accounting policy for IFRS 9	-	(288,030)	-	(1,742)
Movements in working capital items:			-	
Inventories	714,764	(643,679)	-	-
Trade and other receivables	277,548	123,410	18,967	(20,095)
Net movement in related company balances	(116,506)	10,959	595,818	(823,144)
Trade and other payables	370,296	103,253	31,939	24,816
Net cash generated from/(used in) operations	1,991,791	(252,818)	615,309	(857,559)

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Analysis of changes in borrowings (excluding bank overdraft)

	GROUP		COMPANY	
	2020 Shs '000	2019 Shs '000	2020 Shs '000	2019 Shs '000
At the beginning of the year	4,554,957	3,316,631	1,301,987	105,242
Loan received	9,374,640	12,505,924	2,322,641	2,199,850
Loan repayments	(10,311,066)	(11,311,452)	(2,708,125)	(1,005,208)
Hire purchase facility	(2,070)	(1,788)	-	-
Translation adjustments	73,371	45,642	18,898	2,103
At the end of the year	3,689,832	4,554,957	935,401	1,301,987

(c) Analysis of cash and cash equivalents

Cash and bank balances	232,575	183,233	9,214	5,174
Bank overdrafts (note 26)	(2,796)	(103,853)	(2,796)	(43,321)
	229,779	79,380	6,418	(38,147)

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

30 CAPITAL COMMITMENTS

	2020 Shs '000	2019 Shs '000
Authorised and contracted for	60,552	37,641

31 CONTINGENT LIABILITIES

(a) Guarantees

	2020	2019
Group		
Sundry bank guarantees	87,006	39,331
Company		
Guarantees in respect of bank facilities for subsidiaries	2,668,432	4,094,730
Sundry bank guarantees	9,300	26,297
	2,677,732	4,121,027

(b) 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)

32 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

Operating leases in which the Group is the lessor, 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.

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

	2020 Shs '000	2019 Shs '000
Within one year	185,849	116,943
In the second to fifth year inclusive	799,674	674,730
	985,523	791,673

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 14.

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 Group 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.

	GROUP		COMPANY	
	2020 Shs'000'	2019 Shs'000'	2020 Shs'000'	2019 Shs'000'
Equity	3,939,320	3,612,514	1,957,428	1,951,910
Total borrowings	3,692,628	4,658,810	938,197	1,345,308
Less: cash and bank balances	(232,575)	(183,233)	(9,214)	(5,174)
Net debt	3,460,053	4,475,577	928,983	1,340,134
Gearing Ratio	88%	124%	47%	69%

NOTES TO THE FINANCIAL STATEMENTS (continued)

33 CAPITAL MANAGEMENT (continued)

The Directors are aware of the adverse gearing ratio due to import financing in form of letters of credit and unsecured borrowings 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's 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.

(a) 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.

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.

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 Group's current credit risk grading framework comprises the following categories:

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.	Lifetime ECL
Doubtful	Amount is 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 Group has no realistic prospect of recovery.	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grades.

Group

30 September 2020	**Internal/ external rating**	**12-month lifetime ECL**	**Gross carrying amount Shs'000**	**Loss allowance Shs'000**	**Net carrying amount Shs'000**
Bank balance	Investment grade	Lifetime ECL (simplified approach -SPPI)	232,575	-	232,575
Due from related company	Performing	Lifetime ECL not credit-impaired	335,394	-	335,394
Trade receivables	Doubtful	Lifetime ECL not credit-impaired	1,329,466	(464,174)	865,292
			1,897,435	(464,174)	1,433,261
30 September 2019					
Bank balance	Investment grade	Lifetime ECL (simplified approach -SPPI)	183,233	-	183,233
Due from related company	Performing	Lifetime ECL not credit-impaired	290,380	-	290,380
Trade receivables	Doubtful	Lifetime ECL not credit-impaired	1,402,479	(465,337)	937,142
			1,876,092	(465,337)	1,410,755
Company					
30 September 2020					
Bank balance	Investment grade	Lifetime ECL (simplified approach -SPPI)	9,214	-	9,214
Due from related companies	Performing	Lifetime ECL not credit-impaired	815,313	(80,246)	735,067
Trade receivables	Doubtful	Lifetime ECL not credit-impaired	60,769	(48,594)	12,175
			885,296	(128,840)	756,456
30 September 2019					
Bank balance	Investment grade	Lifetime ECL (simplified approach -SPPI)	5,174	-	5,174
Due from related companies	Performing	Lifetime ECL not credit-impaired	747,302	-	747,302
Trade receivables	Doubtful	Lifetime ECL not credit-impaired	50,583	(48,594)	1,989
			803,059	(48,594)	754,465

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (Continued)

Group

	Trade and other receivables	Bank balances	Due from related companies	Total
At 1 October 2018	185,024	-	-	185,024
Effect of adoption IFRS 9	288,030	-	-	288,030
Decrease in loss allowance in the year	(7,717)	-	-	(7,717)
At 30 September 2019	465,337	-	-	465,337
At 1 October 2019	465,337	-	-	465,337
Decrease in loss allowance in the year	(1,163)	-	-	(1,163)
At 30 September 2020	464,174	-	-	464,174

Company

	Trade and other receivables	Bank balances	Due from related companies	Total
At 1 October 2018	43,805	-	-	43,805
Effect of adoption of IFRS 9	1,742			1,742
Increase in loss allowance in the year	3,047	-	-	3,047
At 30 September 2019	48,594	-	-	48,594
At 1 October 2019	48,594	-	-	48,594
Increase in loss allowance in the year	-	-	80,246	80,246
At 30 September 2020	48,594	-	80,246	128,840

(b) Liquidity risk

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

The following table analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Group

	Up to 1 month Shs'000	1 – 3 Months Shs'000	3 - 12 months Shs'000	1 - 5 years Shs'000	over 5 years Shs 000	Total Shs'000
At 30 September 2020						
Liabilities						
Trade payables	328,049	1,418,784	92,869	-	-	1,839,702
Borrowings	535,136	1,447,626	852,148	808,919	48,799	3,692,628
Lease liabilities	-	-	123,771	298,191	180,129	602,091
Loan due to related party	-	-	-	165,266	-	165,266
Due to related parties	-	-	446,888	-	-	446,888
wTotal financial liabilities	863,185	2,866,410	1,515,676	1,272,376	228,928	6,746,575
At 30 September 2019						
Liabilities						
Trade payables	400,141	1,104,635	49,422	-	-	1,554,198
Borrowings	742,319	2,323,520	1,118,823	471,234	2,914	4,658,810
Loan due to related party	-	-	-	159,205	-	159,205
Due to related parties	-	-	524,401	-	-	524,401
Total financial liabilities	1,142,460	3,428,155	1,692,646	630,439	2,914	6,896,614

Company

	Up to 1 month Shs'000	1 – 3 Months Shs'000	3 - 12 months Shs'000	1 - 5 years Shs'000	over 5 years Shs 000	Total Shs'000
30 September 2020						
Liabilities						
Trade payables	27,783	-	-	-	-	27,783
Borrowings	183,585	462,272	292,340		-	938,197
Lease liabilities	-	-	6,714	150,275	181,029	338,018
Due to related parties	-	-	652,928	-	-	652,928
Total financial liabilities	211,368	462,272	951,982	150,275	181,029	1,956,926
At 30 September 2019						
Liabilities						
Trade payables	27,806	-	-	-	-	27,806
Borrowings	238,645	746,978	359,685	-	-	1,345,308
Due to related parties	-	-	69,346	-	-	69,346
Total financial liabilities	266,451	746,978	429,031	-	-	1,442,460

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(c) 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:

	USD Shs'000	EURO Shs'000	RWF Shs'000	JPY Shs'000	GBP Shs'000	ZAR Shs'000
30 September 2020						
Assets						
Bank and cash balances	1,025	-	329	-	-	-
Trade and other receivables	90,471	263	9,682	-	3,725	-
Due from related parties	-	-	150	-	-	-
	91,496	263	10,161	-	3,725	-
Liabilities						
Trade and other payables	1,455,047	-	295	26,690	-	82,339
Borrowings	1,728,063	-	-	-	-	-
	3,183,110	-	295	26,690	-	82,339
Net exposure	(3,091,614)	263	9,866	(26,690)	3,725	(82,339)
30 September 2019						
Assets						
Bank and cash balances	6,251	-	384	-	-	-
Trade and other receivables	132,456	-	26,934	-	3,725	-
	138,707	-	27,318	-	3,725	-
Liabilities						
Trade and other payables	939,162	1,629	-	40,953	-	8,269
Borrowings	2,797,163	-	-	-	-	-
	3,736,325	1,629	-	40,953	-	8,269
Net exposure	(3,597,618)	(1,629)	27,318	(40,953)	3,725	(8,269)

Sensitivity analysis

A 10% percent appreciation or depreciation of the Kenya shilling against the following currencies would increase/(decrease) the reported profit or loss and equity by amounts shown below. This analysis is based on foreign currency exchange rates variances that the Group considered to be reasonably possible at end of the reporting period. This analysis assumes that all other variables in particular interest rates remain constant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis (continued)

Profit or loss

	2020 Shs '000	2019 Shs '000
USD	(309,161)	(359,762)
ZAR	(8,234)	(827)
JPY	(2,669)	(4,095)
RWF	987	2,732
GBP	373	372
EURO	26	(163)
	(318,678)	(361,743)

(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 Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At 30 September 2020						
Financial assets						
Cash and bank balances	232,575	-	-	-	-	232,575
Financial liabilities						
Borrowings	(535,136)	(1,447,626)	(852,148)	(808,919)	(48,799)	(3,692,628)
Interest sensitivity gap	(302,561)	(1,447,626)	(852,148)	(808,919)	(48,799)	(3,460,053)
At 30 September 2019						
Financial assets						
Cash and bank balances	183,233	-	-	-	-	183,233
Financial liabilities						
Borrowings	(742,319)	(2,323,520)	(1,118,823)	(471,234)	(2,914)	(4,658,810)
Interest sensitivity gap	(559,086)	(2,323,520)	(1,118,823)	(471,234)	(2,914)	(4,475,577)

NOTES TO THE FINANCIAL STATEMENTS (continued)

34 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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.

	2020	2019
	Shs'000	Shs'000
	Effect on profit	Effect on profit
+1% Movement	(34,601)	(44,756)
-1% Movement	34,601	44,756

(iii) Price risk

As at 30 September 2020, 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

36 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On 30 January 2020, the World Health Organisation announced the outbreak of Covid-19 as a world health emergency of global concern and on 11 March 2020 the outbreak was classified as a global pandemic. In Kenya, the first case was noted on 13 March 2020 and, on 15 March 2020, the Government restricted movement into and out of the country and later issued a dusk to dawn curfew effective 25 March 2020. Thereafter, on 6 April 2020, the President announced a cessation of movement into and out of Nairobi and Mombasa regions. These directives largely remained in force up to October 2020 with relaxation of the cessation of movement being made in August 2020.

The pandemic has had a minor impact on the operations of the Group.

The Directors have assessed the evolving scenario as a result of Covid-19 and noted that the operations of the Group are unlikely to be materially affected by the pandemic. Below are some of the areas that have been assessed by the Directors.

The Covid-19 pandemic and the economic disruption caused thereby had an impact on Group operations particularly in the months of April, May and June 2020. This period was characterized by strict lockdowns in Kenya, Uganda and, to a limited extent, Tanzania sales volumes and cash inflows dropped, on average by 50%, during this period. The Group responded by reducing costs, preserving margin and minimizing cash outflows. The depreciation of the Kenya Shilling also had an impact on profitability. The opening of our Nairobi Mega Mall in Kenya was also delayed by 3 months to 20 June 2020.
Since July 2020, sales volumes have recovered to pre Covid-19 levels across all significant operations. Both Uganda and Tanzania achieved year on year growth in sales by about 9% and 8% respectively. Kenya operations dropped marginally by 2.5%. Cash flows have also been positive with significant improvement in working capital management. Quarter 1 of FY 2020/2021 has maintained this overall positive trend across all operations.
Going forward, given an uncertain economic environment, the Group will remain prudent in terms of margin and cash flow management. Import logistics will remain a challenge in the short term given the lack of containers globally. Notwithstanding, this has been factored into import planning. Assuming no further lockdowns, the Group expects the current positive trend to continue.

The directors have not identified any significant impact of covid-19 on the financial performance or financial position of the group.

37 EVENTS AFTER THE REPORTING PERIOD

The Tax Laws (Amendment) (No.2) Bill, 2020 proposed change in corporate tax rate to 30% from 25% effective 1 January 2021. The Company's tax charge (current and deferred tax expense) for financial year ended 30 September 2020 was arrived at using the current corporate tax rate of 25%. The deferred opening tax balance will be adjusted accordingly for the financial year ending 30 September 2021.
The Directors are not aware of any other matters or circumstances arising since the end of the financial period which significantly affect the financial position of the Group or the results of its operations.

38 CURRENCY

The financial statements are presented in Kenya Shillings as rounded to the nearest thousand (Shs '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 a hybrid format at the Company's Registered Office, New Cargen House, Lusaka/Dunga Road, Industrial Area, Nairobi via electronic means on Thursday, 25th March, 2021 at 10.00 a.m., and at any adjournment thereof.

Dated this ……………………………………………… day of …………………………………………………2021

Signature ……

NOTES:

1. A member may appoint a proxy of his own choice. A proxy need not be a member of the Company.
2. Physical copies of the proxy form are available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.
3. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall under the hand of an officer or duly authorized attorney of such body corporate.
4. A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than Wednesday 24th March, 2021 at 11:00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Wednesday 24th March, 2021 at 11.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 24th March, 2021 to allow time to address any issues.