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Report and Financial Statements of Car & General (Kenya) Limited and Subsidiaries

30 September, 1998

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30 September, 1999

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1. Car and general -- Automotive -- Periodicals
2. Automobiles -- Kenya -- periodicals

DIRECTORS, OFFICIALS AND OTHER COMPANY INFORMATION

BOARD OF DIRECTORS

P J S Hewett - Chairman
N Ng'ang'a, EBS
Harbans Singh, EBS
C J Gidoomal
E M Grayson*
V V Gidoomal*
B Kiplagat
* British

SECRETARY

G P Shah, ACIS, CPS(K)

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REGISTERED OFFICE

New Cargen House
Lusaka Road
P O Box 20001
Nairobi

AUDITORS

Gill & Johnson
Ring Road, Westlands
P O Box 40092
Nairobi

BANKERS

Standard Chartered Bank Kenya Limited
Moi Avenue Branch
P O Box 72585
Nairobi

Standard Chartered Bank Kenya Limited
Harambee Avenue Branch
P O Box 20063
Nairobi

Stanbic Bank Kenya Limited
Kenyatta Avenue
P O Box 30550
Nairobi

2007/0109

DIRECTORS, OFFICIALS AND OTHER COMPANY INFORMATION (Contd)

SUBSIDIARY COMPANIES	ACTIVITIES
Kamco Engineering Limited P O Box 20001 Nairobi	Stainless steel fabrication and manufacture of commercial and domestic kitchen equipment.
Plastic Products (Kenya) Limited P O Box 78039 Nairobi	Ceased operations from 31 January 1997.
Car & General (Industries) Limited P O Box 20001 Nairobi	Ceased operations from 31 January 1997.
Car & General (Trading) Limited P O Box 20001 Nairobi	Sales and service of power equipment, household goods, marine engines, motor cycles, commercial engines and general goods.
Car & General (Automotive) Limited P O Box 20001 Nairobi	Manufacture and sale of brake linings, friction materials, gaskets, oil seals and spark plugs. The Car Care Centre ceased operations from 28 February 1998.
Car & General (Weldtec) Limited P O Box 20001 Nairobi	Manufacture and sale of welding alloys and sale of welding equipment.
Car & General (Tanzania) Limited P O Box 1552 Dar es Salaam	Activities of the subsidiaries mentioned above.
Car & General (Trading) Limited P O Box 1552 Dar es Salaam	Activities of the subsidiaries mentioned above.
Car & General (Uganda) Limited P O Box 207 Kampala	Activities of the subsidiaries mentioned above.
Kibo Poultry Products Limited P O Box 742 Moshi	Day old chick farming.
Cargen Insurance Agencies Limited P O Box 20001 Nairobi	Provision of insurance agency and insurance brokerage services.
Sovereign Holdings International Limited PO Box 3444 Road Town Tortola British Virgin Islands	Property holding company.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1998

	Note	1998 Sh '000	1997 Sh '000
TURNOVER		550,751	608,996
OPERATING PROFIT	2	70,714	47,439
INTEREST PAYABLE	3	(56,298)	(53,046)
INTEREST RECEIVABLE	3	856	2,214
PROFIT/(LOSS) BEFORE EXCEPTIONAL ITEMS		15,272	(3,393)
EXCEPTIONAL ITEMS	4	(48,969)	(115,952)
LOSS BEFORE TAXATION		(33,697)	(119,345)
TAXATION	5	(142)	(1,902)
LOSS AFTER TAXATION	6	(33,839)	(121,247)
MINORITY INTEREST		-	111
LOSS AFTER TAXATION AND MINORITY INTEREST		(33,839)	(121,136)
LOSS FOR THE YEAR	17	(33,839)	(121,136)
		Sh	Sh
EARNINGS PER SHARE - DEFICIT	7	(1.52)	(5.44)

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CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 1998

	Note	1998 Sh '000	1997 Sh '000
FIXED ASSETS	8	410,708	374,847
Preliminary expenses	19	119	-
CURRENT ASSETS			
Stocks	12	120,389	192,406
Debtors	13	97,643	100,804
Cash and bank balances		17,831	6,286
		235,863	299,496
CURRENT LIABILITIES			
Creditors	14	168,710	180,512
Loans repayable within 12 months	15	10,417	11,061
Bank overdrafts (secured)		121,950	93,106
Taxation		458	11,639
Dividends - payable		3,115	3,117
		304,650	299,435
NET CURRENT (LIABILITIES)/ASSETS		(68,787)	61
		342,040	374,908
Financed by:			
SHARE CAPITAL	16	111,398	111,398
RESERVES	17	171,050	235,543
SHAREHOLDERS' FUNDS		282,448	346,941
MINORITY INTEREST		577	577
LOANS	15	59,015	27,390
		342,040	374,908

The financial statements on pages 10 to 25 were approved by the board of directors on 25 June 1999 and were signed on its behalf by:

V.V. Gidoomal)
) Directors
M. Grayson)

CAR & GENERAL

COMPANY BALANCE SHEET
30 SEPTEMBER 1998

	Note	1998 Sh ´000	1997 Sh ´000
FIXED ASSETS	9	267,551	226,631
INVESTMENT IN SUBSIDIARIES	10	12,550	12,315
CURRENT ASSETS			
Due from group companies	11	247,737	207,861
Debtors	13	6,694	9,297
Cash and bank balances		5,100	594
		259,531	217,752
CURRENT LIABILITIES			
Creditors	14	35,593	35,064
Due to group companies	11	123,854	120,562
Loans repayable within 12 months	15	6,917	947
Taxation		1,335	9,277
Dividends - payable		3,115	3,117
Bank overdrafts (secured)		25,355	28,814
		196,169	197,781
NET CURRENT ASSETS		63,362	19,971
		343,463	258,917
Financed by:			
SHARE CAPITAL	16	111,398	111,398
RESERVES	17	179,879	130,24
LOANS	15	52,186	17,27
		343,463	258,9

The financial statements on pages 10 to 25 were approved by the board of directors on 25 Ju
1999 and were signed on its behalf by:

V.V. Gidoomal) Directors
E.M. Grayson)

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CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 1998

	Note	1998 Sh '000	1997 Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(a)	87,670	46,010
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(56,298)	(53,046)
Interest received		856	2,214
Dividends paid		(2)	-
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(55,444)	(50,832)
TAXATION PAID		(11,323)	(11,916)
INVESTING ACTIVITIES			
Purchase of fixed assets		(74,286)	(38,560)
Proceeds on disposal of fixed assets		5,222	145,173
Preliminary Expenses		(119)	-
Assets written off		-	234
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(69,183)	106,847
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(48,280)	90,109
FINANCING ACTIVITIES			
Loans received		57,168	18,451
Loans repaid		(26,187)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		30,981	18,451
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	18(b)	(17,299)	108,560

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1998

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING
The group prepares its financial statements on the historical cost basis of accounting modified to include the revaluation of certain fixed assets.

TURNOVER
Turnover represents sales to third parties less returns and excludes Value Added Tax.

DEPRECIATION
Freehold land is not depreciated.

Leasehold properties with less than 50 years of the lease outstanding and leasehold land are depreciated on a straight line basis over the remaining period of the lease. Buildings on long leasehold and freehold land are depreciated on a straight line basis over 50 years.

Depreciation on other fixed assets is provided using the reducing balance method at the following annual rates:

Plant and machinery	12.5% - 20%
Office equipment	12.5% - 20%
Motor vehicles	25%

STOCKS
Raw materials, imported finished products and spare parts are stated at cost including duty, freight and clearance charges, where appropriate. Manufactured finished products and work in progress are stated at raw material cost, plus labour and attributable manufacturing overheads. All stocks are stated at net realisable value if lower than cost. Livestock is valued at cost or revaluation.

FOREIGN CURRENCIES
Foreign currency transactions are recorded at exchange rates prevailing at the time of originating entries. Foreign currency balances are translated at rates ruling at the financial year end. Exchange gains and losses are taken to the profit and loss account.

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

Deferred taxation is accounted for, under the liability method, to the extent that it is probable that timing differences will reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is stated at cost less amounts written off. The holding company accounts for dividends from subsidiary companies only when they are received.

CONSOLIDATION

The consolidated financial statements include the financial statements of Car & General (Kenya) Limited and its subsidiary companies, all made up to 30 September.

Foreign subsidiaries are consolidated using the closing rates of exchange.

Goodwill arising on acquisition of subsidiaries is written off to reserves.

	1998 Sh ´000	1997 Sh ´000
2 OPERATING PROFIT		
The consolidated operating profit is arrived at after charging:		
Directors' emoluments - fees	255	295
- other	2,280	2,164
Auditors' remuneration	2,152	3,456
Depreciation	17,069	17,062
Bad and doubtful debts	1,213	7,317
Foreign exchange losses	3,339	13,031
Loss on disposal of fixed assets	3,544	-
and after crediting:		
Profit on disposal of fixed assets	-	14,835
Foreign exchange gains	17,997	3,267

3 INTEREST

	1998 Sh ´000	1997 Sh ´000
Interest payable:		
Bank overdrafts	33,608	47,179
Loans	21,746	5,130
Mortgage/others	944	737
	56,298	53,046
Interest receivable:	856	2,214

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 FIXED ASSETS - GROUP (Continued)

PROPERTIES AT COST OR VALUATION:

	1998 Sh '000	1997 Sh '000
Freehold	11,630	11,630
Leasehold over 50 years unexpired	299,914	265,746
Leasehold under 50 years unexpired	76,500	76,500
	388,044	353,876

The exchange rate adjustments arise as a result of translation of Car & General (Uganda) Limited, Car & General (Tanzania) Limited, Car & General (Trading) Limited - Tanzania and Kibo Poultry Products Limited fixed assets opening balances at the closing rates.

The rates of exchange applied were as follows:

	1998 Sh	1997 Sh
1 Tanzania shilling	0.0904	0.1005
1 Uganda shilling	0.0464	0.0548

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 FIXED ASSETS - COMPANY

	Properties Sh ´000	Other Assets Sh ´000	Total Sh ´000
COST OR VALUATION			
At 1 October 1997	235,636	30,942	266,128
Additions	45,996	8,649	54,645
Disposals	-	(17,611)	(17,611)
At 30 September 1998	281,632	21,530	303,162
COMPRISING:			
At valuation 1991	215,908	-	215,908
At cost	65,724	21,530	87,254
	281,632	21,530	303,162
DEPRECIATION			
At 1 October 1997	25,909	13,588	39,497
Charge for the year	5,176	3,239	8,415
Eliminated on disposals	-	(12,301)	(12,301)
At 30 September 1998	31,085	4,526	35,611
NET BOOK VALUE			
At 30 September 1998	250,547	17,004	267,551
At 30 September 1997	209,727	16,904	226,631

PROPERTIES AT COST OR VALUATION:

	1998 Sh ´000	1997 Sh ´000
Freehold	8,130	8,130
Leasehold over 50 years unexpired	197,002	151,006
Leasehold under 50 years unexpired	76,500	76,500
	281,632	235,636

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Holding	1998 Sh ´000	1997 Sh ´000
10 INVESTMENT IN SUBSIDIARIES			
Car & General (Tanzania) Limited 520,000 shares of Tsh 5 each at cost	100%	2,600	2,600
Car & General (Trading) Limited - Tanzania 520,000 shares of Tsh 5 each at cost	100%	235	-
Car & General (Uganda) Limited 450,000 shares of Ush 5 each at cost	100%	2,250	2,250
Kamco Engineering Limited 130,000 shares of KSh 20 each at cost	100%	2,600	2,600
Plastic Products (Kenya) Limited 157,757 shares of KSh 20 each at cost	84%	3,155	3,155
Car & General (Industries) Limited 97 shares of KSh 20 each at cost	100%	20	20
Car & General (Automotive) Limited 95,480 shares of KSh 20 each at cost less amount written off	100%	1,098	1,098
Car & General (Trading) Limited - Kenya 2 shares of KSh 20 each at cost	100%	-	-
Car & General (Weldtec) Limited 25,000 shares of KSh 20 each at cost	100%	500	500
Cargen Insurance Agencies Limited 100 shares of KSh 20 each at cost	100%	2	2
Kibo Poultry Products Limited 998 shares of TSh 5,000 each at cost	100%	90	90
Sovereign Holdings International Limited 1 share of US$ 1	100%	-	-
		12,550	12,315

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		1998 Sh ´000	1997 Sh ´000
11	**SUBSIDIARY COMPANIES**		
	Due from Group Companies		
	Car & General (Tanzania) Limited	17,061	-
	Car & General (Trading) Limited - Tanzania	8,393	-
	Car & General (Uganda) Limited	-	-
	Kamco Engineering Limited	6,371	2,126
	Plastic Products (Kenya) Limited	10,755	5,233
	Car & General (Industries) Limited	-	-
	Car & General (Automotive) Limited	51,617	34,215
	Car & General (Trading) Limited - Kenya	103,743	118,932
	Car & General (Weldtec) Limited	21,492	18,861
	Kibo Poultry Products Ltd	13,643	13,832
	Sovereign Holdings International Limited	14,662	14,662
		247,737	207,861
	Due to Group Companies		
	Car & General (Tanzania) Limited	-	4,236
	Car & General (Uganda) Limited	99,221	116,326
	Car & General (Industries) Limited	24,663	-
		123,854	120,562
12	**STOCKS - GROUP**		
	Raw materials, spares and consumables	22,364	13,262
	Work in progress	1,897	2,748
	Finished products	60,554	123,024
	Goods in transit and in bond	27,788	45,288
	Livestock	7,786	8,084
		120,389	192,406

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		Group 1998 Sh '000	Group 1997 Sh '000	Company 1998 Sh '000	Company 1997 Sh '000
13	**DEBTORS**				
	Trade	70,785	60,107	2,839	2
	Other	26,858	40,697	3,855	9,295
		97,643	100,804	6,694	9,297
14	**CREDITORS**				
	Trade	91,551	102,750	6,964	6,039
	Other	77,159	77,762	28,629	29,025
		168,710	180,512	35,593	35,064

		1998 Sh '000	1997 Sh '000
15	**LOANS**		
	GROUP		
	Credit and Commerce Finance Limited: Secured, interest at 31% p.a.	34,456	13,488
	Standard Chartered Bank Kenya Limited Secured, interest at 28/29% p.a.	28,147	24,963
	Others - Unsecured	6,829	-
		69,432	38,451
	Repayable within 12 months	10,417	11,061
	Long term loans	59,015	27,390
	COMPANY		
	Credit and Commerce Finance Limited: Secured, interest at 31% p.a.	34,456	13,488
	Standard Chartered Bank Kenya Limited Secured, interest at 28/29% p.a.	24,647	4,735
		59,103	18,223
	Repayable within 12 months	6,917	947
	Long term loans	52,186	17,276

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 SHARE CAPITAL

	1998 Sh '000	1997 Sh '000
Authorised		
23,000,000 (1997 - 23,000,000) ordinary shares of Sh 5 each	115,000	115,000
Issued and fully paid		
22,279,616 (1997 - 22,279,616) ordinary shares of Sh 5 each	111,398	111,398

17 RESERVES

	Note	Capital Sh '000	Revenue Sh '000	Total Sh '000
GROUP				
At 1 October 1997		297,642	(62,099)	235,543
Exchange rate adjustment				
Capital		(16,279)	-	(16,279)
Revenue		-	(18,064)	(18,064)
Revaluation surplus	8	3,689	-	3,689
Loss for the year		-	(33,839)	(33,839)
At 30 September 1998		285,052	(114,002)	171,050
COMPANY				
At 1 October 1997		199,845	(69,602)	130,243
Profit for the year		-	49,636	49,636
At 30 September 1998		199,845	(19,966)	179,879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1998 Sh ´000	1997 Sh ´000
Operating profit	70,714	47,439
Exceptional items	(48,969)	(115,962)
Depreciation	17,069	17,062
Loss/(profit) on disposal of fixed assets	3,544	(14,835)
Decrease in stocks	72,017	19,886
Decrease in debtors	3,161	68,267
(Decrease)/increase in creditors	(11,802)	24,131
Exchange rate adjustments	(18,064)	(26)
Unclaimed dividends written back	-	38
Net cash inflow from operating activities	87,670	46,010

(b) Analysis of changes in cash and cash equivalents

	1998 Sh ´000	1997 Sh ´000	Change in the year Sh ´000
Cash and bank balances	17,831	6,286	11,545
Bank advances	(121,950)	(93,106)	(28,844)
Increase in cash and cash equivalents			(17,299)

19 PRELIMINARY EXPENSES

This represents the amount spent on the formation of Car & General (Trading) Limited - Tanzania, which will be written off over two years.

20 CONTINGENT LIABILITIES

COMPANY

	1998 Sh ´000	1997 Sh ´000
Guarantees in respect of bank facilities for the subsidiaries	84,720	-
Sundry bank guarantees	2,825	-
	87,545	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 CAPITAL COMMITMENTS

GROUP

	1998 Sh ´000	1997 Sh ´000
Authorised and contracted for	-	45,272
Authorised but not contracted for	-	-
	-	45,272

22 POST BALANCE SHEET EVENT

The plant and stocks of Kamco Engineering Limited were sold on 8 March 1999, and the company ceased operations.