CAR and GENERAL

Power for better living

2021

INTEGRATED REPORT

making customers smile

Making Customers Smile
In every street, in every town

Celebrating 85 Years

KAA RADA!

Together, we can stop Covid-19

- ✓ Wear a face mask
- ✓ Wash your hands
- ✓ Use sanitizers
- ✓ Maintain social distance
- ✓ Isolate when unwell
- ✓ Get vaccinated

We have had an increased rate of COVID-19 infections in the country and region. There are new variants being found all over the world. Symptoms keep evolving with these new variants, however the most common symptoms are; fever, cough, tiredness, loss of taste or smell. Less common symptoms include sore throat, headache, aches and pains and diarrhea.

Stay alert! Stay safe!

Our Stand against Fraud at Car & General

At Car & General, Integrity, defined as doing the right thing every minute, every day is a key value. We are committed to conducting business with transparency, honesty and integrity. This will not only ensure a stable employment environment for everyone but also ensure the continued future success of the Company.

At C&G, we have introduced the Integrity/Ethics Line facility to be used by all members of staff and external stakeholders (including customers and suppliers) to anonymously report on any unethical and fraudulent behavior at C&G. The Integrity/Ethics Line is a professional service from Deloitte Tip-offs Anonymous and is therefore totally independent of C&G. It is a 24 hours a day, seven days a week service.

It is important to note that anyone can contact Integrity/Ethics Line by dialing the dedicated Toll free number, e-mail and website, post and fax facilities. This information will be analyzed and forwarded to designated senior officials of C&G who will decide on corrective action to be taken. We urge all of you to make the real difference and report what you know to Deloitte Tip-offs Anonymous for the good of everyone. Remember, not reporting integrity issues is a matter of integrity. Make use of our anonymous Integrity/Ethics line.

Contact Cargen Integrity/Ethics Line today:
Toll Number: Kenya **0800 722 626**
Tanzania **800780026**, Uganda **800100255**
Email address: cargen@tip-offs.com
Website: www.tip-offs.com

♦ PUBLIC NOTICE ♦ ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the eighty second (82nd) Annual General Meeting of Car & General (Kenya) plc (the Company) will be held virtually at the Company's Registered Office, New Cargen House, Lusaka/Dunga Road, Industrial Area, Nairobi via electronic means on Thursday, 24th March, 2022 at 10.00 a.m., to conduct business detailed below.

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 2021, 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.

A copy of this notice and the documents stated herein can be accessed on the Company's website at https://www.cargen.com/

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 2021.

2 To receive and approve the Directors' Remuneration Report and Policy for the financial year ended 30th September 2021.

3 To approve a final dividend of KShs 3.20 per share as recommended by the Directors.

4 To elect Directors:

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

(b) Mr S P Gidoomal who retires by rotation and, being eligible, offers himself for re-election.

5 To appoint the Audit Committee:

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

6 To appoint 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.

SPECIAL BUSINESS

7 To consider and if thought fit, pass the following as an Ordinary Resolutions:

a) Increase of Share Capital:

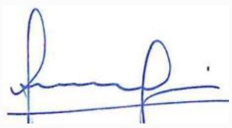
"THAT the share capital of the Company be and is hereby increased from Kenya Shillings Two Hundred and Ten million (KShs 210,000,000/-) divided into Forty Two Million (42,000,000) Ordinary Shares of Kenya Shillings five (KShs 5) each by the creation of an additional Forty Million, One Hundred and Three Thousand, Three Hundred and Eight (40,103,308) Ordinary Shares of a par value of Kenya Shillings five (KShs 5/-) each ranking *pari passu* in all respects with the existing issued ordinary shares in the capital of the Company with the intention that Forty Million, One Hundred and Three Thousand, Three Hundred and Eight (40,103,308) Ordinary Shares will be allotted and issued pursuant to a bonus issue".

b) Bonus Issue:

"That the sum of KShs. 200,516,540/-, being part of the amount now standing to the credit of the retained earnings account of the Company be capitalised and that the same be applied in making payment in full at par for 40,103,308 Ordinary Shares of KShs. 5.00 each in the capital of the Company and that such Ordinary Shares to be distributed as fully paid among the persons who were registered as holders of the ordinary shares in the capital of the Company at the close of business on 24th March 2022 at the rate of one (1) new ordinary share for every one (1) fully paid up ordinary shares (with fractions disregarded) held by such holders and that such shares shall rank *pari passu* for all purposes and in all respects with the existing Ordinary Shares in the share capital of the Company and the Board of Directors be and are hereby also authorized to allot the said shares and generally to do and effect all acts and things required to give effect to this Resolution."

The above resolutions (7a and 7b)) are subject to the approval of the Capital Markets Authority and the agreement to list the additional shares by the Nairobi Securities Exchange.

By Order of the Board



Conrad Nyukuri
Secretary

23rd February 2022

Notes:

(a) *The Companies Act, 2015 was amended to permit companies to convene and conduct a virtual general meeting. In this respect, the Company has already amended its Articles of Association.*

(b) *Car & General (Kenya) plc has convened and will conduct its eighty second Annual General Meeting via virtual/electronic means.*

(c) *Shareholders wishing to participate in the meeting should register for the AGM by dialling *483*809# 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) 709 170 000/042 from 9:00 a.m. to 3:00 p.m. from Monday to Friday.*

A Shareholder domiciled outside of Kenya can send an email to Image Registrars via cargen@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 a confirmation to that effect.

(d) *Registration for the AGM opens on 4th day of March, 2022 at 9:00 am and will close on Tuesday 22nd March, 2022 at 11.00 am Shareholders will not be able to register after Tuesday 22nd March, 2022 at 11.00 am.*

(e) *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 2021; (iii) Copy of the Amended Articles of Association.*

The reports may also be accessed by registered shareholders by dialling the USSD code above and selecting the reports option.

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

i. *Sending their written questions by email to cargen@image.co.ke*
ii. *Shareholders who will have registered to participate in the meeting shall be able to ask questions via SMS by dialling 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 22nd March, 2022 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.

Notes:

(g) *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 attached to this Notice and 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. 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, 23rd March, 2022 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 23rd March, 2022 at 11.00 am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 23rd March, 2022 to allow time to address any issues.*

(h) *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.*

(i) *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.*

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

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

(l) *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.*

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CORPORATE INFORMATION

Who we are

We are the company behind a wide range of power generation, automotive and engineering products in East Africa for over 85 years.

Established in 1936 as Car & General Equipment Limited in Nakuru before relocating to Nairobi in 1937, the initial objectives were to import and distribute automotive parts and white goods.

In 1941, we introduced tyre-retreading and was actually one of the pioneers in the local industry.

In 1950, Car & General was quoted on the Nairobi Securities Exchange (NSE). Since then, Car & General has re-invented its core business spanning into automotive and equipment distribution, financial services, real estate, manufacturing and agriculture.

Our product range covers reputable international brand names in power generation, automotive and engineering products in East Africa grouped into consumer and equipment business categories.

Consumer products include TVS motorcycles, Piaggio three-wheelers, Briggs & Stratton small petrol engine power products (water pumps, lawn mowers, generators, and brush cutters), Garmin satellite navigation devices, Mariner and Mercury outboard engines, Elecrolux laundry equipment, MRF tyres and Motorol lubricants.

The Equipment business consists of Cummins diesel generators, Ingersoll Rand air compressors, Kubota agricultural tractors, Toyota forklifts, BT lifting equipment, Doosan excavators and wheel loaders and ACE back hoes and graders.

85

Years of making our customers smile

We also offer aftersales service – on shelf genuine parts and service by qualified personnel.

Besides these, we are also in poultry (Kibo Poultry Products), real estate (Nairobi Mega Mall in Nairobi), micro-finance (Watu Africa Limited) and manufacturing (Bodaplus Limited).

NAIROBI SECURITIES EXCHANGE

Car & General (Kenya) PLC is the only entity listed in the Automobiles and Accessories sector on the Nairobi Securities Exchange.

Core Values at Cargen

These are the core values that we have developed that make Car & General stand out. Our people practice them every day, and in a very consistent manner everywhere we operate.

Making customers smile – in 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.

3000+
Employees

7
Countries
With Over

25 Branches

Satisfied customers
65+
Million

Our Disciplines

People: Our people are the greatest asset, that is why we are people-centric.

'A-Grade, Live the Cargen Way, Promote from within, Encourage diversity.'

Thought: Yes we can! We think long-term, we make information-based decisions, and we are consultative.

Communication: We encourage open and transparent communication.

Clear and respectful, Never enough, Timely, Two way.

Action: We value actual implementation and taking action. 100% implementation, Taking responsibility.

Performance: We believe in delivering numbers, achieving plans, rewarding and recognition.

The Management Team

Vijay Vashdev Gidoomal
David Chesoni
Venkatesh Jarayaman
Naveen Kumar
Carol Omanjo
Sam Njenga
George Rubiri
Titus Murage
Raphael Atanda
Costa Cherutich
Faith Mumo
Saumil Vyas
Christine Odhiambo
Eunice Malelu
Gilbert Mutai
Jeremiah Mureu

Our Vision

To make customers smile in every street, in every town

Our Mission

To achieve leadership position in all our primary markets - power generation, automotive and engine-related products in East Africa

The Board of Directors

Nicholas Nganga (Chairman)
Vijay Vashdev Gidoomal (GCEO)
Gladys M. Mboya
Carey Muriithi Ngini
Soundararajan Madabhushi
Pratul Hemraj Shah
Sanjay Prem J Gidoomal
Conrad Nyukuri (Secretary)

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

Auditors
Deloitte & Touche LLP
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 Advisor
Coulson Harney LLP
5rd Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
P.O. Box 10643 - 00100
Nairobi, Kenya

ABOUT THIS REPORT

Scope and boundary

As we celebrate 85 years of making our customers smile, we are also delighted to produce our first Annual Integrated Report in line with our sustainability focus. This integrated report covers the performance of Car & General (Kenya) Plc for the year ended 30 September 2021. It provide users with information about how we create and sustain value, how we engage with our stakeholders, our material matters, strategy and corporate governance, outlook, environmental and social responsibility, and financial performance. It evaluates growth and successes at Car & General over the last twelve months and how we have employed our resources to achieve our mission.

This integrated report provides a brief description of how strategic objectives, material matters, governance, financial and non-financial performance create value to our stakeholders and community that we operate in. It provides material information to enable the users assess the group in aspects of social, environmental and financial performance, and consequently make informed decisions.

These are vital and material to achieving our short term, medium term and long term goals.

Frameworks

This report is prepared in accordance with the International Integrated Reporting Framework 2021 - as adopted by the Board. It conforms to the regulatory requirements of Capital Markets Authority (CMA), Code of Good Corporate Governance (2015), Nairobi Securities Exchange (NSE) listing requirement and Companies Act. The financial statements have been prepared and reported according to the International Financial Reporting Standards (IFRS).

Materiality

To us, material matters are those positive and negative phenomena that arise and/or occur and have the ability to affect how the group creates and sustains value to stakeholders. Material matters at Car & General are generally described as risks and opportunities. Our reporting focuses on those material matters that have or may have the most significant impact on the Group's social, environmental and financial performance.

Assurance

The Financial Statements and all other information that require assurance have been audited by Deloitte & Touche. More information on this is provided in the Financial Statements section pages 79-82.

Approval

The Board acknowledges their responsibility to ensure the integrity of the integrated report. In the Board's opinion, this report provides a fair account of the Group's activities, material issues, relationships and performance. This report, together with the annual financial statements of the Group for the year ended 30 September 2021, were approved by the board of directors on 5 January 2022 and signed on its behalf by;

N. Ng'ang'a, EBS
Chairman

V. V. Gidoomal
CEO

CELEBRATING

YEARS

Of Making Customers Smile

Having been established in 1936 from humble beginnings in Nakuru, Kenya, Car & General's purpose is to "make its customers smile in every street, in every town." We are the company behind a wide range of power generation, automotive and engineering products in East Africa, representing several international brand names.

Our objective is to build an organization for the future, that is why we sustain our competitive advantage through improving every day. This will ensure that we develop valuable, rare and inimitable actions that will keep us ahead of the game. The goal is to achieve our present objectives without compromising our ability to meet our future needs.

Our History of Making Customers Smile

1936:
Established as Car & General Equipment Limited in Nakuru before relocating to Nairobi in 1937. Our initial objectives were to import and distribute automotive parts, white goods and re-treading.

1941:
Introduced tyre re-treading and was actually one of the pioneers of local industry

1950:
Quoted on the Nairobi Securities Exchange.

1960's:
Branch offices in Dar-es-Salaam and Kampala were formed into separate subsidiaries – Car & General (Tanzania) Limited and Car & General (Uganda) Limited respectively.

In 1964, Car & General founded Kibo Poultry Products Limited in Tanzania. The farm produces day old chicks from Moshi.

1966, Car & General changed its name to Car & General (Kenya) Limited

1996:
There was dramatic change in the company's revenue base in 1996 that saw gradual introduction of new products, marking a new journey of re- invention.

1997:
Car & General moved from Uhuru Highway to new premises along Lusaka Road.

2003:
Car & General ventured into new product lines. Introduced two wheelers and three wheelers as taxis in East Africa, and took over Cummins distributorship in Kenya.

2005
Car & General become a distributor of Cummins in Uganda and Tanzania before spreading to the larger East African region in2006

2013

Car & General launched the TVS motorcycle assembly plant in Nakuru.

Acquired the dealership of Kubota tractorsand Toyota and BT forklifts and lifting equipment.

Took on Doosan construction equipment

2017

Signed a joint venture with Cummins Inc. toform Cummins C&G Limited.

Acquired a stake in Watu Credit Limited.

2019

Car & General launched NIIT C&G Limited, a joint venture that deals with business management and IT training.

Introduction of ACE construction equipment – back hoes, rollers, graders and cranes

2020
Completed the Nairobi Mega. Car & General's real estate venture along Mombasa Road

2020/2021

We incorporated Bodaplus in 2020. The operations commenced in 2021. BodaPlus Ltd is the first complete Motorcycle Helmet manufacturing plant in East Africa

85 years of Car & General's existence

OUR PRODUCTS

TVS

Motorcycles, Three-wheelers and Accessories

ACE

Backhoe loaders, Graders, Cranes and Rollers

PIAGGIO

Three-wheelers

DOOSAN

Excavators, Wheel loaders, Articulated dump trucks and Attachments

Kubota

Tractors and Implements

Cummins Power Generation

Diesel generators, engines and Parts

TOYOTA INDUSTRIAL EQUIPMENT

Forklifts, Reach trucks, Lifter trucks, Hand pallets and Stackers

BRIGGS & STRATTON

Generators, Lawnmowers, Water pumps and Engines

BT

Reach trucks, Stackers, Low lifters and Pallets

IR Ingersoll Rand

Air compressors, Pneumatic tools and pumps, Line filters, Light sources, Light compactors and Portable compressors

MOTOROL

Motorcycle and Three-wheeler Lubricants

GARMIN

Fitness watches and GPS devices

MERCURY

Inboard and Outboard engines

MRF

MRF
Tyres with Muscle

Motorcycle, Three-wheeler, Four-wheeler, Truck and Farm tyres

Electrolux

Washers, Dryers, Ironers and Presses

GEOGRAPHICAL PRESENCE

Our Footprint

Headquarters
Nairobi - Kenya

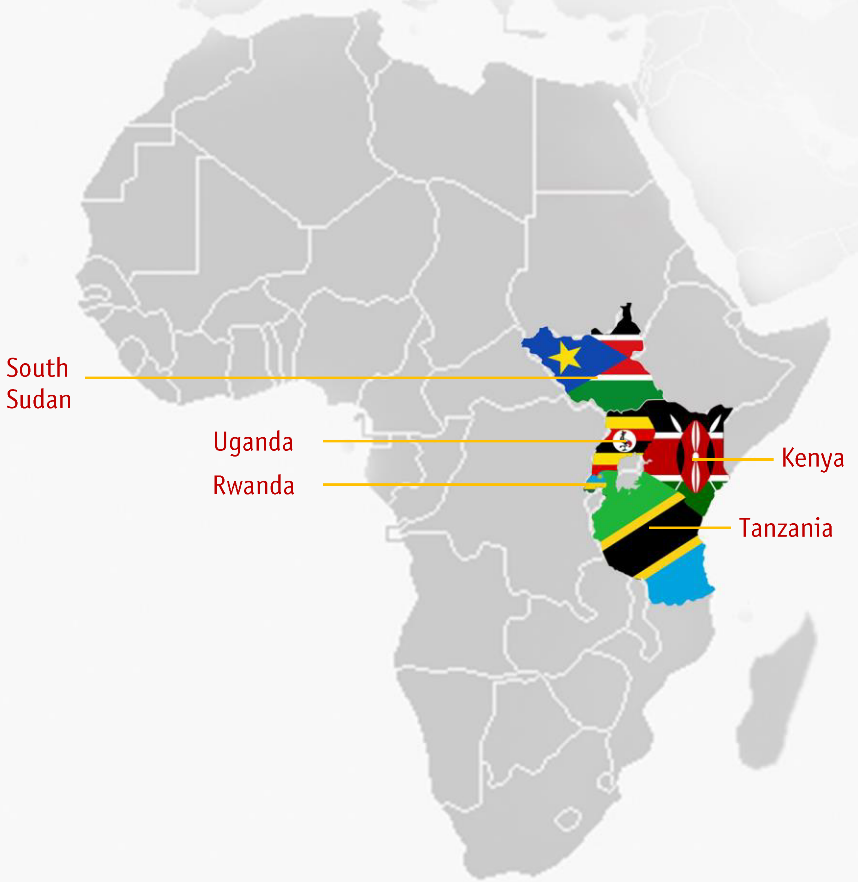
Kenya
Nairobi
Mombasa
Nakuru
Kisumu
Kisii
Kitale
Kitengela
Kericho
Eldoret
Bungoma
Nanyuki
Thika
Voi
Malindi

Tanzania
Dar-es-Salaam
Arusha

Uganda
Kampala

Rwanda
Kigali

Representation
South Sudan
Ethiopia
Seychelles
Eritrea
Djibouti
Burundi
Somalia.



SUBSIDIARIES AND ASSOCIATED COMPANIES

Car & General (Trading) Limited – Kenya

Our Kenya Trading company distributes household, commercial and industrial products ranging from fitness watches, GPS devices, two-wheelers, three wheelers, tractors, excavators, wheel loaders, compressors, generators among others. We have branches in Nairobi, Mombasa, Nakuru, Kisumu, Kisii, Kitale, Kitengela, Kericho, Eldoret, Bungoma, Nanyuki, Thika, Voi and Malindi.

Car & General (Trading) Limited – Tanzania

In Tanzania, the distribution of consumer and equipment products ranging from two-wheelers, three wheelers, tractors, excavators, wheel loaders, air compressors, out board engines, satellite devices, lawn mowers and water pumps, among others, is done by Car & General (Trading) Limited – Tanzania.

Car & General (Trading) Limited – Uganda

Our outfit in Uganda distributes consumer and equipment products ranging from three wheelers, tractors, excavators, wheel loaders, air compressors, out board engines, among others. We offer after-sales service – on-shelf genuine parts and service by qualified personnel.

Car & General (Trading) Limited – Rwanda

Sales and service of power equipment, marine engines, motorcycles, three-wheeler vehicles, commercial engines and general goods.

Car & General (Trading) Limited – South Sudan

Sales and service of power equipment, marine engines, motorcycles, three-wheeler vehicles, commercial engines and general goods.

Kibo Poultry Products Limited

Poultry farming in Tanzania founded in 1964. The farm produces day old chicks and it's located in Moshi.

Nairobi Mega Mall

Nairobi Mega mall on Uhuru Highway was completed in 2020 with Carrefour being the anchor tenant.

Dew Tanzania Limited

Property holding company.

Dewdrops Limited (Nairobi)

Property holding company.

Sovereign Holdings International Limited

Property holding company.

Progen Company Limited

Property holding company.

Cummins C&G Limited

Cummins C&G Limited is a 50:50 joint venture between Cummins Inc and Car & General that was formed in 2017. Car & General started distributing Cummins in 2003 in Kenya, and a few years later across all the 11 countries of Eastern Africa. We distribute Cummins power generators, components, filters and parts. We offer 24/7 service availability.

Watu Africa Limited (Formerly referred to as Watu Credit)

Car & General has a 29% equity stake in Watu Credit, a leading provider of asset finance for two and three-wheeled vehicles in Kenya. Watu Africa Limited presents a unique high growth impact financing opportunity for Africa's unbanked and underserved population at the bottom of the pyramid (BoP). Watu is in Kenya, Uganda, Tanzania and Sierra Leonne.

Bodaplus Limited (Helmet Manufacturing)

Bodaplus Limited was incorporated in 2020 as the first complete motorcycle helmet manufacturing plant in East Africa. It is located in Life Industrial Park, Ruiru, Kenya – spreading over 40,000 square feet. Its products include a range of KEBS-approved two-wheeler helmets and motorcycle safety accessories. Bodaplus has a capacity of 768,000 helmets per annum, with a planned increase to 1,200,000 helmets per annum by 2022.

Other Dormant Subsidiaries

Car & General (Automotive) Limited

Car & General (Engineering) Limited

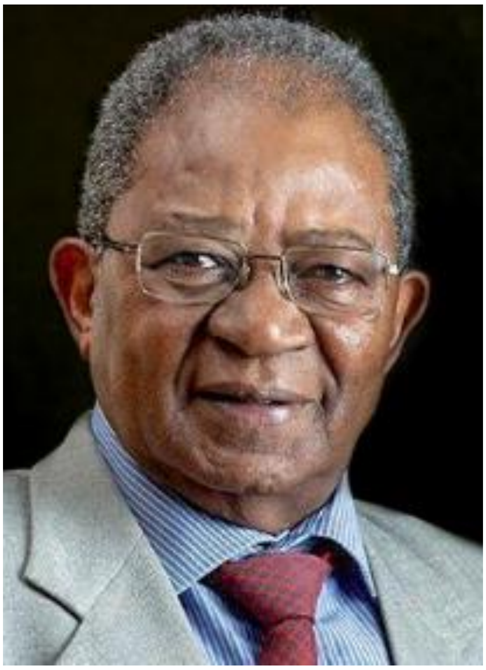
Car & General (Marine) Limited

Car & General (Industries) Limited

Cargen Insurance Agencies Limited

Power for better living

CHAIRMAN'S REPORT



The year to 30 September 2021 was positive in spite of the impact of Covid 19. The Group posted 42% growth in turnover. Overall, sales in Kenya grew 55% and sales outside Kenya grew 22%. Uganda and Tanzania now represent over 35% of Group sales. Our two-wheeler ("boda boda") and three-wheeler ("tuk tuk") businesses experienced reasonable growth. Our equipment businesses (namely tractors, construction equipment and forklifts) also grew particularly Doosan.

As a result of the above, turnover for the year ended 30 September 2021 was Shs 17.1 billion against Shs 12.1 billion achieved the previous financial year. EBITDA (Earnings before interest, tax, depreciation and amortization) grew by 100% to Shs 1.8 billion from Shs 936 million. Profit after tax over the same period was Shs 887 million which is over 300% higher than Shs 274 million made during the same period last year. Profitability was significantly impacted by demurrage losses of Shs 103 million resulting from global logistical issues and localization of production. Our cashflow was negatively impacted by supply chain issues, resulting in higher levels of paid-up stock to the tune of Shs 1.4bn.

Covid 19 persisted during the year and the Group focused on creating a safe environment for our employees and customers. We encouraged the adherence to all social protocols including working from home, social distancing, provision of masks and other personal protective equipment. In our finance business, we lengthened loan tenors to reduce daily payments. In addition, we have worked with our Boda Boda and Tuk Tuk clients to improve driver skills and passenger safety in conjunction with St John's Ambulance Brigade.

The highlight of the financial year was the volume in our consumer businesses particularly in two wheelers and three wheelers in both Kenya and Tanzania. 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.

Our investment in Watu Credit is also performing well and driving growth in the consumer segment. In addition to Kenya, Watu has now established operations in Uganda, Tanzania and Sierra Leone. The contribution from Watu to the Group's net profit was significant.

Our investment property business saw a valuation gain of Shs 12 million this year given challenging current market conditions. Due to declining footfall resulting from Covid and the development of the Nairobi Expressway, we have supported our tenants at Nairobi Mega, on Uhuru Highway through concessions on rent. We continue to review the property portfolio to ensure it generates satisfactory returns.

In order to support the Government's localization initiatives and create industrial employment, during the year we opened BodaPlus, our helmet manufacturing business. Production commenced in September 2021. This is the first of its kind in East and Central Africa. In addition, we have worked with manufacturers to produce six parts locally to support our assembly process. We now employ over 3000 people as a Group (including associates). We employed over 1000 additional people in 2021.

Going forward, we believe uncertainty will persist in 2022 given the upcoming elections in 2022 and the continuing impact of Covid 19 on the business environment. We will continue to encourage the safety of our people and customers. 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 continue to grow volume and market share on an efficient base.

I now comment more specifically below:

The Consumer Business

The small engine business, in terms of power products, two-wheelers and three-wheelers, saw a general increase in sales in both Kenya and Tanzania. Our product and value proposition is strong especially when coupled with our aftermarket offerings. We expect market share to increase further in 2021/2022 having launched various new models and financing initiatives, especially through Watu Credit.

Assuming stability, we expect consumer markets to grow this year. We must get closer to 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 2020/2021.The challenge remains growth of market share and our ability to differentiate ourselves. Investments in our aftermarket business are now yielding results and will separate 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 the Ingersoll Rand business have been established. We expect this business to grow.

The 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 wheel loaders and excavators. We are confident that we can achieve sustainable profitability and market share in this sector in 2022.

The 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.

The Kubota tractor business remains a challenge given model constraints and low market share. This business will grow over time.

Financial Services

Watu has continued to perform well and we expect this trend to continue. We expect revenues to grow in Uganda, Tanzania and Sierra Leone where we have now established operations. We are very positive about the business prospects.

Our forklift leasing fleet is growing and will cross 100 units this year.

Manufacturing

We are confident BodaPlus will do well over time. The market for helmets is growing throughout the region and our value proposition is solid. We have created over 120 new jobs. We are exploring other opportunities related to the localization of manufacturing of two wheelers and three wheelers in Kenya.

The Property Business

With the opening of the Uhuru Highway Expressway, we expect business for our tenants to improve at Nairobi Mega. We are fully rented across all developed properties. We are exploring development opportunities for our Shanzu property including the possible disposal of some plots.

Kibo Poultry Products Limited

Sales of poultry were positive throughout the year. We generated a reasonable profit for the year. We expect reasonable performance this financial year. We are expanding production marginally in order to build scale and sustainability.

The Future

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

Going forward, we are well positioned to deliver on our Triple P bottom line – People, Planet and Profit. We are already having a significant impact on millions of lives in terms of delivering daily livelihoods and entrepreneurship opportunities. We will now be focusing more energy on electric vehicles and we intend to launch electric three wheelers in February. We are working hard with our suppliers to develop fit for market two wheelers. With our symbiotic relationship with Watu, we can play a significant role in transforming the 2 wheeler and 3 wheeler market towards electric. This will play a positive role in alleviating climate change over the coming years.

This next year will be critical to future success and will require a growth in market share in all sectors. Our primary concern is to ensure that we stay ahead of competition in our key markets in all respects. The quality of competition is increasing.

Given the positive performance this year, the Directors recommend a dividend of Shs 128 million (2020: Shs 32 million) equivalent to Shs 3.20 per share (2020: Shs 0.80 per share) in respect of the year, as well as the *issuance of Bonus Shares of one (1) new fully paid-up bonus share of a par value of Shs 5/- for every one (1) ordinary shares of par value of Shs 5/- (Bonus Ratio 1:1)*.

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

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Nicholas Ng'ang'a – Chairman

5 January 2022

Mr. Vijay Gidoomal
Group CEO and Managing Director

Stakeholders Engagement

Our Stakeholders

Customers
They are significant to our business operations since they are the buyers of our products and services. Cargen has over 60 million customers.

Communities
They represent a significant population of our stakeholder and hence influence our strategy and value creation process.

Employees
Employees represent the most significant stakeholders since they are the implementers of our strategy to ensure the group meets its objective. Cargen has over 3,000 employees.

Shareholders/investors
They provide the much needed financial capital for our going concern. They are also the owners of the business and hence key decisions are made to meet their expectation.

Regulators
Regulators provide legal framework and environment in which we operate in to ensure we meet minimum set standards.

Strategic Partners
Strategic partners play an important role in our value chain by facilitating acquisition of inputs and providing useful ideas to enhance our business.

Suppliers
They provide us with the products we sell to our customers. Cargen has over 16 suppliers most of which are globally renowned.

Financial Institutions
Our business strategy requires high liquidity leading to frequent short term borrowing. This is facilitated by banks. Our insurers give us the confidence to continue our business.

Governments
Government sets policies to ensure that we do not harm consumers. They also implement economic development and growth programmes that makes the countries we operate in suitable for business.

Trade Unions
Trade unions foster our relationship with workers and provide mechanisms for dispute resolution. Cargen follows and responds to the needs of trade unions.

Stakeholders Engagement

Car & General has a broad array of stakeholders who have an interest in our business and may directly or incidentally be affected by it. Our stakeholders influence our ability to, and how we create and sustain value.

To that end, we openly and frequently maintain a dialogue with our stakeholders to create sustainable value for our business and key stakeholders. This constant engagement with our stakeholders has informed our business strategy, enabled us to identify new opportunities and better manage risks.

At the beginning of every financial year, Car & General develops a stakeholder engagement plan, which enables us to identify and respond to the needs and expectations of our internal and external stakeholders.

The plan has specific targets and, a monitoring and evaluation mechanism to enable assessment at the end of the period.

We have identified our internal and external stakeholders as illustrated below:

Stakeholders Engagement (Continued)

During Financial Year 2020-2021, our stakeholder engagement plan focused on five (5) key stakeholders:

1. Our employees offer the needed skills and know-how to enable us deliver our promises to stakeholders
2. Customers buy our products and services.
3. The community that we operate in provide us with our various capitals
4. Regulators oversee financial stability and market conduct for our industry and others.
5. Our investors/shareholders provide us with financial capital to enable us run our business smoothly and efficiently.

Our Group CEO Mr. Vijay Gidoomal (left) and our MD-C&G Trading Mr. David Chesoni (right) recognizing Ms. Elizabeth Olwande's 38 years of service

Employees

Who are they?

- Directors
- Managers
- Accountants
- Technicians
- Marketers
- Analysts
- Administrators
- Sales Associates
- Engineers
- Caterers
- Trainers
- Mechanics
- Procurement professionals
- Legal advisors
- IT professionals
- Demand Planners
- Public relations professionals
- Communications specialists
- Supply chain professionals

How we engage

- ✓ HR Business partners.
- ✓ Email communication.
- ✓ Telephone communication.
- ✓ Regular departmental meetings.
- ✓ Training sessions and workshops.
- ✓ Staff engagement surveys.
- ✓ Circulars on key issues and core briefs to all staffs
- ✓ Town hall meetings
- ✓ Podcasts and videos
- ✓ CEO mentorship programmes

Their Expectations

- A conducive, safe environment for work life integration.
- Skills development and career progression.
- A conducive culture for productivity.
- Professionalism and integrity.
- Equal opportunities for all staff.
- Uphold labor standards.
- An effective performance management and reward system.

How we respond

- ✓ Sexual Harassment Policy implementation
- ✓ In-house fitness gym
- ✓ Health insurance
- ✓ Favorable working hours
- ✓ Equal employment opportunity statement
- ✓ Group personal accident insurance
- ✓ Warehouses Policy
- ✓ Code of conduct
- ✓ HR Manual implementation
- ✓ Paid compassionate leave
- ✓ Emergency evacuation procedure
- ✓ Paid sick leave
- ✓ Pension plans
- ✓ Staff complaints handling procedure
- ✓ Corporate sponsored trainings
- ✓ Employee run CSR initiatives
- ✓ Employee team building activities
- ✓ Staff family day

3,032 Employees

Eric Omondi entertaining staff on Cummins Car and General staff family day out

Customers

Who are they?

- Corporates
- SMEs
- Individuals
- Government
- Academic Institutions
- Manufactures

How we engage

- ✓ Shop Visits
- ✓ Consultations
- ✓ Trainings & Workshops
- ✓ Launches
- ✓ Alerts
- ✓ Publications
- ✓ Exhibitions
- ✓ Telephone Calls
- ✓ Interviews & Surveys
- ✓ Aftersales Services
- ✓ Emails & Letters
- ✓ Social media

Their Expectations

- Quality Products
- Timely Delivery
- Availability of Products
- Convenient access to products
- Easy-to-use products
- Aftersales services
- One-Stop shopping
- Quick resolution-time for complaints
- Good customer care

How we respond

- ✓ 18 globally renowned brands
- ✓ Providing a variety of Products and services
- ✓ 23 branches in 7 countries
- ✓ Trainings on products
- ✓ In-house service center
- ✓ Toll free phone number
- ✓ Interactive social media site
- ✓ Customer service policy implementation

Community

Who are they?

- Social groups
- Neighbors
- Industry players
- General members of the public

How we engage

- ✓ Consultations
- ✓ Dialogue
- ✓ Community programs
- ✓ Launches
- ✓ Alerts
- ✓ Publications
- ✓ Interviews & Surveys
- ✓ Social media
- ✓ Website
- ✓ Television
- ✓ Newspapers

Their expectations

- ✓ Accessibility
- ✓ Affordability
- ✓ Corporate social responsible
- ✓ Environmental responsibility
- ✓ Contributions to SDGs
- ✓ Non-destructive operations

How we respond

- ✓ Tree planting
- ✓ Eye clinic
- ✓ Free trainings
- ✓ Public education
- ✓ Environmental stewardship
- ✓ Waste management
- ✓ Creating employment
- ✓ Accessible services
- ✓ Open communication and dialogue
- ✓ Road safety initiatives
- ✓ Free goodies

Shareholders

Who are they?

- Institutions
- Individuals

How we engage

- ✓ Publications
- ✓ Exhibitions
- ✓ Telephone Calls
- ✓ Emails & Letters
- ✓ Social media
- ✓ Annual general meetings
- ✓ Special meetings

Their expectations

- ✓ Profits
- ✓ Dividends
- ✓ Sustainability

How we respond

- ✓ Providing a variety of Products and services
- ✓ 23 branches in 7 countries
- ✓ Steady increase in earnings
- ✓ Dividends payment on time
- ✓ Corporate sustainability
- ✓ Diversity and inclusion
- ✓ AGMs

Regulators

Who are they?	How we engage	Their expectations	How we respond
➢ Government ➢ Registrar of Companies ➢ Capital Markets Authority ➢ Nairobi Securities Exchange	✓ Consultations ✓ Publications ✓ Telephone Calls ✓ Interviews Emails & Letters ✓ Social media	✓ Compliance with regulations ✓ Corporate social and environmental responsibility	✓ Timely reporting to stakeholders ✓ Published board charter ✓ Payment of all dues ✓ Board and strategy meetings ✓ Corporate policies ✓ Annual audits

Engagement with our customers and community during the Car & General Thika branch launch


CAR and GENERAL
Power for better living
TVS
WARNING!
SCAM ALERT
All payments should be made to Car & General and not individual accounts
Report Fraudsters to our Toll Free Number
Toll Free No.: 0800724600
For more information : info@cargen.com|www.cargen.com
#makingcustomersmile

Free fuel for customers' promotions

Doosan delivery to a customer


Piaggio drivers' training


First aid training for riders


Students visit our premises

TVS promotion with How Low

Material Matters

Material Matters

At Car & General, we define material matters as 'those matters that materially affect the Group's ability to create and sustain value over the short, medium and long term. Over the years this have been identified as both risks and opportunities to Cargen. We continuously determine, assess and manage material matters that affect or are likely to affect the group. Material matters are usually considered during our strategy review and action planning thereby enabling the Group to address material short-term risks while continuing to execute its long-term strategy, and as well as take advantage of the opportunities that arise.

Car & General has a deep-rooted process to identify, evaluate and manage material matters. At Car & General there is a team responsible for material determination process. The team meets at least every quarter and is comprised of the following members:

Member	Core Responsibility	Secondary Responsibility
Head of Communications	Identification of Material Matters	Assessment and Prioritisation
Chief Operating Officer	Identification of Material Matters	Prioritisation and Management
Chief Financial Officer	Identification of Material Matters	Assessment and Management
Chief Executive Officer	Management and Action Planning	Reporting and Strategy Review
Board Risk Committee	Strategy Review and Reporting	Action Planning

Our Materiality Determination and Management Process:

STEP 1: STAKEHOLDERS ENGAGEMENT

Car & General considers the engagement of its stakeholders as a very important step when determining material matters. This is because meeting stakeholders' needs and responding to their concerns enables the group to know with certainty all the matters that may pose as threats to the business or may create opportunities to enable the group create sustainable value to each and every stakeholder.

STEP 2: PESTEL AND TOWS ANALYSIS

This entails assessment of the internal and external business environment. PESTEL analysis focusses on external factors which the group has very minimal influence and control over. However, its knowledge of external environment helps the group determine where possible material matters may arise from. A TOWS Analysis is an enhanced SWOT Analysis that the group uses to match up Strengths with Opportunities and Threats with Weaknesses to allow us to take action from the analysis.

STEP 3: IDENTIFICATION OF ALL MATERIAL MATTERS

Not all threats and opportunities to the group are significant enough to qualify as material matters. Stakeholder engagement and analysis of environment provide all the issues that the group is exposed to. A further analysis is usually done by the committee to identify those matters that are material to the group. These matters are then noted, discussed and listed as material matters to the group.

STEP 4: ASSESSMENT RANKING AND PRIORITISATION

After the committee identifies the material matters, the committee then convenes a meeting where all the significance of each material matter is assessed. The material matters are then ranked and prioritized based on their significance. The criteria employed for the prioritisation of material matters is discussed below. The same criteria is used when selecting material matters.

STEP 5: SELECTION OF MATERIAL MATTERS TO REPORT ON

Once material matters are ranked according to the order of priority, they are either responded to immediately or postponed depending on the effect they may have. The committee develops action points to thoroughly respond to each material matter at the respective relevant times. For reporting purposes, the committee then selects the appropriate matters. The matters reported are usually the most pressing and recurring.

STEP 6: STRATEGY REVIEW

More often than not, responding to material matters may need review and realigning of the short term strategy in order to achieve the long term strategic objectives. The committee readjusts and realigns operations and capitals in the short term strategy of the group, in attempt to seamlessly respond to the material matters.

Factors considered when selecting and prioritizing Material Matters

1. **Financial effect**
   The extent to which the matter may change the current and/or future cash flows of the group.

2. **Operational effect**
   The magnitude of sales and production volumes lost or interrupted as a result of responding to the matter.

3. **Strategic effect**
   The level at which the short-term and long-term strategy may have to be altered or delayed as a result of responding to the matter.

4. **Regulatory effect**
   The extent to which a material matter may result in a significant consequence with the regulators.

5. **Effect on Society**
   The level at which an opportunity or risk may have may affect the people and environment.

6. **Reputational effect**
   The extent to which stakeholders may change how they view the business as a result of responding to a material matter.

Our key material matters for 2020-2021

During the financial year October 2020 to September 2021, Car & General was exposed to risks and opportunities with different magnitude of effect on the business and stakeholders. Three most material risks had the most impact on the operations, strategy and financials of the group. These are discussed below.

MATERIAL MATTER	OUR RESPONSE	LINK TO STRATEGY	OUTLOOK
Foreign Exchange Risk ➢ Weakened KES against USD ➢ Increased cost of goods we import from global suppliers ➢ Increased cost of sales ➢ Increased cost of doing business ➢ Decreased profits and earnings to shareholders	✓ The use of foreign exchange forward contracts where appropriate ✓ Invoicing customers in the relevant foreign currency where possible	✓ Short-term and long-term financial performance ✓ Supply chain planning ✓ Strategic Partnerships ✓ Pricing of products	✓ Gradual passing on exchange rate increases to the end customer (price increase) ✓ Increased use of foreign exchange forward contracts ✓ Stable income as a result of managing FX risk
Covid-19 Disruptions ➢ Global supply chains have been disrupted ➢ Decreased demand for our Products ➢ Lost staff due the infection ➢ IT risks due to working from home ➢ Productivity of staff reduced ➢ Reduced purchasing power	✓ Developing policy for Covid-19 ✓ Adhering to MOH and WHO protocols ✓ Encouraging staff to take both first and second dose of Covid-19 vaccines ✓ Staff allowed to work from office on a rotational basis ✓ Review of our IT policies and procedures	✓ Core Operations ✓ Short-term Performance ✓ Human Resource Management ✓ Supply chain planning	✓ Working from home becoming a norm ✓ Revised performance indicators ✓ Economy stabilizing ✓ Increased demand of products
Financial Risks ➢ Increase in the cost of dollar denominated debt ➢ Credit risk – of not receiving payment of goods sold on credit ➢ Liquidity risk – of not be able to meet short term obligations ➢ Interest rate risk – of varying interest rates paid to providers of funds	✓ Monitoring of the status of the credit worthiness of its customers ✓ Spreading of credit risk, with exposure spread over a large number of customers. ✓ Maintaining adequate reserves ✓ Obtaining debt from institutions that offer contracts with fixed interest rates	✓ Capital Structure ✓ Credit Management ✓ Liquidity Planning ✓ Budgeting	✓ Emphasis on cash sales ✓ Use of KES denominated debts ✓ Insignificant Credit risk ✓ Highly liquid balance sheet ✓ Manageable interest rates ✓ Continuously monitoring forecast and actual cash flows and matching the respective maturity


Power
better living

Strategy and Value Chain

Strategy and future **orientation**

We are cognisant of the material issues that impact our business and it is in this, that we embed them in our value process to produce determinate value to all our stakeholders. Leveraging on our strategic objectives, our long history of making the customer smile, and our business model, we strive to ensure that the outcomes from our business activities are positive. All our stakeholders provide us with capital resources that are utilized and continuously replenished in a sustainable way making it fundamental to our ability to deliver on our purpose of "powering better life"

Through our strategy

We have continued developing and streamlining competitive value propositions for our stakeholders, focusing on our nine key themes of Optionality, Scale, Sustainability, Digitization, Investing in the community, Being No 1 in the market, People and execution, Client Expectations, Safety and tracking cost-effective growth opportunities over the long term.

Car & General's mission and vison have been aligned to our business operations to meet the purpose of achieving stakeholders' value

Our long-term strategy is to play an active role in the achievement the group's objectives.

Strategy execution

Optionality	Scale	Sustainability	Digitisation	Investing in the community
Products Target markets Regions	Efficiency Investments Being financially stable	People Process Governance	Technological infrastructure is key, technology facilitates business and improves efficiency	Earn money and do good Improve stakeholder relationships Reputation advantage

Being No 1 in the market	People and execution	Client expectations	Safety
Sale by word of mouth Develop and maintain competitive edge – quality and value Making customers smile is critical to survive Allows command of cash flow	These two key differentiators Employ the best who share in our values Disciplined execution Innovation will drive execution sustainability	Availability – always available, approachable Affability- competent, relationship building Ability- beyond expectations, taking responsibility, trustworthy	Business, employee, customer Covid- 19 challenge continues Remote working here with us

Addressing the existing challenges in the areas of our business operations

We are focused on delivering our strategy on a two pronged approach on the short term/ long term

Structuring and streamlining business future opportunities and growth

Strategy execution (continued)

Our strategy efforts have been established to address Car & General's current concerns. Adept execution of our long-term strategy will guarantee Car & General reaches its goal ensuring we fulfil the current needs of our customers, stockholders, and other stakeholders. The following are examples of short-term strategic initiatives that are intended to address immediate operational issues:

STRATEGIC PRIORITY	CONTEXT	OBJECTIVES
Optionality	• Products, • Target markets • Regions	• Car & General optimizes its joint ventures and partnerships while leveraging on the strong business relationship thus reducing business complexities. • Revisit product design and pricing while maintaining our product range representing several international brand names in East Africa. • Improve sales and distribution effectiveness across the region
Scale	• Efficiency • Investments • Being financially stable	• Ascertain that we provide the correct range of investment propositions for our customers, resulting in long-term shareholder earnings. • Improve the business and operating model to make it more nimble and resistant to the effects of disparaging macros. • Create a collective services policy to increase operational efficiency and scalability. • Improve corporate efficiency and effectiveness.
Sustainability	• People • Process • Governance • Innovation- improving every day in all aspects	• Attract and keep invest professionals in a talent market that is becoming increasingly competitive. • Ensure that all appropriate legislation, regulations, and market practices are followed. • Meet the expectations of the board and management in the execution of their responsibilities, • Continually operate in a stable, effective, and efficient manner, adhering to internal controls, policies, and procedures.
Digitisation	• Technological infrastructure is key, technology facilitates business and improves efficiency	• Drive business efficiency and agility • Optimization of the business processes • To foster better internal collaboration • Ensure service improvements fostering better customer value proposition

Strategy execution (continued)

STRATEGIC PRIORITY	CONTEXT	OBJECTIVES
Investing in the community	• Make money and do good • Improve stakeholder relationships • Reputation advantage	• 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 ensures that the policy is communicated, understood, implemented and maintained at all levels within Car & General.
Being No 1 in the market	• Sale by word of mouth • Develop and maintain competitive edge – quality and value • Making customers smile is critical to survive • Allows command of cash flow	• Develop brand and marketing strategies to grow our brands in the market we operate in. • Improve on customers value propositions • Design the group architecture for the future. • Adoption of best practices across the region - embedding corporate culture
People and execution	• These two key differentiators: a. Employ the best who share in our values b. Disciplined execution c. Innovation that drives execution sustainability	• Improve employee engagement and employee value proposition thus ensuring proper execution of Car & General strategy. • To ensure an inclusive work environment that nurtures strong collaboration and performance.
Client expectations	• Availability – always available, approachable • Affability- competent, relationship building • Ability- beyond expectations, taking responsibility, trustworthy	• Ensure sustainable management of the company so as to meet customer expectations. • Ensure long-term client relationships based on superior quality and service. In sales, product delivery, pricing, and communication, we must have a customer-first mindset.
Safety	• Business, employee, customer • Covid- 19 challenge continues • Remote working here with us	• Improve virtual employment which in turn increases productivity, sustaining employee retention, offering work-life balance, preventing employee turnover.

Principal risks linked Car & General's strategic objectives

Risks whether from the internal or external environments have been part of the business environment. Below, we have highlighted principle risks we face together with our strategic responses:

	DEFINITE RISKS	DELIBERATE RESPONSE
EXTERNAL	Increased complexities in the current economic environment. Slow growth in the chosen markets due to competition in motorcycle market as well as government regulations.	• Car & General maintains balanced business, increase diversification and investment in technology • Car & General continues to diversify its core business for future growth in the East African region while complying with the set regulations.

INTERNAL EXECUTION	Slow digitization	• Need to invest in manpower and tools that will promote interaction between stakeholders
	No deliberate effort to drive innovation	• Develop a reward scheme for new ideas that promote value and efficiency
	Too much dependency on physical networks	• Invest and expand online business ensuring we implement an aggressive digital strategy
	Lack of a clear HIPO	• Implement a plan that identifies talent and enrolls potential leaders in a mentorship program
	Insufficient capacity and capability	• Car & General is building a responsive ability to satisfy customer needs and cut time to market. This includes constantly developing innovative customer propositions and developments to distribution channels.
	Lack of a structured compensation strategy	• Implement a commission scheme that rewards proportionally to performance parameters
	Not taking full advantage of opportunities to optimize value	• Car & General is unceasingly driving collaboration and alignment of the various programmes to take advantage of opportunities viable for value creation.

Our business **model**

We sustainably use and develop existing capital resources to create value by offering a range of international equipment and consumer products to our customers while diversifying our core business to meet the needs of our investors and other stakeholders.

Our product range represents several international brand names. Supported by effective distribution channels, we are able to maximize our ability to generate revenue and deliver on our vision of making customers smile in every street, every town.

We diversify our business portfolio in other industries to ensure that our income stream is not limited. Currently we have invested also, in financial services, Real Estate, Agriculture and Manufacturing.

Value Creation

Making customers smile in every street, every town:

All we wake up to do is to delight the customer. We have been impacting significantly on people's lives for over 85 years!

The viable generation, conservation and development of Car & General value is fundamental to our ability to convey on our resolve "power for better life".

Ensuring that our financial results are and remain positive is an important area and the most critical. We recognize the significant roles played by our staff, partners and other stakeholders in realizing this goal, devoid of which Car & General could not carry on in fulfilling its value to the stakeholders.

We have ensured that we create a sustainable value for our stakeholders in meeting their expectations.

Wealth Creation And Distribution Among Stakeholders		
	2021	**2020**
Wealth Creation:	KES' M	KES' M
Total Revenue	17,261	12,250
Payment to Suppliers	(13,988)	(10,148)
Wealth Created	**3,273**	**2,102**
Wealth Distribution:		
Employees	926.4	697.0
Shareholders	128.0	32.0
Community	24.3	22.9
Creditors	493.2	531.1
Government	184.0	76.3
Utilities	75.5	46.2
Capital Expenditure	468.9	350.0
Others	854.1	615.2
Reinvested in the Group	118.5	(268.8)
Wealth Distributed	**3,273**	**2,102**

*The amount distributed to Government above is exclusive of all other taxes that are not direct corporation tax. This is because those taxes such as Value Added Tax (VAT) are accounted for in various items of the Statement of Comprehensive Income. The total taxes amount paid by the Group are as below:

Taxes Paid	**2021**	**2020**
	KES' M	KES' M
Pay as you Earn (PAYE)	208.77	139.19
Valued Added Tax (VAT)	1,823.75	1,029.82
Withholding Taxes	113.93	61.96
Duties	1,737.88	1,149.85
Levies	80.46	65.63
Corporation tax	27.32	14.51
Advance tax	100.92	55.17
Total Tax Paid	**4,093.03**	**2,516.13**

Our core business activities

Automotive and equipment distribution

Consumer brands

- **TVS** motorcycles from India's TVS Motor Company was a pioneer of the two-wheeler taxi. Assembled at our Nakuru plant, TVS has over 100 units, parts and service dealers across Kenya. We deal in TVS three-wheelers in Tanzania.
- **Piaggio** three wheelers is equipped and engineered for higher fuel efficiency, rugged performance and outstanding carrying capacity - both for passenger and cargo.
- **Briggs & Stratton** offer the best solutions for your lawn and garden- quality lawn mowers, trimmers, pressure washers, generators and water pumps.
- **MRF** two-wheeler, three-wheeler, truck and bus radial, agricultural and OTR tyres from MRF, the largest manufacturer of tyres in India.
- **Motorol** Car & General stocks Motorol lubricants for the two and three-wheeler vehicles in Kenya.
- **Electrolux** is the world's largest appliance maker of white goods – washing machines, washer dryers, spare parts and accessories.
- **Mercury Mariner** outboard engines. Our product range include 2-stroke and 4-stroke engines.
- **Garmin** Car & General is the distributor of Garmin devices in Kenya. They include automotive, wearables, sports and fitness, outdoor, marine and aviation devices.

Equipment brands

- **Cummins Power Generation** has vast experience is reflected in a wide range of successful generating sets from 15 KVA to 3,750 KVA manufactured in accordance with the international standards to provide prime power and stand by options, acoustic canopies, super silenced containers and stand alone or multi-set installations. We also stock engines, parts, oils and filters.
- **Doosan** excavators, wheel loaders and articulate dump trucks are from Doosan Infracore, Korea's biggest machinery manufacturer.
- Car & General is the distributor for **ACE** construction equipment - graders, rollers, back hoe loaders and cranes.
- Whatever your lifting, moving, stacking, picking or handling needs may be, **Toyota** has the solution. Ranging from forklifts – electrical, diesel or gas to pallets, stackers and reach trucks.
- **Kubota** are quality tractors manufactured by Kubota Corporation, Japan. Also available are agricultural implements: ploughs, harrows, planters, sprayers and trailers.
- **Ingersoll-Rand** compressors are available in both reciprocating and rotary screw types.

Financial services

Car & General acquired a stake in Watu Africa, marking its entrance in to the financial services space.

Real estate

Car & General's retail space development, Nairobi Mega, along Uhuru Highway was completed in 2020 with Carrefour as anchor tenant.

Agriculture

Car & General runs one of the pioneers of poultry farming in Tanzania, Kibo Poultry Products Limited. Founded by in 1964. The farm produces day old chicks from Moshi.

Manufacturing

Bodaplus, a helmet manufacturing company. It was formed in 2020 with operations commencing in 2021.

Our value Chain

INPUTS

PARTNERSHIPS

Financial Capital

Car & General's share capital, accumulated reserves and debt financing

Shs **200,516,000**
of Shareholders Equity

Shs **4,382,245,000**
of Accumulated Reserves

Shs **4,523,231,000**
of Debt Capital

Shs **271,192,000**
of Non-controlling interest

Intellectual Capital

We take pride and leverage on our management's expertise on business management, risk management, and corporate governance as it is key on the improvement of the corporate investment.

Experienced Board and Executives

Balance sheet management

Capable, experienced and trained staff

Social Capital

The trusted associations and partnerships with our all of our stakeholders- customers, regulators, employees, communities, suppliers.

- Strong brand with 85-year history
- Wide reach – closer to the customer with own outlets and dealers
- Great brands with high market share
- Commitment to change

Human Capital

One of Car & General's strategic objective is "To be a great place to work" and recognizing that each employee has unique capabilities that bring about innovation that adds value to the business. We subscribe to A-level talent identification, hire and retention, must live the Cargen values.

3,032 Employees (consolidated) as of September 30 2021

Manufactured Capital

These are physical, material and technological objects we use in the provision of goods and services to meet our objectives.

Natural Capital

These include renewable and non-renewable natural resources used by Car & General in creating value of its stakeholders

Electricity

Diesel

Water

Office Space

Car & General business process

CORPORATE GOVERNANCE

We have implemented operational governance structures and processes that ensure rigorous and prudent management in addition to oversight our business and adequately recognize and protect the interests of our investors and our other stakeholders.

Strategic objectives

01 To be the No. 1 Choice of customer

Ensure product availability, streamlining our digital strategy, training matrix and programs, offering after sales services.

02 To achieve our financial objectives

Working towards protecting our margins and costs.

03 To be a great place to work

Promote a friendly working environment, personal development, Job scaling, remuneration and incentive packages.

04 To be a regional organization

Adopt best practices across the region - embedding corporate culture.

05 To be a good corporate citizen

Adherence to regulation, Climate action- guided by UN SDGs, Global compact principles, CSR-Community initiatives in line with our priority areas.

RISK MANAGEMENT

For proper risk management we identify internal and external happenings that may affect our set strategies and potentially impacting on our bottom-line, capital and corporate image. This is achieved through the various risk measures laid down for appropriate risk prioritization and mitigation.

OUTPUTS	OUTCOMES	RESULTING CAPITALS
Consolidated assets Shs **14,447,609,000** As of September 2021 Profit for the year of Shs **887,243,000** Return on Equity of **18.28**%	Strong capital position Financial leverage Easy access to financial and human capital Competitive and risk-adjusted returns • Confidence in Car & General's ability to meet its contractual obligations	ENHANCED FINANCIAL, INTELLECTUAL, SOCIALAND HUMAN AND NATURAL CAPITALCAPITAL
Increased business gross profit by **56.4**% Enhanced analysis of financial needs Responsible financial advice Indexed new business Growth in core business **41.4**%	Fair outcomes for investors Good product balance- equipment, consumer Great brands with high market share Excellent customer service and increased customer satisfaction • Over 65 million customers served	
Wide-ranging stakeholder engagement and partnerships Regulatory compliance Shs **24,300,000** spent on Corporate Social Responsibility	Socio-economic uplift through trainings Better understanding of stakeholders needs, concerns and priorities Reputation – a strong corporate brand Reduced regulatory fines and penalties • Broader presence and economic involvement	
Shs **926,420,000** total employee expenses Comprehensive value- added benefits for workforce Training and development and growth from within Staff engagement activities and recognition program	• A motivated and skilled workforce • Low employee turnover • Increased productivity • Transformation and innovation	
Energy and water efficiency programmes	• Reduced environmental footprint • Enhanced environmental awareness	REDUCED NATURAL AND FINANCIAL CAPITALS

FIVE YEAR PERFORMANCE

Particulars	2017 Shs' M	2018 Shs' M	2019 Shs' M	2020 Shs' M	2021 Shs' M
Revenues	9,635	10,080	11,907	12,118	17,142
Gross profit	1,450	1,565	1,692	1,951	3,051
Operating Income (EBIT)	568	707	622	743	1,607
Income before tax	98	358	99	130	1,103
Total comprehensive income	119	270	253	359	887
Cash flows from operating activities	600	539	(763)	1,451	(592)
Cash flows from investing activities	(131)	(189)	(382)	(221)	(314)
Free cash flows (FCF)	345	142	(1,243)	963	(906)
Cash flows from financing activities	(298)	(544)	1,161	(1,083)	(1,023)
Cash dividends paid	24	24	32	32	128
Capital expenditures (PPE)	254	396	480	488	659
Cumulative Depreciation (PPE)	264	297	337	355	355
Total Assets	9,400	10,174	11,484	11,903	14,448
Property Plant and Equipment	1,408	1,507	1,651	1,784	2,011
Cargen shareholders Equity	3,358	3,604	3,613	3,939	4,854
Interest bearing debt	3,546	3,431	4,659	3,693	4,943
Earnings per share	1.71	5.35	4.27	6.85	22.43
Dividends per share (declared)	0.60	0.80	0.80	0.80	3.20
Equity per share	0.08	0.35	0.09	0.10	0.12
Financial ratios:					
Gross profit ratio (margin)	15.05	15.53	14.21	16.10	17.80
Operating income ratio	5.89	7.01	5.22	7.73	9.37
Return on revenues (ROR)	1.24	2.68	2.12	2.96	5.18
Return on equity	3.55	7.50	7.00	9.11	18.28
Return on assets	1.27	2.66	2.20	3.01	6.14
Gearing ratio	0.98	0.90	1.24	0.88	0.93
Total shareholder equity ratio	35.72	35.43	31.46	33.09	33.60

Sustainability Overview

Sustainability in our Operations

Our Group's sustainability agenda is established on a belief that our actions affect our stakeholder and therefore in order to meet our needs without affecting our stakeholders' ability to meet their needs in future we have to enable people, businesses and society to grow in a way that is sustainable in the long-term. Our Sustainability strategy is integrated in our business model and aimed at improving our operations as well as contributing to the sustainable development goals. The following are themes adopted by Cargen to implement our sustainability strategy.

Safety

Car & General has a particular responsibility to ensure the health and wellness of its employees, clientele and community. We aim to contribute to SDG 3 by making continuous improvements in the area of occupational safety (Target 3.9) in the workplace. We have a Health, Safety and Environment department (HSE) with a qualified leader.

Diversity

Car & General promotes the principle of equal opportunities regardless of race, religion, gender, national origin, ancestry, marital status or presence of disability. Car & General continues to make an effort to reasonably accommodate physical or mental limitations of its otherwise qualified employees, to assist in performance of the essential functions of the job. As a matter of principle, employees are chosen, hired and supported based on their qualifications and skills.

Car & General embraces diversity, actively encourages inclusion, and creates a safe environment that nurtures each employee's potential regardless of the individual differences. This is how the company achieves the maximum degree of quality, integrity, innovation and empowerment.

Sexual Harassment

Our treatment of each other strictly prohibits all forms of discrimination and harassment. We measure the number of sexual harassment issues through the Human Resources function.

Reported harassment issues	2020	2021
Number of reported issues on sexual harassment through the Human Resources function	0	0

Integrity

In an effort to promote corporate sustainability practices, in March 2016, Car & General signed up to the Code of Ethics of Business in Kenya. We are committed to enhancing business ethics and integrity in Kenya by demonstrating our efforts against bribery and corruption within our operations.

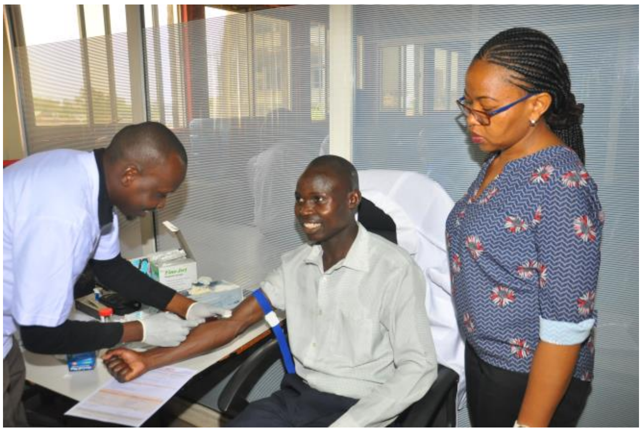
At Car & General, operating ethically and with integrity are core values and we work hard to ensure all of our employees are well informed about our Code of Conduct. One of our KPIs is ensuring that all employees conduct themselves with integrity and uphold company values at all times.

We measure the number of integrity issues reported through our whistleblower function annually:

Reported integrity issues	2020	2021
Number of reported issues through the whistleblower function	0	1

Our Contribution to the achievement of Sustainable Development Goals (SDGs)

Car & General wants to contribute to the growth of a mobile society by developing innovative and valuable technologies that anticipate the requirements of the times in order to share happiness with stakeholders. This strategy is in accordance with the UN's Sustainable Development Goals (SDGs), especially Goal 3 "Good health and wellbeing", Goal 4 "Quality Education", Goal 7 "Affordable and Clean Energy", Goal 13 "Climate Action" and by extension Goal 6 "Clean water and sanitation" and Goal 15 "Life on land" which all align with Car & General's overall corporate activities.



C&G continues to run blood donation drives with Kenya Blood Transfusion Services in support of saving lives. Employees have donated blood to aid the country's blood bank, which will help minimize the number of fatalities as a result of lack of blood during emergencies.

3 GOOD HEALTH AND WELL-BEING

SDG 3 – Good-Health and Well-being

Car & General has a particular responsibility to ensure the health and wellness of its employees, clientele and community. We aim to contribute to SDG 3 by making continuous improvements in the area of occupational safety (Target 3.9) in the workplace.

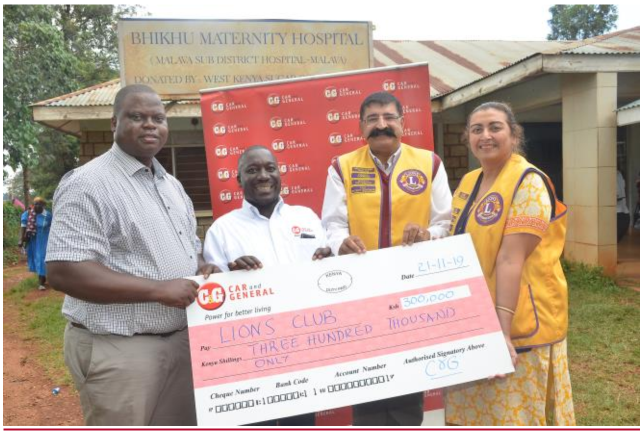
C&G invests in employee initiatives that promote a healthy lifestyle and supports one of the Government's Big Agenda on Universal Healthcare Coverage (Target 3.8) through provision of internal medical camps, gym and regular medical talks.

C&G aims to realize a collision-free society through the spread of safety equipment and providing education on road safety.

We acknowledge that the power of vision is one of the greatest gifts to the human race. Lions Club of C&G, Lions Club of Nairobi Host and Lion's First Eye Hospital have partnered to provide free eye camps to the less privileged in the society throughout the country.


C&G CAR and GENERAL
CABINET TREASURER
ZONE CHAIRMAN
OF THE YEAR
LIONS INTERNATIONAL

Our Contribution to the achievement of SDGs (Continued)



In 2021, the focus in the area of mental health was crucial (Target 3.4) to increase mental well-ness at the workplace.

4 QUALITY EDUCATION

SDG 4 – Quality Education

Car & General has collaborated with various universities and technical training institutions to donate training equipment, visits and attachments for students' and lecturers to receive first-hand experience and training at the C&G facilities. This is in support of SDG 4.3 and the Government's focus on providing technical training to equip youth with necessary skills.

C&G anticipates (Target 4.4) to increase the number of youth who have relevant skills for employment, decent jobs and entrepreneurship by 2030.

Cummins C&G has adopted the Treeside School for the Deaf, providing them with an opportunity to develop their capabilities and a decent shot in life by supplying necessities to the students.

Our Contribution to the achievement of SDGs (Continued)

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 – Decent Work and Economic Growth

Car & General is a pioneer in the premium motorcycle industry and one of the largest employers in Kenya. We ensure a good work environment that respects human rights for management, staff and partners across the value chain.

Car & General pays attention to innovation. C&G has invested in research and development in recent years to support development of new technology.

C&G pursuing technological progress as the world starts demanding for products that are environmentally friendly.

13 CLIMATE ACTION

SDG 13 –Climate Action

Car & General is mindful of its impact on climate change as a result of its operations, and we support SDG 13 with climate related initiatives

15 LIFE ON LAND

Environmental projects

To help rehabilitate degraded forest land in Kenya, C&G partners with similar minded organizations like Kenya Forestry Services to plant trees across Kenya.

6 CLEAN WATER AND SANITATION

SDG 6- Water and Sanitation

Car & General has built water pans in collaboration with our CSR partners. C&G has previously worked with Cummins Inc and the Lions Club of Mombasa Pwani to build rainwater harvesting for irrigation and household use.


TVS
bbr
BODA BODA RADIO
TVS
TVS

Impact of the Boda-Boda Industry in Kenya

Direct Jobs Created

There are 1.2 Million riders in Kenya.
9 out of 10 are used for commercial purposes representing over 1 Million jobs created.
75% are youth.
6% are female.

Car & General market share for three-wheelers is about 50%.

Tuk-tuk Brand: Piaggio.

Livelihoods Supported

1 Motorcycle supports the livelihoods of 6 people in a family, on average.
A total of 6,000,000 lives, about 10% of Kenya's Population, supported by the industry.

Income Earned

Average daily income Shs 1,000 per rider.
Total daily income generated by the industry 1 Billion.
Total annual income generated by the industry 365 Billion.

1 Million Jobs created

6 Million Lives supported

15 Million Rides a day

Contribution to Fuel Industry

Each bike consumes an average of Shs 300 per day on fuel.
Shs 300 Million spent on fuel everyday by the industry

Contribution to Government

The industry contributes over Shs 163 Million to the government as road levies and other charges imposed on fuel

Car & General market share for two-wheelers is about 25%.

Motorcycle Brand: TVS.

Other Contributions

It has eased transport challenges in rural and rough roads.
Has facilitated small scale trade.
It has created indirect employment for mechanics, insurers, importers, assemblers, distributors, sales persons, manufacturers and many others.

> There are approximately 1 Million riders across the region who depend on Car & General for services on a daily basis.

Corporate Governance

Governance structure at Car & General

Through several committees in the parent and subsidiaries, the Board is responsible for the governance and management of the business within the appropriate risk appetite, providing an acceptable level of assurance for the correct control and conduct of the company's operations. The Board of Directors and the management are described below.

Nicholas Ng'ang'a EBS, Chairman and Non-Executive Director

Nicholas Ng'ang'a is the Chairman of the Board of Directors of Car & General (Kenya) Plc. Nganga, an astute businessman, is a holder of a BA degree from Makerere University and served as Permanent Secretary in the Ministries of Finance, Foreign Affairs and Health.

Mr. Nganga has been extensively involved in the tea industry and was Chairman of the Tea Board of Kenya. He is a past Chairman to the boards of the National Bank of Kenya and Safaricom Plc – where he served from since 2007 to 2020. Currently he is also member of the Board of Kakuzi PLC and G4S Security.

Vijay Vashdev Gidoomal, Group CEO

Vijay Gidoomal qualified as a lawyer from Clifford Chance in the UK in 1992. He returned to Kenya in 1993 and was responsible for establishing Car & General operations in Uganda and Tanzania as Executive Director.

He became the Managing Director of Car & General in 1996 and oversaw a complete restructuring of the company's revenue base, gradually introducing new product lines that included the pioneering of the introduction of three wheelers and two wheelers as taxis in East Africa.

Vijay has seen the company grow regionally with representation in Kenya, Uganda, Tanzania, Rwanda, Burundi, Seychelles, Eritrea, Ethiopia, Djibouti and Somalia. He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

Conrad Nyukuri, Secretary to the Board

Conrad Nyukuri is the Secretary to the Board of Car & General. He is a Partner at Adili Corporate Services Kenya. Conrad has vast experience in compliance matters and is also well versed in corporate governance. Conrad has been the secretary to boards of several listed public companies, multinationals and private companies in various sectors.

He holds a BSc Business Administration degree and is a practicing member of the Institute of Certified Public Secretaries Kenya with over sixteen years post-qualification experience. Conrad is also an affiliate of the Institute of Certified Secretaries and Administrators. He is a founder member of the Council of Institute of Certified Public Secretaries of Kenya.

Carey M. Ngini, Non-Executive Director

Carey has a wealth of experience across a variety of sectors ranging from property, finance and insurance to oil and gas. Carey has established a number of operations in these areas and is currently a Director of several companies including G4S Secure Data Solutions (Kenya) Limited (archiving), St Christopher's Schools Ltd (education), Syndicate Holdings Ltd (property) and Bentworth Investments Ltd (oil and gas). His experience is very relevant to the current direction of Car & General. Carey graduated with a Bachelor of Science Degree in Business and Finance from the US International University in the UK.

Gladys M. Mboya, Non-Executive Director

Gladys is an advocate of the High Court of Kenya with over twenty years' experience in commercial and corporate law having advised both private and public companies in diverse industries including government and non-governmental organizations, financial institutions, private equity funds, microfinance organizations, manufacturing, health and aviation companies.

Gladys is Managing Partner of Mboya, Wang'ondu & Waiyaki Advocates. She is a strategic thinker and an adept negotiator. With her proven leadership skills, she leads a good legal practice. Gladys holds degrees in Law and Masters in Business Administration, from the University of Wales and University of Warwick respectively.

Madabhushi Soundararajan, Non-Executive Director:

Madabhushi Soundararajan, CEO of Delta Corp East Africa Ltd, a real estate development company substantially owned by the reputed Reliance Industries Limited from India, joined the Car & General Board in 2008. He made a name for himself in the banking industry having served in different positions in banks both in Kenya and India.

Mr. Soundararajan has been a career banker for 36 years with the State Bank of India, Standard Chartered Bank, Commercial Bank of Africa (NCBA Plc) and the CFC Group (CFC Stanbic). He was the Managing Director of CFC Financial Services Ltd and Managing Director of CFC Bank, before joining Delta Corp East Africa.

Pratul Shah, Non-Executive Director:

Pratul Shah FCCA, CPA (Kenya), CPS(Kenya) has over 35 years of professional experience in general practice and specialist advisory areas in audit, tax planning, strategic planning, corporate finance, and corporate recovery work with Price-Waterhouse-Coopers (PwC), where he was a Partner. He currently assists companies in the banking, insurance, retail, manufacturing, and services sectors develop their strategic plans and restructuring advice to compete and build shareholder wealth. He is an advisor to various Boards and has been a lead advisor in many mergers and acquisitions transactions. He has served on ICPAK's Technical and Ethics Committee, Banking & Insurance Committees and has been a past member of the Insurance Tribunals Board appointed by the Minister of Finance.

Sanjay. P. Gidoomal, Non-Executive Director

Sanjay Gidoomal is the Board Chairman of Watu Credit. He was previously Managing Director at GIRO Commercial Bank Ltd until February 2017.

He is currently a Director of Bodaplus, Car & General (Kenya) Plc, Car & General (Tanzania) Limited and Car & General (Uganda) Limited. Sanjay is also Chairman of Watu Kenya and Watu Holdings.

SUMMARY OF THE BOARD OF DIRECTORS

Name	Age	Gender	Expertise	Nationality	Year of Appointment (Tenure)	Executive/Non-Executive	Independent/Non-Independent	Meeting attendance
Nicholas Nganga	83	Male	Business Operations Finance Management	Kenyan	1988 (33)	Non-Executive	Non- Independent	5/5
Vijay Vashdev Gidoomal	54	Male	Legal Finance Management	Kenyan	1994 (27)	(Group CEO) Executive	Non-Independent	5/5
Sanjay Prem J Gidoomal	54	Male	Banking Credit Management	Kenyan	2008 (13)	Non-Executive	Independent	5/5
Gladys Mumbua Mboya	54	Female	Legal Investments	Kenyan	2018 (3)	Non-Executive	Non-Independent	5/5
Carey Muriithi Ngini	53	Male	Finance Insurance	Kenyan	2017 (4)	Non-Executive	Independent	5/5
Soundararajan Madabhushi	71	Male	Banking Management	Indian	2008 (13)	Non-Executive	Independent	5/5
Pratul Hemraj Shah	67	Male	Audit Tax Planning	Kenyan	2001 (20)	Non-Executive	Independent	5/5

COMMITTEE MEETINGS

Name	Audit Risk and Compliance Committee Attendance	Governance, Nomination and Compensation Committee Attendance
Nicholas Nganga	Not a member	2/3
Gladys Mumbua Mboya	Not a member	2/3
Carey Muriithi Ngini	4/4	3/3
Soundararajan Madabhushi	4/4	3/3
Pratul Hemraj Shah	4/4	Not a member
Sanjay Prem J Gidoomal	4/4	3/3

THE MANAGEMENT TEAM

Vijay Gidoomal
(CEO, Car & General PLC)
A UK-trained lawyer, Vijay joined C&G in 1993 as Executive Director, and became CEO in 1996, overseeing the restructuring of the company and introducing new product lines and regional expansion.

David Chesoni
(MD, Car & General Trading Limited, Kenya)
A graduate of Economics from Egerton University, David was appointed MD in 2018 responsible for profitability of Kenya's distribution business in Kenya. David joined the C&G in April 1996.

Venkatesh Jarayaman
(MD, Car & General Trading Limited, Tanzania)
He joined C&G in 1998. Venkatesh is responsible for profitability of the C&G trading business in Tanzania. He graduated from the Regional Engineering College -Trichy India, in 1992. . He was appointed MD of C&G Tanzania in 2011.

Naveen Kumar
(MD, Car & General Trading Limited, Uganda)
Naveen joined C&G in 2005. He has a Diploma in Mechanical Engineering from Andra Pradesh Technical Board. He also holds Bachelor of Arts Degree from Osmania University, Hyderabad. He became the Head of Uganda business in 2021.

Carol Omanjo
(COO, Car & General PLC)
Carol joined Car & General in 1996, as Accounts Assistant. She was appointed COO in 2020. Carol is responsible for human resources, procurement, administration, treasury, credit control, logistics, real estate and communications. A graduate of KCA University with a Bachelor of Commerce degree with CPA from Strathmore Business School.

Sam Njenga
(CFO, Car & General PLC)
Sam joined C&G in 2008 as an Internal Auditor. He was appointed CFO in 2020. As CFO, Sam ensures prudent financial management that includes producing timely and accurate accounts. Sam holds a Bachelor of Commerce degree from Kenyatta University and has a Masters of Commerce degree from Strathmore University. He is a CPA (K).

George Rubiri
(GM, Consumer Products, Car & General Trading Limited, Kenya)
George joined C&G in 2005 and was appointed GM in 2016. George is a graduate of Moi University with a Bachelor of Arts – Government and Public Administration.

Titus Murage
(Group Commercial Manager, Car & General PLC)
Titus joined C&G in 1996. A holder CPA (K) from Kimathi University, Titus was appointed as Group Commercial Manager in 2016.

THE MANAGEMENT TEAM (Continued)

Costa Cherotich
(Head of Audit, Car & General PLC)
Costa joined C&G in 2011. A graduate of Bachelor of Commerce (Accounting Option) from Kenyatta University, she was appointed to Head of Audit in 2020. Costa is Certified Public Accountant (CPA-K).

Raphael Atanda
(Head of Communications, Car & General PLC)
Raphael joined C&G in 1996 as a Librarian. He holds a Diploma in information Science from Technical University of Kenya, an Executive Diploma in Marketing Communications from the Marketing Society of Kenya and is a member of the Public Relations Society of Kenya.

Eunice Malelu
(Head of Treasury, Car & General PLC)
Eunice joined C&G in 2012. She holds a Bachelor degree in Business and Management and CPA (K) from Egerton University. Eunice was appointed to head the Treasury in 2021.

Faith Mumo
(Head of Marketing, Car & General Trading Limited, Kenya)
Faith joined C&G in 2007 and was appointed as Head of Marketing in 2020. Faith has a degree in Public Relations from Daystar University and a Practitioners Diploma in Marketing from the Marketing Society of Kenya.

Saumil Vyas
Head of Digital Marketing and Strategy, Car & General Trading Limited, Kenya
Saumil joined C&G in 2018 and was appointed to head the Digital Marketing and Strategy in 2021. He is a graduate of Narmada College of Management with an MBA in Marketing.

Christine Odhiambo
(HR and Administration Manager, Car & General PLC)
In order to align human resource strategies with overall strategic goals of C&G, Christine was appointed in 2021. A holder of Bachelor of Science Second Class honors upper Division in Human Resource Management from Moi University, she is an associate member at the Institute of Human Resource Management.

Gilbert Mutai
(Head of Information Technology, Car & General PLC)
Gilbert joined C&G in 2017. He graduated with a Bachelor in Computer Science – Egerton University and Masters in Information technology Management – University of Nairobi. He hold Project management certification from Computer Pride Training Centre, Nairobi. He is also the SAP Manager at C&G.

Jeremiah Mureu
(Head of Credit Control, Car & General PLC)
Jeremiah joined C&G in 2008 and became the Head of Credit Control in 2015. He holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and is a Certified Credit professional by the School of Credit management.

Corporate Governance (Continued)

Corporate governance is vital in business and has gained traction over the years and its importance highlighted around the world. The reason for the global interest in corporate governance is that it underpins a company's operating framework.

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).

The Board of Directors understands the basis of integrated thinking in decision-making and the interdependencies between financial and non-financial values in creating value for all of its stakeholders, thereby increasing the company's performance.

The Board appreciates the foundation of good corporate governance rooted in ethical and effective leadership, as it is geared towards achieving sustainable corporate governance results. The Board of Directors takes a stakeholder-inclusive approach and is responsible for taking due account of the legitimate interests and expectations of the company's stakeholders in its considerations, decisions and actions.

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.

The code of conduct under the corporate governance guidelines ensure that the principles of disclosure and transparency are adopted. During the current year of reporting, the company complied with all the regulations and laws of Kenya.

BOARD OPERATIONS AND CONTROL

Board appointment, composition, size and qualifications

The group has developed clear procedures and guidelines for Board appointment supported by the Board charter. The appointment of each and every director is carried out in a formal and transparent manner.

The full Board determines the size of the Board, subject to relevant laws, regulation, provisions of the Company's Memorandum of Incorporation (MOI) and recommended practices. Our Board consist of an appropriate number and mix of individuals to ensure that there is an overall adequate diversity of knowledge, skills, age, gender, race and expertise at board level commensurate with the nature, scale and complexity of the business and risks of the insurers. The Board is made up of eight members including non-executive directors and independent directors to promote objectivity in decision-making.

The directors have the appropriate skills to adequately carry out their duties in the board. The chairperson of board is an independent, non-executive Director. The necessary induction and training for Directors is provided by the Centre for Corporate Governance in Kenya, as and when required.

Corporate Governance (Continued)

Structure of the board

The Board has taken a holistic approach to the assignment of roles and responsibilities, as well as the composition of Board committees, with the goal of promoting effective collaboration among committees with minimal overlap and fragmentation of responsibilities, as well as a balanced distribution of power.

There are two established committees: Audit, Risk and Compliance committee and Governance, Nomination and Compensation Committee; which are well constituted to discharge their roles.

Functions of the Board

The roles and responsibilities are clearly assigned at board level. The roles of the chairman and the chief executive officer (CEO) are clearly defined and separated. The Board of Directors delegates powers to the relevant Board Committees to protect issues relating to strategy, company performance, its resources and the Code of Conduct.

Chairman to the Board

The main functions of the board chairman are:

- To provide leadership to the Board and ensure its effectiveness in all aspects of its role;
- To facilitate the input of non-executive directors and encourage constructive relations between executive and non-executive directors;
- To set the agenda of the Board;
- To set ethical tone for the Board and the Company;
- To ensure effective stockholder and stakeholder engagement; and,
- To representative responsibilities on behalf of the Company

Independent/Non-Executive Directors

Their roles include but not limited to:

- Analyze and hold company's performance against the objectives;
- Evaluate and monitor company performance;
- Review management plans and provide strategic guidance;
- Ensure that there are adequate policies and procedures relating to the appointment, dismissal and succession of Managing Executives;
- Provide oversight in respect of the design and implementation of sound risk management and internal control systems and functions;
- Adopt appropriate policies and procedures to oversee Managing Executives' responsibilities;
- Regularly monitor and evaluate the adequacy and effectiveness of the Company's governance framework; and,
- Oversight role of the company's strategy and resource allocation.

Chief Executive Officer (CEO)

Our CEO does the following:

- Ensures that the policies spelt out by the Board in the Company's overall corporate strategy are implemented;
- Ensure that the Board is frequently and adequately appraised about the operations of the institution through presentation of relevant board papers;
- Provide oversight role of the company's strategy and resource allocation;
- Establish and maintain efficient and adequate internal control systems;
- Evaluate and monitor company performance;
- Monitor control and risk management systems; and,
- Review management plans and provide strategic guidance.

Corporate Governance (Continued)

Audit, Risk and Compliance Committee

The Board has an audit committee that meets at least four times a year. Members of the 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.

The Committee's main roles are;

- Review of financial information, budgets and development plans;
- Ensuring compliance with accounting standards;
- Liaison with the external auditors;
- Monitoring the implementations of guidelines on related parties transactions;
- Fixing the remuneration of external auditors;
- Review the effectiveness of the design and operation of the Company's system of internal control and management of financial risk;
- Monitor the effectiveness of Internal Audit, Financial reporting mechanisms; and,
- Management of the established checks and balances to ensure compliance with pertinent laws and regulations.

Governance, Nomination and Compensation Committee

The Committee meets as required and when necessary. It is comprised of four Non-Executive Directors; Carey M Ngini (Chairman), M Soundararajan, S P Gidoomal and Gladys M. Mboya.

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;
- The Remuneration Policy for the Group, including the remuneration of the Chairman, Non- Executive Directors, Executive Directors and Senior Management, as well as overseeing the arrangements for the wider workforce;
- Make recommendations to the Board to fill vacancies for Executive and Non- Executive Directors;
- Ensuring that the Board and its Committees have an appropriate balance of skills, experience, independence and knowledge of the Group; and,
- Review of all group policies, corporate governance systems and practices for the Board's overall stewardship responsibility and the discharge of its obligations to the stakeholders of the Group.

Board Independence

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

All non-executive directors are considered independent by the board of directors as they are free from any business or other relationship that materially affects or could affect their judgment.

The Board of Directors has also taken into account the independence requirements of the Nairobi Securities Listing Standards and has determined that these are observed by the Chairman and all Non-Executive Directors. The Board of Directors believes that it includes an appropriate combination of executive and non-executive directors.

Age Limit for Board of Directors

The Group has not prescribed the age limit for its Directors. Retired Directors who wish to continue serving in the office of Director must seek the approval of the Shareholders at the Annual General Meeting.

Corporate Governance (Continued)

Board Tools

The company has put in place the necessary tools that empower the Board to discharge their roles and responsibilities.
They include: C&G's Code of conduct policy; The Board Charter; Audit, Risk and Compliance Committee TOR; Governance, Nomination and Compensation Committee TOR.

Board of Directors Induction & continuous skill development

Newly appointed Board member participate in an induction program that is tailored to effectively orient the member to the Company's business, strategy, objectives, policies, procedures, operations, senior management and the business environment.

The induction includes all the necessary information that is required by a member for effective performance on the Board. New Board members are introduced to their fiduciary duties and responsibilities as well as any other aspects that are unique to the business.

Annual evaluations of Board Members

For improved Board effectiveness, the Board carries out an assessment of its performance the performance of the Chairperson, that of its committees, individual members, the Chief Executive Officer and the Company Secretary.

The Board discusses the results of the evaluation exercise which essentially informs the Board on the training needs for its members.

Board Remuneration

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 2021, the following is the recommended remuneration for Non-Executive Directors.

Annual basic retainer fee			
		2021	**2020**
		KES	**KES**
Main Board Chairman		140,664	131,462
Audit Committee Chairman		126,598	118,316
Other Directors		112,533	105,171
Sitting allowances			
	Board Committee	**Audit Committee**	**Governance & Nominations Committee**
	KES	**KES**	**KES**
Chairman	140,664	126,598	93,776
Other Directors	112,533	93,776	93,776

Executive Directors

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

Non-Executive Directors

Our Non-Executive Directors have wide range of strategic and operational experience gained in other businesses and/or organizations. They 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.

Corporate Governance (Continued)

Board Remuneration (Continued)

Remuneration	Salaries and benefits	Pension scheme	Directors Fee	Total
30-Sep-21	KES'000'	KES'000'	KES'000'	KES'000'
Mr. V. Gidoomal*	21,588	180	-	21,768
Mr. N Ng'ang'a EBS	-	-	2,272	2,272
Mr. P Shah	-	-	2,644	2,644
Mr. S P Gidoomal	-	-	1,353	1,353
Mr. M Soundararajan	-	-	1,353	1,353
Mr. C M Ngini	-	-	1,529	1,529
Ms. G M Mboya	-	-	915	915
Total	21,588	180	10,066	31,834
30-Sep-20	KES'000'	KES'000'	KES'000'	KES'000'
Mr. V. Gidoomal*	17,951	182		18,131
Mr. N Ng'ang'a EBS	-	-	1,205	1,432
Mr. P Shah	-	-	1,733	2,026
Mr. S P Gidoomal	-	-	1,281	1,635
Mr. M Soundararajan	-	-	1,096	1,365
Mr. C M Ngini	-	-	1,264	1,533
Ms. G M Mboya	-	-	872	1084
Total	**17,951**	**182**	**7,445**	**25,576**

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.

Compliance with Laws, Regulations and Standards

The Company is listed on the Nairobi Securities Exchange. Therefore, the company is bound by and complies with: The Companies Act 2015, its regulations and amendments; The Capital Markets Act Cap. 485A rules and regulations; The Nairobi Stock Exchange Listing Standards; and, All other applicable laws and regulations that govern the various lines of business in which it operates.

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.

INTERNAL CONTROLS

The Group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the Group remains structured to ensure appropriate segregation of duties.

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.

The Board has ensured that the Directors, CEO, MDs and Executive management have been trained on the requirements of the Code of Good Corporate Governance in Kenya.

The Chief Financial Officer, Sam Njenga, and the Head of Internal Audit, Costa Cherutich, are members of the Institute of Certified Public Accountants of Kenya (ICPAK).

Conrad Nyukuri, the Secretary to the Board of car & General, is a member of the Institute of Certified Public Secretaries of Kenya (ICS) and a founder member of the Council of Institute of Certified Public Secretaries of Kenya.

Corporate Governance (Continued)

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 and members of the executive management are to not allow to use their official position and/or confidential company information for insider trading or make any other transition, or communication with a third party to benefit financially or otherwise. Directors are also obligated to inform the board of conflicts, or potential conflicts of interest that they may have in relation to particular items of business or other directorships.

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.

ETHICS AND SOCIAL RESPONSIBILITY

The Board believes in working to improve communities in which we operate taking the balancing act of corporate sustainability seriously. We ensure that Car & General's business operations have positive social, environmental and financial impact.

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.

The top management endorses this policy and ensures it is compatible with the context and strategic direction of the organization ensuring 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 and our efforts to pursue positive relationships in our communities with partner organizations aligned with our priority areas and has a presence where Car & General does business.

STAKEHOLDERS RELATIONS

An expansive range of stakeholders are significant to the company at all business levels. Strategic stakeholders crucial to our capacity to create lasting, sustainable value are recognized by applying an established stakeholder engagement agenda. This process considers the Company's strategic objectives, current or emerging risks.

Our key stakeholders are described in the stakeholder engagement section, and an outline of their significance to our long-term sustainable success, what matters to them, and how we engage and respond to them.

During the current reporting year, the Board also deliberated on the impact of Covid-19 across our key stakeholders. Our key stakeholders are described in the stakeholder engagement section, and an outline of their significance to our long-term sustainable success, what matters to them, and how we engage and respond to them.

We work with our key stakeholders on a day-to-day basis at the level and in a format best suited to the context of the board or senior management.

Corporate Governance (Continued)

Our governance framework, including our Code of Conduct and specific stakeholder engagement frameworks/guidelines, requires openness, transparency and integrity and defines requirements for adequate management oversight.

The board of directors will continue to monitor the ongoing effectiveness of our group's engagement with stakeholders.

RIGHTS OF SHAREHOLDERS

The company acknowledges the value of providing relevant up-to-date information to its shareholders and of empowering them through effective communication through a timely and readily available manner. This ensures effective participation of shareholders and other stakeholders.

Our Shareholder's policy of 2020 outlines the processes followed by Company to ensure that communication with shareholders and the wider investor community is effective and consistent and that reasonable access to senior management and directors is provided to shareholders and the investor.

The company recognizes the importance of shareholder's privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

TRANSPARENCY AND DISCLOSURE

The company discloses all the material information in a timely and balanced manner and ensures all the relevant material information in this context is published on our website. This includes various company policies, Board charter, financial reports, our governing ethical principles, and shareholder communication policy and governance structure.

ACOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

The company largely believes in having a positive impact while powering better life while sustaining economic viability.

For this to be achieved, management of risk frameworks and controls have been developed.

These controls are founded on the company's core values; our audit, risk and compliance frameworks; our governance structure and our ethical principles.

We comply with the current laws and regulations governing our areas of business. Besides external assurance on our financials, we have an established internal audit unit. We adhere to guidelines by Capital Markets Authority.

In the previous financial year (2019-2020), the firm submitted its Corporate Governance self-assessment report to CMA and the Authority conducted a comprehensive assessment as per the Code. The Authority identified C&G's governance and sustainability strengths and weaknesses and shared its findings and recommendations on areas of improvement. The Authority, upon the assessment, gave C&G an overall weighted score of 53% (Fair).

In the current financial year, we have continued our commitment to good governance and stability. We recognize that there are a number of policies that we are yet to publish on our website. That notwithstanding, the board is aiming at meeting all the requirements and fully complying with of CMA Code of Good corporate governance. As a step towards fully adopting the guidelines, we hired consultants to assist us with the development of the integrated report for the financial year 2020-2021. Given that good governance is a continuous journey, C&G is committed to review and implement the recommendations given by the Authority.

BY ORDER OF THE BOARD

Conrad Nyukuri

Secretary

5 January 2022

SHAREHOLDING STRUCTURE

Distribution of shareholders as at September 30th, 2021

Shareholding (No. of shares)	No. of shares held	No. of shareholders	Percentage (%)
Less than 500	87,249	656	0.22
500 - 5,000	683,044	384	1.70
5,001 - 10,000	582,657	77	1.45
10,001 -100,000	2,073,520	77	5.17
100,001 - 1,000,000	3,538,023	9	8.82
above 1,000,000	33,138,815	6	82.63
Total	40,103,308	1,209	100

Shareholders of Car & General PLC as of September 30th, 2021

Name	Shares Owned	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	855,580	2.13
Nairobi Commercial Continental Limited	540,000	1.35
Chandan Jethanand Gidoomal	442,218	1.10
Investment & Mortgage Nominees Ltd A/c 028950	419,471	1.05
Total Top 10 shareholding	**35,396,084**	**88**
Others	4,707,224	12
Total Shares Outstanding	**40,103,308**	**100**

Directors' Shareholdings as at September 30th, 2021

Name	Shares Owned	Percentage (%)
Soundararajan Madabhushi	-	-
Pratul Hemraj Shah	-	-
Gladys Mumbua Mboya	5,040	0.01
Carey Muriithi Ngini	-	-
Sanjay Prem J Gidoomal	-	-
Nicholas Nganga	5,448	0.01
Vijay Vashdev Gidoomal	1,584	0.003
Total Directors' shareholding	**12,072**	**0.023**

Management's Shareholdings as at September 30th, 2021

*None of the Senior Managers own Car & General (Kenya) Plc Shares.

GOVERNANCE AUDITOR'S REPORT

1. INTRODUCTION

Car & General (Kenya) Plc (the "Company"), in compliance with the Code, appointed Stamford Corporate Services LU" (the "Auditor") to conduct a Governance Audit for the year ended 31 December 2020 which comprised assessment of the governance practices. structures, systems, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the applicable laws and regulations, in particular, the Companies Act, 2015 ("the Act") and the Code of Corporate Governance for Issuers of Securities to the Public ("the Code") as well as the latest developments in corporate governance; and that the Company has adopted best practices in corporate governance as a means of ensuring sustainability.
The scope of the Audit is derived from the Code, the Companies Act and the Governance Audit Tool developed by the ICS. It consisted of an assessment of the following elements of corporate governance:

a) Leadership and strategic management;
b) Transparency and disclosure;
c) Compliance with laws and regulations;
d) Communication with stakeholders;
e) Board independence and governance;
f) Board systems and procedures;
g) Consistent shareholders' and stakeholders" value enhancement;
h) Corporate social responsibility and investment; and
i) Sustainability.

The content was customized and adapted to the local standards and regulatory issues.

2. BOARD RESPONSIBILITY

The Board is responsible for putting in place governance structures and systems that support the practice of good governance .in the organisation. The responsibility includes planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the organisation. The Board is responsible for ensuring its proper constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and, sustainability and performance management.

3. GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of Governance instruments, policies, structures, systems and practices in the Company within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper Board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; and sustainability and performance management, based on our audits.

We conducted our Audit in accordance with the Institute of Certified Secretaries Governance Audit Standards and Guidelines which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organizations policies, systems, practices and processes. The Audit involved obtaining audit evidence on a Sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

GOVERNANCE AUDITOR'S REPORT (Continued)

4. OPINION

In our opinion, the Board has put in place effective, appropriate and adequate governance structures in the Company which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders, and in this regard we issue on unqualified opinion.

CS. Winnie Jumbo, GA No. 00064

For Stamford Corporate Services LLP

LEGAL AND REGULATORY COMPLIANCE AUDITOR'S REPORT

BOWMANS

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LEGAL AND REGULATORY COMPLIANCE AUDIT OPINION

The Code of Corporate Governance for Issuers of Securities in Kenya ("the Code") requires the Boards of listed companies to ensure that a comprehensive, independent Legal Compliance Audit ("the Audit") is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya. The Code also requires that an internal legal compliance audit is carried out on an annual basis (save when an external audit is carried out) and that the findings from the audits are acted upon and any non-compliance issues arising corrected as necessary.

Car & General (Kenya) Plc (the "Company"), in compliance with the Code, appointed Coulson Harney LLP (the "Auditor") to conduct the Legal and Regulatory Compliance Audit for the period ended 30 September 2019.

The Auditor is of the opinion that during the period ended 30 September 2019, Car & General (Kenya) Plc substantially complied with the requirements of the internal and external legal framework. Instances of non-compliance, none of which has been ranked as posing a serious risk to the legal health of the Company have been identified and specifically reported.

....
Mr. Paras Shah
Legal & Compliance Auditor

Date: 22 January 2021

ADOPTION OF THE LEGAL AND COMPLIANCE AUDIT REPORT

The Legal Compliance Audit Report was adopted by the Board of Directors on 22 day of January 2021

Vijay Gidoomal

....
Director

....
Director

Financial Statements and Notes

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 2021, 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.

GROUP RESULTS

	2021 Shs '000	2020 Shs '000
Profit before taxation	1,103,242	129,839
Taxation credit	(215,999)	144,295
Profit for the year	887,243	274,134
Attributable to:		
Owners of the parent	899,447	274,627
Non - controlling interests	(12,204)	(493)
	887,243	274,134

DIVIDEND

The Directors propose payment of a first and final dividend of Shs 3.20 (2020: Shs 0.80) per share equivalent to a total sum of Shs 128,330,586 (2020: Shs 32,082,646).

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 have recovered after a difficult 2020. Notwithstanding challenges remain particularly in certain sectors. 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.

The Group has faced these challenges positively during the financial year ended 30 September 2021. 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 grow volume and been able to achieve its market share objectives and grow sales by 42%. Kenya, Tanzania and Watu 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 continue to expand in 2022 assuming no further lockdowns. Achieving 2022 volume objectives is critical to delivering an EBITDA percentage of 10% which remains a key financial objective.

REPORT OF THE DIRECTORS (Continued)

The Group now has a great stable of quality brands and products catering to significant markets which are now well positioned to grow especially if economic prosperity is achieved. 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. We are designing a second development in Shanzu, Mombasa.

We have recently opened a helmet manufacturing facility under BodaPlus Limited.

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 2022 focus will be directed towards the launch of electric vehicles. We will introduce electric 3- wheeler vehicles in February and 2 wheelers in 2023. We are working hard with our suppliers to deliver products that are fit for purpose.

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 2021, the group's staff headcount stood at 872 (2020: 724) and 3,032 (2020: 1,820) together with Joint venture and associates.

Social community initiatives

The Group continues to support the eye clinic and water security programs although activity have 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 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.

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.

REPORT OF THE DIRECTORS (Continued)

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance provisions of Section 719(2) of the Kenyan Companies Act, 2015 and being eligible, offer themselves for re-election in accordance with provisions of Section 721 of the same law. 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 auditor's appointment and the related fees.

BY ORDER OF THE BOARD

Conrad Nyukuri

Secretary

5 January 2022

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
Chairman

V V Gidoomal
Chief Executive Officer

5 January 2022

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CAR & GENERAL (KENYA) PLC

Report on the Audit of the Consolidated and Separate 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 83 to 159, which comprise the consolidated and company statements of financial position as at 30 September 2021 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 2021 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 consolidated and company 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 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.

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

Report on the Audit of the Consolidated and Company Financial Statements (Continued)

Key Audit Matter (Continued)

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of investment properties As disclosed in note 15 of the consolidated and company financial statements, the Group's and Company's investment property amounted to Shs 3,525 million and Shs 2,251 million as at 30 September 2021 respectively. The fair valuation of the investment properties for the current period resulted to a net gain of Shs 12,294,000 for both Group and Company. The valuation method adopted by the Directors for a significant portion of investment properties is based on the income capitalization approach. Significant judgement is required when determining the capitalization/yield rate where the income capitalization approach is employed. The valuation of investment properties is therefore considered a key audit matter. Refer to note 2 for the accounting policy on investment properties.	Our procedures to address the risk of material misstatement relating to valuation of investment properties included: • Assessing the competence, capabilities and objectivity of the Group's and Company's investment properties professional valuers; • Involving our in-house fair value specialists in evaluating the judgements applied by the Directors and the Group's independent professional valuers for reasonableness and in particular the assumptions and methodologies used to estimate the fair value of the investment properties; and • Checking the accuracy and completeness of the data used by management professional valuers in the valuation of investment properties. Based on procedures performed, we concluded that the methodology and assumptions used by the Directors in the valuation of investment properties were appropriate. In addition, the disclosures pertaining to the valuation of investment properties 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.

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

Responsibilities of Directors for the consolidated and company 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.

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 scepticism 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;

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

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

- 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.

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 75 to 77 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 66 to 67 has been prepared in accordance with the Kenyan Companies Act, 2015.

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

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi
5 January 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 Shs '000	2020 (Restated) Shs '000
REVENUE	5	17,141,960	12,117,976
COST OF SALES		(13,987,931)	(10,147,703)
OTHER COSTS	6	(102,911)	(19,498)
GROSS PROFIT		**3,051,118**	**1,950,775**
OTHER INCOME	7	118,884	131,866
GAIN/(LOSS) IN FAIR VALUE OF INVESTMENT PROPERTIES	15	12,294	(50,452)
IMPAIRMENT PROVISION FOR FINANCIAL ASSETS	36(a)	(15,629)	(31,311)
SELLING AND DISTRIBUTION COSTS		(751,213)	(595,747)
ADMINISTRATIVE EXPENSES		(1,204,418)	(899,537)
SHARE OF PROFIT IN ASSOCIATES	20	370,373	247,452
SHARE OF PROFIT/(LOSS) IN JOINT VENTURE	21	25,350	(10,324)
PROFIT BEFORE FINANCE COSTS AND TAXATION		**1,606,759**	**742,722**
FINANCE COSTS	8	(503,517)	(612,883)
PROFIT BEFORE TAXATION	**10**	**1,103,242**	**129,839**
TAXATION (CHARGE)/CREDIT	11	(215,999)	144,295
PROFIT FOR THE YEAR		**887,243**	**274,134**
OTHER COMPREHENSIVE INCOME			
GAIN ON PROPERTY REVALUATION	16	25,220	36,898
DEFERRED TAX ON REVALUATION OF PROPERTY	26	(7,243)	(8,366)
EFFECT OF CHANGE IN TAX RATE	26	(27,382)	25,727
		(9,405)	54,259
EXCHANGE DIFFERENCE ARISING ON TRANSLATION OF FOREIGN OPERATIONS NET OF TAX		3,983	30,495
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(5,422)	84,754
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**881,821**	**358,888**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2021 (Continued)

	Note	2021 Shs '000	2020 Shs '000
PROFIT FOR THE YEAR IS ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		899,447	274,627
NON - CONTROLLING INTERESTS	12	(12,204)	(493)
PROFIT FOR THE YEAR		887,243	274,134
		=======	=======
OWNERS OF THE PARENT		894,023	359,381
NON - CONTROLLING INTERESTS	12	(12,204)	(493)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		881,821	358,888
		=======	=======
EARNINGS PER SHARE:			
BASIC AND DILUTED EARNINGS PER SHARE (SHS)	13	22.43	6.85
		=======	=======
EARNINGS BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION	**14**	**1,844,282**	**936,980**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 Shs '000	2020 (Restated) Shs '000
REVENUE	5	176,385	87,149
OTHER INCOME	7	50,429	44,749
GAIN/(LOSS) IN FAIR VALUE OF INVESTMENT PROPERTIES	15	12,294	(50,452)
IMPAIRMENT PROVISION FOR FINANCIAL ASSETS	36(a)	-	(80,246)
ADMINISTRATIVE EXPENSES		(161,785)	(142,290)
PROFIT/(LOSS) BEFORE FINANCE COSTS AND TAXATION		**77,323**	**(141,090)**
FINANCE COSTS	8	(21,136)	(29,101)
PROFIT/(LOSS) BEFORE TAXATION	**10**	**56,187**	**(170,191)**
TAXATION (CHARGE)/CREDIT	11	(83,897)	149,506
LOSS FOR THE YEAR		(27,710)	(20,685)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
GAIN ON PROPERTY REVALUATION	16	11,500	43,409
DEFERRED TAX ON REVALUATION OF PROPERTY	26	(3,450)	(10,852)
EFFECT OF CHANGE IN TAX RATE	26	(27,382)	25,727
		(19,332)	58,284
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
EXCHANGE DIFFERENCE ARISING ON TRANSLATION OF FOREIGN OPERATIONS NET OF TAX		(38)	1
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(19,370)	58,285
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(47,080)**	**37,600**
EARNINGS/(LOSS) BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION	**14**	**119,204**	**(102,438)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	2021 Shs '000	2020 Shs '000
ASSETS			
Non-current assets			
INVESTMENT PROPERTIES	15	3,525,004	3,509,690
PROPERTY, PLANT AND EQUIPMENT	16	2,011,185	1,784,105
INTANGIBLE ASSETS	17	21,047	17,236
RIGHT OF USE ASSET	18	567,016	566,702
INVESTMENT IN ASSOCIATES	20	789,203	418,830
INVESTMENT IN JOINT VENTURE	21	316,097	290,747
DEFERRED TAX ASSET	26	335,228	364,154
		7,564,780	**6,951,464**
CURRENT ASSETS			
INVENTORIES	22	4,496,940	2,999,196
TRADE AND OTHER RECEIVABLES	23	1,271,679	1,295,796
DUE FROM RELATED COMPANIES	24(a)	391,180	335,394
LOAN DUE FROM RELATED COMPANY	24(b)	192,944	10,110
CORPORATE TAX RECOVERABLE	11(c)	109,885	78,951
CASH AND BANK BALANCES	30(c)	420,201	232,575
		6,882,829	**4,952,022**
TOTAL ASSETS		**14,447,609**	**11,903,486**
		========	========
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
SHARE CAPITAL	25	200,516	200,516
REVALUATION RESERVE		816,978	788,445
RETAINED EARNINGS		3,559,317	2,729,890
EXCHANGE TRANSLATION RESERVE		5,950	1,967
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		4,582,761	3,720,818
NON-CONTROLLING INTERESTS	12	271,192	218,502
		4,853,953	**3,939,320**
NON-CURRENT LIABILITIES			
DEFERRED TAX LIABILITIES	26	832,622	741,025
BORROWINGS	27	819,594	857,718
LEASE LIABILITIES	28	410,919	478,320
LOAN DUE TO RELATED PARTY	24(c)	165,266	165,266
		2,228,401	**2,242,329**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 (Continued)

	Note	2021 Shs '000	2020 Shs '000
CURRENT LIABILITIES			
DUE TO RELATED COMPANIES	24(d)	545,358	446,888
BORROWINGS	27	4,123,838	2,834,910
LEASE LIABILITIES	28	207,362	123,771
TRADE AND OTHER PAYABLES	29	2,482,448	2,295,193
CORPORATE TAX PAYABLE	11(c)	6,249	21,075
		7,365,255	5,721,837
TOTAL EQUITY AND LIABILITIES		14,447,609	11,903,486

The financial statements on pages 83 to 159 were approved and authorised for issue by the Board of Directors on 5 January 2022 and were signed on its behalf by:

N. Ng'ang'a, EBS
Chairman

V. V. Gidoomal
Chief Executive Officer

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note	2021 Shs '000	2020 Shs '000
ASSETS			
NON-CURRENT ASSETS			
INVESTMENT PROPERTIES	15	2,250,914	2,237,150
PROPERTY, PLANT AND EQUIPMENT	16	635,976	638,421
INTANGIBLE ASSETS	17	256	320
RIGHT OF USE ASSET	18	294,156	318,500
INVESTMENT IN SUBSIDIARIES	19	405,975	516,892
		3,587,277	**3,711,283**
CURRENT ASSETS			
TRADE AND OTHER RECEIVABLES	23	42,784	52,634
DUE FROM RELATED COMPANIES	24(a)	782,005	735,067
CORPORATE TAX RECOVERABLE	11(c)	25,260	25,100
CASH AND BANK BALANCES	30(c)	23,611	9,214
		873,660	**822,015**
TOTAL ASSETS		**4,460,937**	**4,533,298**
EQUITY AND LIABILTIES			
CAPITAL AND RESERVES			
SHARE CAPITAL	25	200,516	200,516
REVALUATION RESERVE		457,575	484,574
RETAINED EARNINGS		1,217,264	1,269,389
EXCHANGE TRANSLATION RESERVE		2,911	2,949
		1,878,266	**1,957,428**
NON-CURRENT LIABILITIES			
DEFERRED TAX LIABILITY	26	649,068	550,206
BORROWINGS	27	100,000	-
LEASE LIABILITIES	28	322,484	331,304
		1,071,552	881,510
CURRENT LIABILITIES			
DUE TO RELATED COMPANIES	24(d)	787,771	652,928
BORROWINGS	27	625,301	938,197
LEASE LIABILITIES	28	8,821	6,714
TRADE AND OTHER PAYABLES	29	89,226	96,521
		1,511,119	**1,694,360**
		4,460,937	**4,533,298**

The financial statements on pages 83 to 159 were approved and authorised for issue by the Board of Directors on 5 January 2022 and were signed on its behalf by:

N. Ng'ang'a, EBS
Chairman

Vijay Gidoomal

V. V. Gidoomal
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Share capital Shs '000	Revaluation reserve Shs '000	Retained earnings Shs '000	Exchange translation Reserve* Shs '000	Attributable to owners of the company Shs '000	Non-controlling interest Shs '000	Total Shs '000
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**
At 1 October 2020	200,516	788,445	2,729,890	1,967	3,720,818	218,502	3,939,320
Profit for the year	-	-	899,447	-	899,447	(12,204)	887,243
Other comprehensive income for the year	-	17,977	(27,382)	3,983	(5,422)	-	(5,422)
Transfer of excess depreciation	-	13,842	(13,842)	-	-	-	-
Deferred tax on excess depreciation transfer	-	(3,286)	3,286	-	-	-	-
Dividend paid	-	-	(32,082)	-	(32,082)	-	(32,082)
Non-controlling interest arising from incorporation of BodaPlus Limited (note 12)	-	-	-	-	-	64,894	64,894
At 30 September 2021	200,516	816,978	3,559,317	5,950	4,582,761	271,192	4,853,953

*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 2021

	Share capital Shs' 000	Revaluation reserve Shs ' 000	Retained earnings Shs ' 000	Exchange translation reserve* Shs ' 000	Total Shs ' 000
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 loss 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
At 1 October 2020	200,516	484,574	1,269,389	2,949	1,957,428
Loss for the year	-	-	(27,710)	-	(27,710)
Other comprehensive income for the year	-	(19,332)	-	(38)	(19,370)
Transfer of excess depreciation	-	(10,953)	10,953	-	-
Deferred tax on depreciation transfer	-	3,286	(3,286)	-	-
Dividend paid	-	-	(32,082)	-	(32,082)
At 30 September 2021	200,516	457,575	1,217,264	2,911	1,878,266

*The foreign currency translation reserve represents the cumulative position of translation gains and losses arising from translation of the net assets of the foreign operation/branch to the reporting currency.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 Shs '000	2020 Shs '000
Cash flows from operating activities			
Net cash generated from operations	30(a)	20,852	1,991,791
Corporate tax paid	11(c)	(169,176)	(56,799)
Interest paid	8	(443,231)	(483,863)
Net cash (used in)/generated from operating activities		(591,555)	1,451,129
Cash flows from investing activities			
Additions to investment properties	15	(1,706)	(84,912)
Purchase of property, plant and equipment	16	(309,230)	(165,713)
Purchase of intangible assets	17	(7,593)	(187)
Investment in associate	20	-	(38,621)
Dividend received from an associate	20	-	65,040
Proceeds on disposal of property, plant and equipment		4,238	3,210
Net cash used in investing activities		(314,291)	(221,183)
Cash flows from financing activities			
Repayment of lease liabilities	28	(157,088)	(112,280)
Loans received	30(b)	13,194,866	9,374,640
Loans repaid	30(b)	(12,045,989)	(10,311,066)
Hire - purchase finance	30(b)	(1,502)	(2,070)
Dividend paid		(32,082)	(32,082)
Proceeds from non-controlling interests- BodaPlus		64,894	-
Net cash generated from/ (used in) financing activities		1,023,099	(1,082,858)
Net increase in cash and cash equivalents		117,253	147,088
Cash and cash equivalents at beginning of the year		229,779	79,380
Effects of foreign exchange rates		2,088	3,311
Cash and cash equivalents at end of the year	30(c)	349,120	229,779

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 Shs '000	2020 Shs '000
Cash flows from operating activities			
Net cash generated from operations	30(a)	199,839	615,309
Corporation tax paid	11(c)	(16,028)	(7,822)
Interest received/(paid)		3,200	(4,547)
Net cash generated from operating activities		187,011	602,940
Cash flows from investing activities			
Additions to investment properties	15	(1,706)	(84,912)
Purchase of property, plant and equipment	16	(3,527)	(26,528)
Redemption of share capital	19	110,917	-
Net cash used in investing activities		105,684	(111,440)
Cash flows from financing activities			
Repayment of lease liabilities	28	(30,841)	(29,373)
Loans received	30(b)	85,454	2,322,641
Loans repaid	30(b)	(298,955)	(2,708,125)
Dividend paid		(32,082)	(32,082)
Net cash (used in)/generated from financing activities		(276,424)	(446,939)
Net increase in cash and cash equivalents		16,271	44,561
Cash and cash equivalents at the beginning of the year		6,418	(38,147)
Effects of foreign exchange rate changes		198	4
Cash and cash equivalents at the end of the year	30(c)	22,887	6,418

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 to standards and interpretations on the financial statements effective for the year ended 30 September 2021

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Group in the current financial (annual) period given that it did not hold benchmark interest rate exposures with respect to hedges.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are not applicable to the Group for the financial year just ended.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

i.) Relevant new and amendments to standards and interpretations on the financial statements effective for the year ended 30 September 2021(Continued)

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. Any reduction in lease payments affects only payments originally due on or before 30 September 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 September 2021 and increased lease payments that extend beyond 30 September 2021); and
c. There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group did not apply the amendment to IFRS 16; Covid-19 related rent concessions as they did not receive rent concessions from their lessor.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance 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.

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 (IFRSs) (Continued)

i.) Relevant new and amendments to standards and interpretations on the financial statements effective for the year ended 30 September 2021(Continued)

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments 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.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References Conceptual Framework in IFRS to the Conceptual Framework in IFRS Standards for the first time in the current year. 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 IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

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.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

i.) Relevant new and amendments to standards and interpretations on the financial statements effective for the year ended 30 September 2021(Continued)

Amendments to References to the Conceptual Framework in IFRS Standards (Continued)

New and Amendments to standards	*Effective for annual periods beginning on or after*
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	1 January 2023, with early application permitted.
IFRS 17: *Insurance Contracts*	1 January 2023
Amendments to IAS 1-*Classification of liabilities as current or non-current*	1 January 2023, with earlier application permitted
Amendments to IFRS 3: *Reference to the Conceptual Framework*	1 January 2022, with earlier application permitted
Amendments to IAS 16- *Property, plant and equipment-Proceeds before intended use*	1 January 2022, with earlier application permitted
Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022, with earlier application permitted
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest rate benchmark reform-Phase 2*	1 January 2021, with earlier application permitted
Amendments to IAS 1 and IFRS practice statement 2: *Disclosure of accounting policies*	1 January 2023, with earlier application permitted
Amendments to IAS 8: *Definition of accounting estimates*	1 January 2023, with earlier application permitted
Amendments to IFRS 16: *Covid-19 related rent Concessions beyond 30 June 2021*	1 April 2021, with earlier application permitted
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single*	1 January 2021, with earlier application permitted
Annual improvements to IFRS standards 2018-2020 Cycle: *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*	1 January 2021, with earlier application permitted

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The directors do not expect that the adoption of the Standard will have a material impact on the financial statements of the Group.

IFRS 10 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 effective date of the amendments is 1 January 2023 with earlier application permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021 (Continued)

Amendments to IAS 1-Classification of Liabilities as Current or Non-current

The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position- not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before intended use

These are amendments regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted.

An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021 (Continued)

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The changes in Reference to the Conceptual Framework are as follows;

a) Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
b) Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
c) Add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references at the same time or earlier.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IAS 37: Onerous Contracts- Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021 (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2 (Continued)

The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the interbank offered rates (IBOR) reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments are as follows:

Modification of financial assets, financial liabilities and lease liabilities: The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Hedge accounting requirements: Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

Disclosures: In order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition; quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark; to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

The application of all proposed amendments is mandatory. The nature of the proposed amendments is such that they can only be applied to modifications of financial instruments and changes to hedging relationships that satisfy the relevant criteria and, as such, no specific end of application requirements needed to be specified.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required; however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021 (Continued)

Amendments to IAS 1 and IFRS practice statement 2: Disclosure of accounting policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

a) An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

b) Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

c) The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

d) The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Amendments to IAS 8: Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021 (Continued)

Amendments to IAS 8: Definition of accounting estimates (Continued)

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

a) The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
b) Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
c) The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
d) A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

Amendments to IFRS 16: Covid-19 related rent Concessions beyond 30 September 2021

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The Changes in Covid-19-Related Rent Concessions beyond 30 September 2021 (Amendment to IFRS 16) amend IFRS 16 to:

a) Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 September 2021);
b) Require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
c) Require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
d) Specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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

ii.) Relevant New and revised IFRSs in issue but not yet effective for the year ended 30 September 2021 (Continued)

Amendments to IFRS 16: Covid-19 related rent Concessions beyond 30 September 2021 (Continued)

The amendment is effective for annual reporting periods beginning on or after 1 April 2021 with earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Company.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24.

Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Investment in associate and joint ventures (Continued)

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 income 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 rebates and discounts.
The school recognises 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.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets (Continued)

Any impairment loss is recognised as an expense immediately under administrative expenses in the statement of profit or loss and other comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

Leases

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Leases equipment (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Livestock

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

Financial 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.

(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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

(a) Classification of financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Impairment of Financial assets (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. ACCOUNTING POLICIES (Continued)

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 expenses by function. Please refer to note 31.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Key sources of estimation uncertainty (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Key sources of estimation uncertainty (Continued)

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 (2020: 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 30 percent.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.
- Poultry – day old chick farming.
- Financial Services – microfinance services offered by the associate, Watu Credit Limited
- ICT Training and Talent development - development of talent by offering multi-disciplinary learning, management and training delivery solutions to corporations, institutions and individuals.

(b) Segment revenues and results

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

	Trade and workshop	Investment properties	Poultry	Financial services	ICT Training and development	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
30/09/2021						
Revenue	16,684,208	151,114	302,419	-	4,219	17,141,960
	=========	=======	=======	======	======	=========
Gain in fair value of investment properties	-	12,294	-	-	-	12,294
	========	=======	======	======	======	========
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)
	========	=======	======	======	======	========

*Revenue reported above represents revenue generated from external customers.

No single customer contributed 5% or more to the group's revenue in either 2021 or 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SEGMENTAL INFORMATION (Continued)

(b) Segment revenues and results (Continued)

	Trade and workshop	Investment properties	Poultry	Financial services	Joint venture	ICT Training & Development	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
30 September 2021							
Earnings before finance cost, depreciation, amortization and							
Kenya	947,825	119,204	-	370,373	25,350	(9,810)	
Uganda	68,960	-	-	-	-	-	68,960
Tanzania	264,846	-	58,224	-	-	-	323,090
Rwanda	(690)	-	-	-	-	-	(690)
Total	1,280,941	119,204	58,224	370,373	25,350	(9,810)	1,844,282
30 September 2020							
Earnings before finance cost, depreciation, amortization and							
Kenya	451,812	(10,244)	-	247,452	(10,324)	(13,792)	664,904
Uganda	37,174	-	-	-	-	-	37,174
Tanzania	243,132	-	848	-	-	-	243.980
Rwanda	(9,078)	-	-	-	-	-	(9,078)
Total	723,040	(10,244)	848	247,452	(10,324)	(13,792)	936,980

NOTES TO THE FINANCIAL STATEMENTS (Continued)
4. SEGMENTAL INFORMATION (Continued)

(c) Segments assets and liabilities

	Trade and Workshop	Investment properties	Poultry	ICT Training & Talent Development	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
30-Sep-21					
Assets	10,178,480	3,664,219	571,654	33,256	14,447,609
	=========	========	========	========	=========
Liabilities	7,589,675	1,794,981	196,599	12,401	9,593,656
	=========	========	========	========	========
30-Sep-20					
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
	=========	========	========	========	=========

(d) Other segment information

30 September 2021					
Cost of sales	13,853,925	-	134,006	-	13,987,931
Other costs	102,911	-	-	-	102,911
Expenses - selling and administrative	1,430,844	161,785	104,889	20,590	1,718,108
Interest expenses	443,221	-	16	(6)	443,231
Depreciation/amortisation	175,791	41,880	13,291	6,561	237,523
	========	========	========	=========	========
30 September 2020					
Cost of sales	9,972,509	-	175,194	-	10,147,703
Other costs	19,498	-	-	-	19,498
Expenses - selling and administrative	1,275,840	18,103	47,321	24,710	1,365,974
Interest expenses	479,511	-	3,174	1,178	483,863
Depreciation/amortisation	182,129	-	5,001	7,128	194,258
	========	========	========	=========	=========

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SEGMENTAL INFORMATION (Continued)

(e) Geographical information

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

	2021 Shs '000	2020 Shs '000
Kenya	11,221,011	7,253,943
Uganda	912,300	781,376
Tanzania	5,006,156	4,066,981
Rwanda	2,493	15,676
	17,141,960	12,117,976

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

	2021 Shs '000	2020 Shs '000
Non-current assets (excluding deferred tax assets)		
Kenya	6,102,821	5,564,667
Tanzania	1,002,593	911,373
Uganda	119,628	106,489
South Sudan	4,414	4,650
Rwanda	96	131
	7,229,552	6,587,310
Total assets		
Kenya	10,593,391	9,148,477
Tanzania	3,084,432	2,060,214
Uganda	737,963	661,837
Rwanda	26,998	27,962
South Sudan	4,825	4,996
	14,447,609	11,903,486
Total liabilities		
Kenya	7,098,285	6,449,176
Tanzania	2,162,049	1,190,862
Uganda	324,831	314,140
Rwanda	8,491	9,988
	9,593,656	7,964,166

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. REVENUE

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
	Shs '000	Shs '000	Shs '000	Shs '000
Trade and workshop	16,684,208	11,849,258	-	-
Poultry	302,419	198,086	-	-
ICT training and development	4,219	3,790	-	-
Rental income	151,114	66,842	176,385	87,149
Total	17,141,960	12,117,976	176,385	87,149

6. OTHER COSTS

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Demurrage and Storage Costs	102,911	19,498	-	-

*The Kenya Trading operations suffered significant storage and demurrage charges during clearing processes due to logistical and motorbike localization challenges.

7. OTHER INCOME

	GROUP		COMPANY	
	2021	**2020**	**2021**	**2020**
	Shs '000	**Shs '000**	**Shs '000**	**Shs '000**
Gain/(loss) on disposal of property, plant and equipment	180	(2,835)	-	(762)
Hire of property and equipment	-	42,238	-	-
Management fees	50,429	45,511	50,429	45,511
Interest income on related party loan – Watu Credit Limited	38,766	3,172	-	-
Miscellaneous income	29,509	43,780	-	-
Total	118,884	131,866	50,429	44,749

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. FINANCE COSTS

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Interest on borrowings	443,231	483,863	(3,200)	4,547
Interest expense on lease liability (note 28)	49,976	47,246	24,128	24,547
Net foreign exchange losses	10,310	81,774	208	7
Total	503,517	612,883	21,136	29,101

9. EMPLOYMENT COSTS

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Salaries and wages	877,664	654,257	39,965	24,521
Retirement benefit costs:				
- Defined contribution scheme	28,770	21,614	3,145	2,826
- National Social Security Fund contribution	17,761	21,162	21	21
Leave pay provision charge	2,225	-	1,658	-
Total	926,420	697,033	44,789	27,368

10. PROFIT BEFORE TAXATION

The profit before tax is arrived at after charging:

		GROUP		COMPANY	
		2021	2020	2021	2020
		Shs '000	Shs '000	Shs '000	Shs '000
Employment costs (note 9)		926,420	697,033	44,789	27,368
Directors remuneration	- Non-Executive	10,066	7,445	10,066	7,445
	- Executive	21,768	18,131	21,768	18,131
Auditors' remuneration		14,758	12,674	1,698	1,444
Depreciation of property, plant and equipment (note 16)		111,044	89,278	17,472	14,022
Amortisation of intangible assets (note 17)		3,800	4,557	64	286
Depreciation of right-of-use asset (note 18)		122,679	100,423	24,344	24,344
Impairment provision relating to trade receivables (note 23)		15,629	31,311	-	-
Interest expense on lease liability (note 28)		49,976	47,246	24,128	24,547
Impairment provision relating to related party balances		-	-	-	80,246

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TAXATION

(a) Taxation Charge/(Credit)

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Current taxation based on taxable income	120,759	56,163	15,868	-
Deferred tax charge/(credit) (note 26)	113,229	(99,004)	465	(31,623)
Effect of change in tax rate* (note 26)	17,814	(36,809)	80,143	(88,469)
Deferred tax on tax losses (not previously recognised now recognised)/not recognised) (note 26)	(27,047)	49,501	-	-
Prior year under provision - deferred taxation (note 26)	(8,756)	(114,146)	(12,579)	(29,414)
Taxation charge/(credit)	215,999	(144,295)	83,897	(149,506)

*In prior year, 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%. This has since been reverted to 30% starting 1 January 2021.

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

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	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Profit before taxation	1,123,904	129,839	56,187	(170,191)
Tax calculated at the applicable rate	310,765	32,460	16,154	(42,547)
Tax effect of share of results of associate and joint venture	(118,717)	(59,282)	-	-
Tax effect of income not taxable	(4,875)	(40,514)	(2,375)	(7,344)
Tax effect of expenses not deductible for tax	46,815	24,495	2,554	18,268
Deferred tax on tax losses (not previously recognised now recognised)/not recognised	(27,047)	49,501	-	-
Effect of change in tax rate	17,814	(36,809)	80,143	(88,469)
Prior year under provision - deferred taxation	(8,756)	(114,146)	(12,579)	(29,414)
Taxation charge/(credit)	215,999	(144,295)	83,897	(149,506)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TAXATION (Continued)

(c) Corporate tax recoverable/(payable)

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
At beginning of the year	57,876	56,213	25,100	17,278
Charge for the year (note 11(a))	(120,759)	(56,163)	(15,868)	-
Paid in the year	169,176	56,799	16,028	7,822
Translation adjustments	(2,657)	1,027	-	-
At end of the year	103,636	57,876	25,260	25,100
This is analysed as:	=======	=======	=======	=======
Corporate tax recoverable	109,885	78,951	25,260	25,100
Corporate tax payable	(6,249)	(21,075)	-	-
	103,636	57,876	25,260	25,100
	========	=======	======	========

12. NON-CONTROLLING INTEREST – GROUP

	2021	2020
	Shs '000	Shs '000
At the beginning of the year	218,502	218,995
Non-controlling interest arising from incorporation of BodaPlus Limited*	64,894	-
Share of loss for the year	(12,204)	(493)
At end of the year	271,192	218,502
	=======	=======

	2021	2020
	%	%
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	34
BodaPlus Limited*	35	-
	===	===

The above entities are incorporated in Kenya.

*BodaPlus Limited is a subsidiary of Car & General (Kenya) Plc through Car & General Trading Limited – Kenya that was incorporated in the current financial year. Please see further details on page 12.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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:

	2021	2020
Profit attributable to owners of the company (Shs' 000)	899,447	274,627
	======	======
Weighted average number of ordinary shares	40,103,308	40,103,308
	==========	==========
Basic and diluted earnings per share (Shs)	22.43	6.85
	=====	====

14. EARNINGS/(LOSS) BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION

The Group and Company have disclosed Earnings/(loss) before finance costs, depreciation, amortization and taxation because management believes that this measure is relevant to an understanding of the financial performance. This disclosure is provided for illustrative purposes only.

Earnings/(loss) before finance costs, depreciation, amortization and taxation is calculated by adjusting profit for the year to exclude the impact of taxation, net finance costs, depreciation of property, plant & equipment, amortisation of intangible assets and depreciation of right of use asset.

Earnings/(loss) before finance costs, depreciation, amortization and taxation is not a defined performance measure in IFRS. The Groups' definition of Earnings/(loss) before finance costs, depreciation, amortization and taxation may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of Earnings/(loss) before finance costs, depreciation, amortization and taxation to profit/(loss) for the year:

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Profit/(loss) for the year	887,243	274,134	(27,710)	(20,685)
Taxation charge/(credit)	215,999	(144,295)	83,897	(149,506)
Profit/(loss) before tax	1,103,242	129,839	56,187	(170,191)
Finance costs	503,517	612,883	21,136	29,101
Depreciation of property, plant & equipment	111,044	89,278	17,473	14,022
Amortisation of intangible assets	3,800	4,557	64	286
Depreciation of right of use asset	122,679	100,423	24,344	24,344
Earnings/(loss) before finance costs, depreciation, amortization and taxation	1,844,282	936,980	119,204	(102,438)
	=======	=======	=======	=======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
At beginning of the year	3,509,690	3,472,754	2,237,150	2,202,694
Additions	1,706	84,912	1,706	84,912
Fair value gain/(loss)	12,294	(50,452)	12,294	(50,452)
Translation adjustments	1,314	2,476	(236)	(4)
At end of the year	3,525,004	3,509,690	2,250,914	2,237,150

The fair value of the Group's and Company's investment properties as at 30 September 2021 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 3,546 million (2020: Shs 3,510 million) and Shs 2,272 million (2020: Shs 2,237 million) for Group and Company at the end of the year. Details of the outstanding loan facilities are disclosed in note 27.

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 2021				
New Cargen House	-	-	1,665,000	1,665,000
Shanzu plots	-	-	1,200,000	1,200,000
C.G. Retread	-	-	540,000	540,000
Tanzania plot	-	-	74,090	74,090
Diani Beach plots	-	-	41,500	41,500
Juba plot	-	-	4,414	4,414
	-	-	3,525,004	3,525,004

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INVESTMENT PROPERTIES (Continued)

Group (Continued)

	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
	========	=======	========	========

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
30 September 2021				
New Cargen House	-	-	1,665,000	1,665,000
C.G. Retread	-	-	540,000	540,000
Diani Beach plots	-	-	41,500	41,500
Juba plot	-	-	4,414	4,414
	_________	________	________	________
	-	-	2,250,914	2,250,914
	========	=======	========	========
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
	========	=======	========	========

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INVESTMENT PROPERTIES (Continued)

Property	Valuation technique	Significant unobservable inputs	Sensitivity
New Cargen House	Income capitalization method.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 7.5% to 9 % (2020: 8.15% to 10.4 %).	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa
C.G. Retread	Cost method	Market prices for undeveloped land, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, of Shs 250M - Shs 300M per acre (2020: Shs 230M - Shs 260M per acre). Warehouse construction costs of Shs 27,000 - Shs 34,000 per square meter (2020: Shs 26,500 - Shs 29,000 per square meter)	A slight increase in the market price used would result in a significant increase in fair value, and vice versa A slight increase in the cost of construction used would result in a significant increase in fair value, and vice versa
Shanzu plots Diani Beach plots Tanzania plot Juba plot	Market comparable approach	Market prices for undeveloped land, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, of Shs 250M - Shs 300M weighted average per acre (2020: Shs 230M - Shs 260M weighted average per acre)	A slight increase in the market price used would result in a significant increase in fair value, and vice versa

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

The income generated from the properties is as follows:

	2021 Shs'000	2020 Shs'000
Rental income from investment properties (note 5)	151,114	66,842
Direct operating expense arising from rented out investment property *	(25,920)	(18,103)
	125,194	48,739

*These expenses are recorded together with other administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings	Machinery	Furniture, fittings and equipment	Motor vehicles	Computers	Work in progress	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Cost or valuation							
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
At 1 October 2020	1,394,193	247,576	247,749	191,509	56,245	1,598	2,138,870
Translation adjustments	5,806	1,053	2,341	(702)	653	32	9,183
Additions	27,085	187,970	26,204	53,114	11,330	3,527	309,230
Disposals	-	(835)	(4,012)	(12,073)	(5,935)	-	(22,855)
Revaluation surplus	8,417	-	-	-	-	-	8,417
At 30 September 2021	1,435,501	435,764	272,282	231,848	62,293	5,157	2,442,845
Depreciation							
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
At 1 October 2020	-	90,746	97,084	132,060	34,875	-	354,765
Translation adjustments	1,136	288	1,270	(1,818)	575	-	1,451
Charge for the year	15,667	53,580	16,507	19,443	5,847	-	111,044
Eliminated on disposals	-	(725)	(2,152)	(10,327)	(5,593)	-	(18,797)
Write back on revaluation	(16,803)	-	-	-	-	-	(16,803)
At 30 September 2021	-	143,889	112,709	139,358	35,704	-	431,660
Net book value							
At 30 September 2021	1,435,501	291,875	159,573	92,490	26,589	5,157	2,011,185
At 30 September 2020	1,394,193	156,830	150,665	59,449	21,370	1,598	1,784,105
Net book value (cost basis)							
At 30 September 2021	310,520	291,875	159,573	92,490	26,589	5,158	886,205
At 30 September 2020	258,762	156,830	150,665	59,449	21,370	1,598	648,674

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. 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 2019	540,000	1,296	58,534	23,990	623,820
Additions	2,417	-	23,681	430	26,528
Transfer to related parties	-	(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
At 1 October 2020	575,000	1,227	79,973	6,585	662,785
Additions	-	-	1,023	2,504	3,527
At 30 September 2021	575,000	1,227	80,996	9,089	666,312
Depreciation					
At 1 October 2019	-	1,061	17,317	22,174	40,552
Charge for the year	10,826	59	2,505	632	14,022
Transfer to related parties	-	(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
At 1 October 2020	-	1,054	18,067	5,243	24,364
Charge for the year	11,500	43	5,370	559	17,472
Written back on revaluation	(11,500)	-	-	-	(11,500)
At 30 September 2021	-	1,097	23,437	5,802	30,336
Net book value					
At 30 September 2021	575,000	130	57,559	3,287	635,976
At 30 September 2020	575,000	173	61,906	1,342	638,421
Net book value (cost basis)					
At 30 September 2021	26,805	130	57,559	3,287	87,781
At 30 September 2020	27,352	173	61,906	1,342	90,773

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY

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 1,457 million (2020: Shs 1,394 million) and Shs 575 million (2020: Shs 575 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 2021 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 2021 and 30 September 2020 are as follows:

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
30 September 2021				
Group				
Land and buildings	-	-	1,451,862	1,451,862
	========	========	========	========
Company				
Land and buildings	-	-	575,000	575,000
	========	========	========	========
30 September 2020				
Group				
Land and buildings	-	-	1,394,193	1,394,193
	========	========	========	========
Company				
Land and buildings	-	-	575,000	575,000
	========	========	========	========

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP Shs '000	COMPANY Shs '000
Cost		
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
At 1 October 2020	34,066	2,688
Translation adjustments	65	-
Additions	7,593	-
At 30 September 2021	41,724	2,688
Amortisation		
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
At 1 October 2020	16,830	2,368
Translation adjustments	47	-
Charge for the year	3,800	64
At 30 September 2021	20,677	2,432
Net book value		
At 30 September 2021	21,047	256
At 30 September 2020	17,236	320

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RIGHT OF USE OF ASSESTS

Group

	Buildings Shs '000	Motor vehicles Shs '000	Total Shs '000
Cost:			
At 1 October 2019	-	-	-
Effects of adoption of IFRS 16	631,152	35,973	667,125
At 30 September 2020	631,152	35,973	667,125
At 1 October 2020	631,152	35,973	667,125
Translation adjustment	148	-	148
Additions	123,869	24,590	148,459
Modifications/alteration	(26,597)	(3,304)	(29,901)
At 30 September 2021	728,572	57,259	785,831
Depreciation:			
At 1 October 2019	-	-	-
Effects of adoption of IFRS 16	87,383	13,040	100,423
At 30 September 2020	87,383	13,040	100,423
At 1 October 2020	87,383	13,040	100,423
Translation adjustment	25	-	25
Charge for the year	109,638	13,041	122,679
Modifications/alteration	(3,673)	(639)	(4,312)
At 30 September 2021	193,373	25,442	218,815
Net book value:			
At 30 September 2021	535,199	31,817	567,016
At 30 September 2020	543,769	22,933	566,702

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. RIGHT OF USE OF ASSESTS

Company

	Buildings Shs '000
Cost:	
At 1 October 2019	-
Effects of adoption of IFRS 16	342,844
At 30 September 2020	342,844
At 1 October 2020 and 30 September 2021	342,844
Depreciation:	
At 1 October 2019	-
Charge for the year	24,344
At 30 September 2020	24,344
At 1 October 2020	24,344
Charge for the year	24,344
At 30 September 2021	48,688
Net book value:	
At 30 September 2021	294,156
At 30 September 2020	318,500

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)

19. INVESTMENT IN SUBSIDIARIES

Details of investment	Country of incorporation	2021 % of equity interest	2020 % of equity interest	2021 Shs '000	2020 Shs '000
Wholly-owned subsidiaries					
Car & General (Trading) Limited – Tanzania*	Tanzania	100%	100%	137,754	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 (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%	-	-
				405,975	516,892

*In the current year, Car & General (Kenya) Plc redeemed share capital in Car & General (Trading) Limited – Tanzania.

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

	Car & General (Marine) 2021 Shs '000	Car & General (Marine) 2020 Shs '000	Progen Company Limited 2021 Shs '000	Progen Company Limited 2020 Shs '000	Dewdrops Limited 2021 Shs '000	Dewdrops Limited 2020 Shs '000
Summarised statement of financial position						
Total assets	66,654	66,654	1,216,653	1,216,249	1,052,823	1,052,823
Total liabilities	18,768	18,647	1,142,616	1,143,388	430,657	430,618
Net assets	47,886	48,007	74,037	72,861	622,166	622,205
Non - controlling interests	16%	16%	34%	34%	34%	34%
Summarised statement of profit or loss						
Revenue	-	-	-	-	-	-
Loss for the year	(121)	(73)	(4,181)	(1,385)	(39)	(28)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	(121)	(73)	(4,181)	(1,385)	(39)	(28)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENT IN ASSOCIATES - GROUP

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	
			2021	**2020**
Watu Credit Limited	Microfinance Services	Kenya	29.00%	29.00%
Watu Holding Limited	Microfinance Services	Mauritius	29.00%	-
			======	======

The Group's investment in associates is as follows:

	2021 Shs'000	2020 Shs'000
Watu Credit Limited (note 20(a))	747,921	418,830
Watu Holdings Limited (note 20(b))	41,282	-
	789,203	418,830
	=======	=======

The movement in the investment is as follows:

	2021 Shs'000	2020 Shs'000
At the beginning of the year	418,830	197,797
Additional investment in the year	-	38,621
Share of profit in the year	370,373	247,452
Dividend received	-	(65,040)
	789,203	418,830
	=======	=======

Summarised financial information in respect of the Group's associates 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENT IN ASSOCIATES – GROUP (Continued)

	Watu Credit Limited 2021 Shs '000	Watu Credit Limited 2020 Shs '000	Watu Holding Limited 2021 Shs '000	Watu Holding Limited 2020 Shs '000
Current assets	12,280,649	4,866,024	2,724,284	-
Non-current assets	924,831	461,015	25,756	-
Non-current liabilities	6,530,372	2,602,808	1,852,741	-
Current liabilities	3,747,778	1,446,920	53,357	-
Revenue	7,198,800	3,480,806	988,351	-
Profit for the year	1,134,797	853,283	142,352	-
Group's share of profit of associate	329,091	247,452	41,282	-

(a) Watu Credit Limited

The Group, through Car & General Trading Limited - Kenya, holds 29% (2020: 29%) of the equity holding in Watu Credit Limited.

Watu Credit Limited as part of its micro finance services offers asset finance – financing motorcycles and three-wheelers across Kenya.

Watu Credit Limited 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 and Watu Holding 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 2021 have been used which incorporate the audited figures to 31 December 2020. The last audited financial statements were for the year ended 31 December 2020; and
- The Group holds 29% (2020: 29%) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENT IN ASSOCIATES – GROUP (Continued)

	2021 Shs '000	2020 Shs '000
At beginning of year	418,830	197,797
Purchase of additional 2,500 shares*	-	38,621
Share of profit in the year	329,091	247,452
Dividend received from associate	-	(65,040)
At end of year	747,921	418,830

* In the prior year, the Group acquired additional 2,500 shares in Watu Credit Limited leading to the total ownership 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 69 million (2020: Shs 10 million) and attracts interest at the rate of 18% (2020:18%) p.a. Please refer to note 24(b).

(b) Watu Holdings Limited

The Group, through Car & General Trading Limited - Kenya, holds 29% (2020: nil) of the equity holding in Watu Holdings Limited.

Watu Holdings Limited is a newly incorporated entity in Mauritius in the current financial year. The principal activities of Watu Holdings Limited is to hold investments and provide micro-credit facilities. The Company has two subsidiaries i.e., Watu Credit (Uganda) Limited and Watu SL Limited.

Watu Holdings Limited 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 Holding 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 Holdings Limited for the year ended 30 September 2021 have been used which incorporate the audited figures to 31 December 2020. The last audited financial statements were for the year ended 31 December 2020; and
- The Group holds 29% (2020: nil) of the equity shares of Watu Holdings 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 Holdings Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INVESTMENT IN ASSOCIATES – GROUP (Continued)

(b) Watu Holdings Limited (continued)

	2021 Shs '000	2020 Shs '000
At beginning of year	-	-
Share of profit in the year	41,282	-
At end of year	41,282	-

The Group has also advanced a loan to Watu Credit (Uganda) Limited and Watu Credit (Tanzania) Limited whose outstanding balances at the end of the year was Shs 101 million and Shs 22 million respectively (2020: Shs nil) and attracts interest at the rate of 18% (2020: nil) p.a. Please refer to note 24(b).

21. 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 2021	2020
Cummins C&G Holdings Limited	Product Distribution	Mauritius	50%	50%

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

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents the amount shown in the joint venture's financial statements for the year ended 30 September 2021 prepared in accordance with IFRSs.

	2021 Shs '000	2020 Shs '000
Value of net assets at year end		
Total assets	1,556,813	1,521,565
Total liabilities	867,559	927,661
Net assets at year end	689,254	593,904

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. INVESTMENT IN JOINT VENTURE – GROUP (Continued)

The above amounts of assets and liabilities includes the followings:

Cash and cash equivalents	204,392	111,599
	=======	=======
Revenue	1,672,354	1,888,164
Profit/(loss) for the year	50,699	(20,647)
Company share of profit/(loss)	25,350	(10,324)
	=======	=======
The above loss for the year is after charging/(crediting) the following:		
Depreciation	31,572	10,282
Income tax credit	8,178	(10,574)
	=======	=======

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

	2021 Shs '000	2020 Shs '000
Net assets of the joint venture	689,254	593,904
Proportion of the Group's ownership interest in the joint venture	50%	50%
Share of net assets in the joint venture	344,627	296,952
Effect of exchange rate adjustments	(28,530)	(6,205)
Carrying amount of the Group's interest in the venture	316,097	290,747
	======	======

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

At beginning of the year	290,747	301,071
Share of profit/(loss) in year	25,350	(10,324)
At end of the year	316,097	290,747
	=======	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. INVENTORIES – GROUP

	2021 Shs '000	2020 Shs '000
Goods in transit and in bond	2,053,394	1,075,315
Finished products	1,482,349	1,157,006
Raw materials, spares and consumables	923,024	724,265
Work in progress	9,498	21,645
Livestock (parent stock) inventories	27,453	20,045
Books and learning materials	1,222	920
	4,496,940	2,999,196

23. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2021 Shs '000	2020 Shs '000	2021 Shs '000	2020 Shs '000
Trade receivables	1,423,637	1,361,940	69,783	60,769
Provision for bad and doubtful debts	(512,277)	(496,648)	(48,594)	(48,594)
Net trade receivables	911,360	865,292	21,189	12,175
Prepayments and other receivables	360,319	430,504	21,595	40,459
	1,271,679	1,295,796	42,784	52,634
Movement in provision for bad and doubtful debts				
At 1 October	496,648	465,337	48,594	48,594
Increase in provision during the period	15,629	31,311	-	-
At 30 September	512,277	496,648	48,594	48,594

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RELATED PARTIES BALANCES AND TRANSACTIONS

a) Due from related companies

	GROUP 2021 Shs '000	GROUP 2020 Shs '000	COMPANY 2021 Shs '000	COMPANY 2020 Shs '000
Kibo Poultry Products Limited	-	-	-	27,335
Car & General (Automotive) Limited	-	-	154	-
NIIT Learning Limited	-	-	14,997	-
Car & General (Tanzania) Limited	-	-	-	1,371
Car & General (Trading) Limited - (Tanzania)	-	-	2,462	2,261
Car & General (Uganda) Limited	-	-	872	463
Progen Company Limited	-	-	54,484	50,824
Sovereign Holdings International Limited	-	-	10,416	10,192
Car & General (Marine) Limited	-	-	18,316	18,232
Car & General (Engineering) Limited	-	-	14,776	14,678
Dewdrops Limited	-	-	274,348	274,317
Cummins C&G Holdings Limited	391,180	335,394	391,180	335,394
	391,180	335,394	782,005	735,067

b) Loan due from related company

	GROUP 2021 Shs '000	GROUP 2020 Shs '000	COMPANY 2021 Shs '000	COMPANY 2020 Shs '000
Watu Credit Limited	69,288	10,110	-	-
Watu Credit (Uganda) Limited	101,294	-	-	-
Watu Credit (Tanzania) Limited	22,362	-	-	-
	192,944	10,110	-	-

c) Loan due to related party

	GROUP 2021 Shs '000	GROUP 2020 Shs '000	COMPANY 2021 Shs '000	COMPANY 2020 Shs '000
Due to a minority interest shareholder	165,266	165,266	-	-

d) Due to related companies

	GROUP 2021 Shs '000	GROUP 2020 Shs '000	COMPANY 2021 Shs '000	COMPANY 2020 Shs '000
Cummins C&G Holdings Limited	545,358	446,888	-	-
Car & General (Trading) Limited - (Kenya)	-	-	784,241	649,312
Car & General (Industries) Limited	-	-	3,383	3,466
Car & General (Rwanda) Limited	-	-	147	150
	545,358	446,888	787,771	652,928

The loan to Watu Credit Limited is denominated in Kenya Shillings and attracts interest at the rate of 18% (2020: 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
24. RELATED PARTIES BALANCES AND TRANSACTIONS

(e) Compensation of key management personnel

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

	2021 Shs '000	2020 Shs '000
Salaries and other benefits to key management	316,378	312,418
Directors' remuneration		
Executive Director	21,768	18,131
Non-Executive Directors	10,066	7,445
	31,834	25,576

(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 & General (Kenya) Plc Group and is also related through common Director.

	GROUP		COMPANY	
	2021 Shs '000	2020 Shs '000	2021 Shs '000	2020 Shs '000
Borrowings repaid	792,986	534,860	3,499	2,430
Borrowings received	1,111,128	669,951	-	5,746
Interest paid on related company loans (Banks)	54,920	75,818	91	33,732
Interest paid on Directors' loans	30,462	2,946	30,462	2,946
Loan balance – Directors	220,000	220,000	220,000	220,000
Loan balance - Banks	772,804	682,240	-	223,499
Overdraft balance - Banks	51,430	-	723	-
Management fees				
Cummins C&G Holdings Limited	45,769	45,511	45,769	45,511
Rental income				
Car & General (Trading) Limited - (Kenya)	25,272	20,307	25,272	20,307

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. SHARE CAPITAL – GROUP AND COMPANY

	2021 Shs '000	2020 Shs '000
Authorised:		
42,000,000 (2020: 42,000,000) ordinary shares of Shs 5 each	210,000	210,000
	=======	=======
Issued and fully paid:		
40,103,308 (2020: 40,103,308) ordinary shares of Shs 5 each	200,516	200,516
	=======	======

26. DEFERRED TAXATION

	GROUP		COMPANY	
	2021 Shs '000	2020 Shs '000	2021 Shs '000	2020 Shs '000
Other provisions	(146,586)	(61,058)	(315)	4,769
Tax losses	(136,992)	(243,966)	-	(5,820)
Unrealised exchange differences	(7,895)	(6,452)	1	-
Accelerated capital allowances	54,723	30,268	(8,825)	849
IFRS 16: Leases	(11,624)	(9,450)	(11,934)	(4,880)
Provision for bad and doubtful debts	(182,125)	(155,972)	(38,705)	(32,210)
Fair value gain on investment property	605,446	504,305	544,391	450,586
Revaluation surplus on property, plant and equipment	300,432	269,695	164,455	136,912
	_______	_______	_______	_______
Net deferred tax asset	475,379	327,370	649,068	550,206
Deferred tax assets not recognised	22,015	49,501	-	-
	_______	_______	_______	_______
	497,394	376,871	649,068	550,206
	======	======	======	======
Presented in the statement of financial position as follows:				
Deferred tax asset	(335,228)	(364,154)	-	-
Deferred tax liability	832,622	741,025	649,068	550,206
	_______	_______	_______	_______
	497,394	376,871	649,068	550,206
	======	======	======	======
The movement on the deferred tax account is as follows:				
At start of year	376,871	592,248	550,206	714,587
Charge/(credit) to profit or loss (note 11(a))	113,229	(99,004)	465	(31,623)
Deferred tax on revaluation surplus of property	7,243	8,366	3,450	10,852
Effect of change in tax rate to profit & loss	17,814	(36,809)	80,143	(88,469)
Effect of change in tax rate – revaluation surplus	27,382	(25,727)	27,382	(25,727)
Prior year under provision	(8,756)	(114,146)	(12,578)	(29,414)
Movement in deferred tax assets not recognised	(27,047)	49,501	-	-
Exchange difference	(9,342)	2,442	-	-
	_______	_______	_______	_______
At end of year	497,394	376,871	649,068	550,206
	======	======	======	======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. DEFERRED TAXATION (Continued)

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 2021, the Group had tax losses amounting to Shs 307 million (2020: Shs 942 million) available for carry forward and set off against future taxable income. At 30 September 2021, the company had Nil tax losses (2020: 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.

27. BORROWINGS

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Loans – working capital loans	1,765,527	2,194,805	724,578	935,401
Import loans	3,103,413	1,490,115	-	-
Hire purchase finance	3,411	4,912	-	-
Bank overdrafts	71,081	2,796	723	2,796
	4,943,432	3,692,628	725,301	938,197
Presented in the statement of financial position as follows:				
Non-current liability	819,594	857,718	100,000	-
Current liability	4,123,838	2,834,910	625,301	938,197
	4,943,432	3,692,628	725,301	938,197
Loans – working capital loans	1,765,527	2,194,805	724,578	935,401
Import loans	3,103,413	1,490,115	-	-
Hire purchase finance	3,411	4,912	-	-
Bank overdrafts	71,081	2,796	723	2,796

Maturities of amounts included in loans is as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Within one year	4,123,838	2,834,910	625,301	938,197
Between two and five years	803,926	808,919	100,000	-
Later than 5 years	15,668	48,799	-	-
	4,943,432	3,692,628	725,301	938,197

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. BORROWINGS (Continued)

Analysis of loans by currency

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Borrowings in USD	3,887,512	1,728,063	725,301	210,862
Borrowings in KShs	909,385	1,851,365	-	727,335
Borrowings in TZS	146,535	113,200	-	-
	4,943,432	3,692,628	725,301	938,197

Analysis of loans by security

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Secured borrowings	3,623,744	2,171,556	100,723	332,186
Unsecured borrowings	1,319,688	1,521,072	624,578	606,011
	4,943,432	3,692,628	725,301	938,197

Included in loans are unsecured loans advanced to the Group amounting to Shs 220 million (2020: 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.

Interest rates

The effective interest rates at 30 September were as follows:

	2021	2020
Bank overdrafts	12.47%	12.50%
Loans		
Loans in Kshs	10.98%	12.04%
Loans in USD	6.22%	7.35%
Loans in TZS	7.55%	7.08%
Loans in Ush - base rate set by the bank from time to time plus 0.75%		
Hire purchase facility	12.30%	12.00%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. BORROWINGS (Continued)

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 Limited.

- 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 Limited.

- 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) Plc.

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.

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 646 million (2020: Shs 274 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. LEASE LIABILITIES

	GROUP 2021 Shs '000	GROUP 2020 Shs '000	COMPANY 2021 Shs '000	COMPANY 2020 Shs '000
At beginning of year	602,091	-	338,018	-
Effect of adoption of IFRS 16	-	667,125	-	342,844
Additions	148,459	-	-	-
Modifications/alterations	(27,022)	-	-	-
Interest expense on lease liabilities	49,976	47,246	24,128	24,547
Lease payments	(157,088)	(112,280)	(30,841)	(29,373)
Translation adjustment	1,865	-	-	-
At end of year	618,281	602,091	331,305	338,018

Maturity analysis

	GROUP 2021 Shs '000	GROUP 2020 Shs '000	COMPANY 2021 Shs '000	COMPANY 2020 Shs '000
Year 1	178,025	148,835	35,016	30,841
Year 2	135,616	126,355	34,002	32,383
Year 3	129,028	101,465	35,702	34,002
Year 4	94,229	86,175	37,487	35,702
Year 5	59,291	79,149	39,362	37,487
Year 6 and onwards	260,325	375,870	333,877	375,870
Undiscounted lease payments at the end of the year	856,514	917,849	515,446	546,285
Less unearned interest	(238,233)	(315,758)	(184,141)	(208,267)
	618,281	602,091	331,305	338,018
Analysed as:				
Current	207,362	123,771	8,821	6,714
Non-current	410,919	478,320	322,484	331,304
	618,281	602,091	331,305	338,018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Trade payables	1,588,137	1,839,702	32,421	27,783
Other payables	894,311	455,491	56,805	68,738
	2,482,448	2,295,193	89,226	96,521

30. NOTES TO THE STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
Profit/(loss) before taxation	1,103,242	129,839	56,187	(170,191)
Adjusted for:				
(Gain)/loss in fair value of investment properties (note 15)	(12,294)	50,452	(12,294)	50,452
Depreciation of property, plant and equipment (note 16)	111,044	89,278	17,472	14,022
Amortisation of intangible assets (note 17)	3,800	4,557	64	286
Depreciation of right of use asset (note 18)	122,679	100,423	24,344	24,344
(Gain)/loss on disposal of property, plant and equipment	(180)	2,835	-	762
Write off of intangible assets (note 17)	-	953	-	918
Interest on borrowings (note 8)	443,231	483,863	(3,200)	4,547
Interest expense on lease liability (note 8)	49,976	47,246	24,128	24,547
Unrealised exchange on borrowings (note 30 (b))	35,144	73,371	2,678	18,898
Share of profit in associates	(370,373)	(247,452)	-	-
Share of (profit)/loss in joint venture	(25,350)	10,324	-	-
Movements in working capital items:				
Inventories	(1,497,744)	714,764	-	-
Trade and other receivables	24,117	277,548	9,850	18,967
Net movement in related company balances	(140,150)	(116,506)	87,905	595,818
Trade and other payables	173,710	370,296	(7,295)	31,939
Net cash generated from operations	20,852	1,991,791	199,839	615,309

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	GROUP		COMPANY	
	2021	2020	2021	2020
	Shs '000	Shs '000	Shs '000	Shs '000
(b) Analysis of changes in borrowings (excluding bank overdraft)				
At the beginning of the year	3,689,832	4,554,957	935,401	1,301,988
Loan received	13,194,866	9,374,640	85,454	2,322,641
Loan repayments	(12,045,989)	(10,311,066)	(298,955)	(2,708,125)
Hire purchase facility	(1,502)	(2,070)	-	-
Translation adjustments	35,144	73,371	2,678	18,898
At the end of the year	4,872,351	3,689,832	724,578	935,401
(c) Analysis cash and cash equivalents				
Cash and bank balances	420,201	232,575	23,611	9,214
Bank overdrafts (note 27)	(71,081)	(2,796)	(723)	(2,796)
	349,120	229,779	22,887	6,418

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

31. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

The prior year consolidated, and company statements of profit or loss and other comprehensive income have been restated to conform to changes in presentation in the current year. The disclosure of expenses on the face of the consolidated and company statements of profit or loss and other comprehensive income in the prior year was by function but also included depreciation of property, plant and equipment, depreciation of right of use assets and amortisation of intangible assets. In the current year, these amounts have been included their respective function i.e. administrative expenses.

The impact of the reclassification of comparative amounts on the consolidated and company statement of profit or loss and other comprehensive income is detailed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

a) Restatement of consolidated statement of profit or loss and other comprehensive income for the year ended 30 September 2020

	As previously reported Shs'000	Reclassification Sh'000	As restated Sh'000
Administration expenses	705,279	194,258	899,537
	========	========	========
Depreciation of property, plant & equipment	89,278	(89,278)	-
	========	========	========
Amortisation of intangible assets	4,557	(4,557)	-
	========	========	========
Depreciation of right of use assets	100,423	(100,423)	-
	========	========	========

b) Restatement of company statement of profit or loss and other comprehensive income for the year ended 30 September 2020

	As previously reported Shs'000	Reclassification Sh'000	As restated Sh'000
Administration expenses	103,638	38,652	142,290
	========	========	========
Depreciation of property, plant & equipment	14,022	(14,022)	-
	========	========	========
Amortisation of intangible assets	286	(286)	-
	========	========	========
Depreciation of right of use assets	24,344	(24,344)	-
	========	========	========

32. CAPITAL COMMITMENTS

	2021 Shs '000	2020 Shs '000
Authorised and contracted for	150,417	60,552
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. CONTINGENT LIABILITIES

(a) Guarantees

	2021 Shs '000	2020 Shs '000
Group		
Sundry bank guarantees	43,430	87,006
Company		
Guarantees in respect of bank facilities for subsidiaries	5,020,438	2,668,432
Sundry bank guarantees	9,300	9,300
	5,029,738	2,677,732

(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.

(c) Tax matters

The Group is regularly subject to evaluation, by the taxation authorities, of its direct and indirect taxation affairs and in connection with such reviews, tax assessments can be issued by the taxation authorities in respect of the Group's taxation affairs.

In particular, the Kenya Revenue Authority (KRA) issued a customs tax assessment during the year of Shs 677 million, excluding interest and penalties. This assessment is in respect of the company's tariff classification for three wheelers for the years of income 2015 to 2020. Out of this assessment, the company formally objected to the assessment in accordance with the tax legislation

The basis of the company's objection relates to the specific matters of application and interpretation of tax legislation affecting the company and the industry in which it operates. The objection went through the Tax Appeals Tribunal (TAT) and judgement was issued in the company`s favour on 15 October 2021.

KRA has appealed the TAT judgement on 6 December 2021. With the assistance of professional advice, the Directors have considered all matters in contention and are confident that the TAT ruling will be upheld and no material liability will crystallise to the company

34. 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. OPERATING LEASE ARRANGEMENTS – GROUP AND COMPANY (Continued)

	2021	2020
	Shs '000	Shs '000
Within one year	178,602	185,849
In the second to fifth year inclusive	768,890	799,674
	947,492	985,523

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 15.

35. 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	
	2021	2020	2021	2020
	Shs'000'	Shs'000'	Shs'000'	Shs'000'
Equity	4,853,953	3,939,320	1,878,266	1,957,428
Total borrowings	4,943,432	3,692,628	725,301	938,197
Less: cash and bank balances	(420,201)	(232,575)	(23,611)	(9,214)
Net debt	4,523,231	3,460,053	701,690	928,983
Gearing Ratio	93%	88%	37%	47%

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. 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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Group

	Internal/ external rating	12-month lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
30 September 2021					
Trade receivables	Investment grade	Lifetime ECL (simplified approach -SPPI)	1,423,637	(512,277)	911,360
Due from related company	Performing	Lifetime ECL not credit-impaired	391,180	-	391,180
Bank balance	Doubtful	Lifetime ECL not credit-impaired	420,201	-	420,201
			2,235,018	(512,277)	1,722,741
30 September 2020					
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	1,361,940	(496,648)	865,292
			1,929,909	(496,648)	1,433,261

Company

	Internal/ external rating	12-month lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
30 September 2021					
Trade receivables	Investment grade	Lifetime ECL (simplified approach -SPPI)	69,783	(48,594)	21,189
Due from related companies	Performing	Lifetime ECL not credit-impaired	862,251	(80,246)	782,005
Bank balance	Doubtful	Lifetime ECL not credit-impaired	23,611	-	23,611
			955,645	(128,840)	826,805
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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Group

	Trade and other receivables	Bank balances	Due from related companies	Total
At 1 October 2019	465,337	-	-	465,337
Increase in loss allowance in the year	31,311	-	-	(1,163)
At 30 September 2020	496,648	-	-	464,174
At 1 October 2020	496,648	-	-	464,174
Increase in loss allowance in the year	15,629	-	-	48,103
At 30 September 2021	512,277	-	-	512,277

Company

	Trade and other receivables	Bank balances	Due from related companies	Total
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
At 1 October 2020	48,594	-	80,246	128,840
Increase in loss allowance in the year	-	-	-	-
At 30 September 2021	48,594	-	-	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)

36. 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 2021						
Liabilities						
Trade payables	739,284	476,401	372,452	-	-	1,588,137
Borrowings	274,488	1,506,033	2,178,923	983,988	-	4,943,432
Lease liabilities			178,025	334,623	105,633	618,281
Loan due to related party	-	-	-	165,266	-	165,266
Due to related parties	-	-	545,358	-	-	545,358
Total financial liabilities	1,013,772	1,982,434	3,274,758	1,483,877	105,633	7,860,474
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
Total financial liabilities	863,185	2,866,410	1,515,676	1,272,376	228,928	6,746,575

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
At 30 September 2021						
Liabilities						
Trade payables	32,421	-	-	-	-	32,421
Borrowings	723	624,578	100,000	-	-	725,301
Lease liabilities	-	-	35,016	146,553	149,736	331,305
Due to related parties	-	-	787,771	-	-	787,771
Total financial liabilities	33,144	624,578	922,787	146,553	149,736	1,876,798
At 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. 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 2021						
Assets						
Bank and cash balances	22,684	-	23	-	-	-
Trade and other receivables	99,355	263	11,699	-	3,725	-
Due from related parties	-	-	1,384	-	-	-
	122,039	263	13,106	-	3,725	-
Liabilities						
Trade and other payables	948,586	-	48	26,690	-	82,339
Borrowings	909,385	-	-	-	-	-
	1,857,971	-	48	26,690	-	82,339
Net exposure	(1,735,932)	263	13,058	(26,690)	3,725	(82,339)
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)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued

(c) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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.

Profit or loss	**2021**	**2020**
	Shs '000	**Shs '000**
USD	(173,593)	(309,161)
ZAR	(8,234)	(8,234)
JPY	(2,669)	(2,669)
RWF	1,306	987
GBP	373	373
EURO	26	26
	(182,791)	(318,678)

(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 2021						
Financial assets						
Cash and bank balances	420,201	-	-	-	-	420,201
Financial liabilities						
Borrowings	(63,725)	(1,197,244)	(3,122,869)	(559,594)	-	(4,943,432)
Interest sensitivity gap	356,476	(1,197,244)	(1,541,049)	(559,594)	-	(2,941,411)
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)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36. 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.

	2021 Shs'000 Effect on profit	2020 Shs'000 Effect on profit
+1% Movement	(29,414)	(34,601)
-1% Movement	29,414	34,601
	=======	=======

(iii) Price risk

As at 30 September 2021, the group did not hold financial instruments that are subject to price fluctuations.

37. 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

38. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

39. 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.