CAR & GENERAL (KENYA) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

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CAR & GENERAL (KENYA) PLC

CORPORATE INFORMATION

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

SECRETARY

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REGISTRARS

Image Registrars Limited | Securities Registrars & Trustees
5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street
P.O. Box 9287- 00100 GPO, Nairobi, Kenya

CORPORATE INFORMATION (Continued)

SUBSIDIARIES	ACTIVITIES
Car & General (Trading) Limited - Kenya P O Box 20001 - 00200 Nairobi	Sales and service of power equipment, household goods, agricultural tractors and implements, marine engines, motor cycles and three-wheeler vehicles, commercial laundry equipment, commercial engines, forklifts, excavators and general goods.
Car & General (Tanzania) Limited P O Box 1552 Dar es Salaam	Sales and marketing service relating to the provision of power equipment, motor cycles, three-wheeler vehicles, commercial engines and related services.
Car & General (Trading) Limited - Tanzania P O Box 1552 Dar es Salaam	Sales and marketing services relating to the provision of power equipment, motor cycles, three-wheeler vehicles, commercial engines and general goods.
BodaPlus Limited P.O Box 1331 - 00232 Kiambu	Manufacture of helmets, plastic components, and motorcycle safety accessories.
Dew Tanzania Limited P O Box 1552 Dar es Salaam	Property holding company
Car & General (Uganda) Limited P O Box 207 Kampala	Sales and service of power equipment, marine engines, motor cycles, agricultural tractors and implements, commercial engines and general goods.
Kibo Poultry Products Limited P O Box 742 Moshi	Day old chick farming.
Sovereign Holdings International Limited P O Box 146, Road Town, Tortola British Virgin Islands	Property holding company.
Dewdrops Limited P O Box 20001 – 00200 Nairobi	Property holding company
Progen Company Limited P O Box 20001 – 00200 Nairobi	Property holding company
NIIT Learning Limited P O Box 20001 – 00200 Nairobi	Development of talent by offering multi-disciplinary learning, management and training delivery solutions to corporations, institutions and individuals.
Car & General (Rwanda) Limited Plot 1403, Muhima Road P O Box 7238 Kigali, Rwanda	Sales and service of power equipment, marine engines, motor cycles, three-wheeler vehicles, commercial engines and general goods.

CORPORATE INFORMATION (Continued)

SUBSIDIARIES	ACTIVITIES
Cummins C&G Holdings Limited Suite 2004, Level 2 Alexander House 35 Cybercity Ebene, Republic of Mauritius	Sale and service of commercial engines and power equipment

The company also has the following dormant subsidiaries in Kenya: Car & General (Automotive) Limited, Car & General (Engineering) Limited, Car & General (Marine) Limited, Car & General (Industries) Limited and Cargen Insurance Agencies Limited.

ASSOCIATE	ACTIVITIES
Nyali Mwenge Limited Dar Es Salaam Tanzania	Asset financing
Watu Holdings Limited Suite 2004, Level 2 Alexander House 35 Cybercity Ebene, Republic of Mauritius	Asset financing
Watu Tuu Limited Dar Es Salaam. Tanzania	Asset financing

CHAIRMAN'S REPORT

The fifteen-month period from 1 October 2022 to 31 December 2023, was extremely challenging. The dollar shortages in Kenya and Tanzania coupled with a devaluation in Kenya of 27% and Tanzania of above 8% led to forex losses of Ksh 645 million. This was exacerbated by demurrage and storage charges of Ksh 181 million in Tanzania. The combined loss of these two exceptional items was Ksh 826 million which had a significant impact on Group profitability. The forex appreciation of the Kenya shilling in 2024 has reversed some of these forex losses.

The Group delivered a 12% 15-month period growth in turnover, the highest growth area being Tanzania at 36%. Sales in Uganda and Tanzania now represent over 58% of Group sales. Our two-wheeler ("boda boda") business in Kenya was most affected with overall market volumes in 2023 dropping almost 77%. This was the result of unit price increases due to the devaluation, the increase in the price of fuel and the general inflationary environment which resulted in a lack of profitability for boda boda riders. Our equipment businesses (namely tractors, construction equipment and forklifts) remained stable and grew marginally.

As a result of the above, turnover for the fifteen-month period ended 31 December 2023 was Ksh 27.2 billion against Shs 19.4 billion achieved in the twelve-month period ended 31st September 2022. EBITDA (Earnings before interest, tax, depreciation and amortization) grew to Ksh 2.18 billion from Ksh 1.98 billion. Due to the forex losses, demurrage and storage costs, the Group made a loss after tax of Ksh 274 million against a profit after tax of Ksh 679 million made during previous financial year. Other comprehensive income, net of tax, was positive to the tune of Ksh 465 million resulting in positive total comprehensive income of Ksh 191 million.

In spite of many challenges, there are several highlights.

- Our consumer business growth in Tanzania particularly in the two and three-wheeler segments.
- We concluded the acquisition of 50% Cummins' share in the joint venture representing Cummins.
- We have now launched electric 3 wheelers in Kenya and Compressed Natural Gas 3 wheelers in Tanzania
- The progress of Watu Simu which is a significant new product line for Watu.
- Watu Uganda and Tanzania are fully established and growing profitably.
- Our commitment to the transition to greener energy is taking shape and through our associates, we have successfully launched electric 2 wheelers in Uganda and Kenya and have built over 150 battery swap facilities.

Going forward, we believe uncertainty will persist in 2024 given the challenging global geopolitics. We do however expect less turbulence in East Africa. Key to success will be maintaining strict fundamentals in terms of higher efficiency levels in all areas of our business, maintaining market share in core products and achieving satisfactory profitability across all businesses. We have made all necessary manpower and infrastructure investments and we now need to drive volume, improve efficiencies, and increase margin to ensure profitability given the uncertain operating environment.

I now comment more specifically per business line, below:

The Consumer Business

Volumes in our two-wheeler ("boda boda") business in Kenya dropped significantly whilst three-wheeler ("tuk tuk") and consumable sales remained stable. In Tanzania, volumes of two-wheeler and three-wheeler sales grew. We see positive potential in this area going forward.

Our product and value proposition remains strong especially when coupled with our aftermarket offerings. We expect to further increase our market share in 2024 given brand strength and growing distribution.

Assuming stability in the operating environment, we expect consumer markets to grow this year and Kenya two-wheeler sales to recover slowly in the second half of 2024. 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 robust, and we see continued growth in our sales of parts, tyres and oils.

The Equipment Business

The Cummins business in Kenya and regionally saw positive growth in 2023. 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.

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

The Develon (previously Doosan) business had a positive year in terms of growth. 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 2024.

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. However, we feel confident 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 Kenya, Uganda, Tanzania, Democratic Republic of Congo (DRC), and Sierra Leone where they have now established operations. We are very positive about the business prospects.

Our forklift leasing fleet is growing and has crossed 100 units during the period under review

Manufacturing

We are confident BodaPlus will do well over time. We are gaining good traction and expect to be profitable this year. The market for helmets is growing throughout the region and our value proposition is solid. We are exploring other opportunities related to the localization of manufacturing including the manufacture of riding suits.

The Property Business

With the opening of the Uhuru Highway, Nairobi Mega is now doing much better in terms of footfall. 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 challenged throughout the period. We have now stabilized and expect reasonable performance this financial year. We have expanded 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 coupled with a broader geographical reach 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 and Compressed Natural Gas (CNG) vehicles. We are also working hard with our regular 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 and compressed natural gas. This will play a positive role in reducing our carbon footprint over the coming years.

The Future (Continued)

This next year will be critical to future success and will require 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 performance during the financial period and the need for investment throughout the business, the Directors do not recommend the payment of a dividend.

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.

Nicholas Ng'ang'a – Chairman

29 April 2024

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Group's Board of Directors is responsible for the governance of the Group and is accountable to the shareholders for ensuring that the Group complies with the law, the highest standards of corporate governance and business ethics. The Directors attach great importance to the need to conduct the business and operations of the Group and the Company with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance. The Group is compliant with the Code of Corporate Governance Practices for Issuers of Securities to The Public 2015 (“The Code”) issued by the Capital Market Authority (CMA).

Board of Directors

The full Board meets at least four times a year. The Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-today business to the Group Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Group's overall internal control over financial, operational and compliance issues.

Six out of the seven members of the Board are Non-Executive including the Chairman of the Board and other than the Group Chief Executive Officer, all other Directors are subject to periodic reappointment in accordance with the Company's Articles of Association.

Committees of the Board

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

Audit Committee

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

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

Governance, Nominations and Compensation Committee

The Committee meets as required. The committee is responsible for monitoring and appraising the performance of senior management including the Group Chief Executive Officer, review of all human resource policies, determining the remuneration of senior management and making recommendations to the Board on the remuneration of Executive Directors.

The Committee’s role is also to make recommendations to the Board to fill vacancies for Executive and Non-Executive Directors. In making recommendations, the committee looks at the mix of skills, expertise, gender and how the new appointment will add value to the present complement.

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

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

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.

Internal Controls (Continued)

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.

Distribution of shareholders as at 31 December 2023

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	Percentage of Shareholding
Less than 500	105,562	604	0.13
500 - 5,000	886,937	449	1.11
5,001 - 10,000	672,367	95	0.84
10,001 -100,000	3,434,442	140	4.28
100,001 - 1,000,000	6,137,218	21	7.65
above 1,000,000	68,970,090	10	85.99
Total	80,206,616	1,319	100

Top ten shareholders

	31 December 2023 No. of shares	Percentage
Fincom Limited	26,066,838	32.50
Betrin Limited	12,774,318	15.93
Monyaka Investments Limited	10,034,224	12.51
Primaco Limited	7,301,292	9.10
Paul Wanderi Ndungu	6,419,922	8.00
Vapa Limited	3,681,036	4.59
Rakesh Prakash Gadani	1,612,460	2.01
Nairobi Commercial Continental Limited	1,080,000	1.35
Chandan Jethanand Gidoomal	884,436	1.10
Investment & Mortgage Nominees Ltd A/c 028950	838,942	1.05

Directors' direct shareholdings

V Gidoomal	3,168
N Ng'ang'a	10,896
G M Mboya	10,080

CAR & GENERAL (KENYA) PLC

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 15 month period ended 31 December 2023, in accordance with the Kenya Companies Act, 2015 which discloses the state of affairs of the Group and Company.

PRINCIPAL ACTIVITIES

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

The activities of the subsidiaries are detailed on page 3.

GROUP RESULTS

	2023 Shs '000 (15 Months)	2022 Shs '000 (12 months)
(Loss)/profit before taxation	(348,621)	735,740
Taxation credit/(charge)	74,928	(56,280)
(Loss)/profit for the period/year	(273,693)	679,460
Attributable to:		
Owners of the parent	(267,285)	686,120
Non - controlling interests	(6,408)	(6,660)
	(273,693)	679,460

DIVIDEND

The directors do not recommend the declaration of a dividend for the period (2022 Shs 64,165,293 which is equal to Shs. 0.80 per share based on issued share capital of 80,206,616 shares of Shs 5 each).

DIRECTORS

The present Board of Directors is shown on page 2.

ENHANCED BUSINESS REVIEW

The general business environment in the region has been extremely challenging. Real GDP in the East African economies have suffered due to drought and inflationary pressures. This position has been made worse by foreign exchange devaluations and availability challenges. Disposable income in the mass market is constrained. Fortunately, agriculture, tourism, hospitality and exports have recovered which, coupled with exchange rate stability, bode well for the region in the medium term.

The Group has managed these challenges effectively during the 15 month period ended 31 December 2023. The two-wheeler business in Kenya has been particularly affected in 2023 dropping by 77% during the period. The other consumer businesses (three wheelers and consumable parts) have remained relatively stable. The two-wheeler business in Tanzania has in fact grown, The Equipment businesses (namely generators, construction equipment, tractors and forklifts) have also performed positively. The Group has managed to grow volume and been able to achieve its market share objectives and grow sales 7% on a like for like basis. Tanzania, Cummins C&G, Watu Uganda and Watu Tanzania 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 begin to expand again in 2024 and the two-wheeler market in Kenya will slowly recover assuming no further upheavals.

ENHANCED BUSINESS REVIEW (Continued)

Achieving 2024 volume objectives across the region and in all businesses is critical to delivering an EBITDA percentage of 10% which remains a key financial objective.

The Group now has a great stable of quality businesses and brands catering to significant markets which are now well positioned to grow especially if economic prosperity is achieved across the region. We have in excess of 1.5 million customers who depend on our products. It is our duty to improve their lives by delivering a superior level of product and support.

In terms of investment property, the group is looking to commence a development in Shanzu. We have agreed terms with an anchor tenant. We continuously review the entire portfolio.

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 2024 focus will be directed towards the launch of electric vehicles and compressed natural gas vehicles in Tanzania. We have introduced electric 3- wheeler vehicles in March and 2 wheelers in Kenya and Uganda through associate investments. 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 31 December 2023, staff headcount stood at 1,080 (2022: 872) for the Group and 3,743 (2022: 3,032) for the Group including Joint venture and associates.

Social community initiatives

The Group continues to support the eye clinic and water security programs and has recently launched the Cargen Techup program which trains mechanics throughout the country. We have so far trained over 5,000.

BOARD AUDIT COMMITTEE

The Directors recommend that Mr P Shah, Mr M Sundararajan, Mr S P Gidoomal and Mr C Ngini the members of the Board Audit Committee, be re-appointed as members of the Committee in accordance with provisions of Section 769 of the Kenyan Companies Act, 2015.

DIRECTORS’ CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm’s length basis. Directors have a continuing duty to update any changes to these conflicts.

DIRECTORS’ INDEMNITIES

The Group maintains Directors’ and officers’ liability insurance which gives appropriate cover for legal action brought against its Directors. The Group has also granted indemnities to each of its Directors and the Group Secretary to the extent permitted by law.

DIRECTOR'S STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

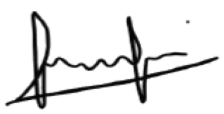
Each of the persons who is a Director at the date of approval of this report confirms that:

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

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with 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

29 April 2024

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

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

Remuneration policy

The Governance, Nominations and Compensation Committee considers the remuneration policy annually to ensure that it remains aligned to business needs and Directors are fairly rewarded with regard to the responsibilities taken.

The Committee makes its recommendation to the main Board. The entire Board then collectively decides what is presented to shareholders for approval. For the 15 month period ended 31 December 2023, the following is the recommended remuneration for Non-Executive Directors.

Annual basic retainer fee per Director

	2023 Shs	2022 Shs
Main Board Chairman	154,731	144,608
Audit Committee Chairman	139,258	130,148
Other Directors	123,786	115,688
	========	========

Sitting allowances per Director

	Board Shs	Audit Committee Shs	Governance and Compensation Committee Shs
Chairman	154,731	139,258	103,153
Other Directors	123,786	103,153	103,153
	=======	=======	=======

Executive Directors

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

Non-Executive Directors

The Group appoints as Non-Executive Directors persons with a wide range of strategic and operational experience gained in other businesses or organizations.

Non-Executive Directors earn an annual basic retainer fee and sitting allowances per meeting attended.

Insurance

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

Shareholding requirements

The remuneration of Directors is paid in cash. As per the Memorandum and Articles of Association of the company, there is no requirement for Directors to hold shares in the company.

DIRECTORS' REMUNERATION REPORT (Continued)

Terms of appointment and termination

The Executive Director has a service contract with the company and is a member of the company's pension scheme.

The contract may be terminated by giving six months' notice.

The Non-Executive Directors do not have service contracts with the company but are issued with letters of appointment. On exit from the company as a Director, a Non-Executive Director is only entitled to any accrued but unpaid Directors fees.

INFORMATION SUBJECT TO AUDIT

Remuneration

31 December 2023 (15 months)	Salaries and benefits Shs'000'	Pension scheme Shs'000'	Directors fees Shs'000'	Total Shs'000'
Mr V V Gidoomal*	28,887	225	-	29,112
Mr N Ng'ang'a EBS	-	-	2,458	2,458
Mr P Shah	-	-	3,124	3,124
Mr S P Gidoomal	-	-	2,140	2,140
Mr M Soundararajan	-	-	2,044	2,044
Mr C M Ngini	-	-	2,237	2,237
Ms G M Mboya	-	-	1,620	1,620
Total	28,887	225	13,623	42,735
30 September 2022 (12 months)				
Mr V V Gidoomal*	24,474	180	-	24,654
Mr N Ngángá, EBS	-	-	1,542	1,542
Mr P Shah	-	-	1,775	1,775
Mr S P Gidoomal	-	-	1,369	1,369
Mr M Soundararajan	-	-	1,157	1,157
Mr C M Ngini	-	-	1,350	1,350
Ms G M Mboya	-	-	664	664
Total	24,474	180	7,857	32,511

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

BY ORDER OF THE BOARD

Conrad Nyukuri
Secretary

29 April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial period 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 period and of their profit or loss for that period. 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 IFRS Accounting 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	V V Gidoomal
Director	Director

29 April 2024

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

Report on the Audit of the Consolidated and Company Financial Statements

Our opinion

We have audited the accompanying financial statements of Car & General (Kenya) Plc ("the Company") and its subsidiaries (together, "the Group"), set out on pages 20 to 90, which comprise the consolidated and company statements of financial position as at 31 December 2023 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 15 month period then ended, and notes to the financial statements, including material accounting policy information.

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 31 December 2023 and of its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with IFRS Accounting Standard as issued by the International Accounting Standards Board 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 matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated and company financial statements of the current period. The matter was 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 a separate opinion on these matters.

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

Key Audit Matter (Continued)

Valuation of investment properties As disclosed in note 15 of the consolidated and company financial statements, the fair value of Group's and Company's investment properties amounted to Shs 3,080.7 million and Shs 1,727.5 million as at 31 December 2023 respectively. The fair valuation of the investment properties for the current period resulted in a net gain of Shs 2.9 million and Shs Nil for Group and Company respectively. 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 in the financial statements were found to be appropriate.

Other Information

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

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

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Directors and those charged with governance 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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.

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

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;
- Evaluate the overall presentation, structure and content of the consolidated and Company 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 the Audit of the Consolidated and Company Financial Statements (Continued)

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 10 to 12 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 13 to 14 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
FCPA Fred Aloo, Practising certificate No. 1537.

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

29 April 2024

CAR & GENERAL (KENYA) PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	2023 Shs '000 (15 Months)	2022 Shs '000 (12 months)
REVENUE	5	27,240,669	19,398,885
COST OF SALES		(22,999,436)	(16,253,626)
OTHER COSTS	6	(180,859)	(138,992)
GROSS PROFIT		4,060,374	3,006,267
OTHER INCOME	7	223,396	208,208
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	15	2,980	111,500
IMPAIRMENT PROVISION (INCLUDING REVERSALS OF IMPAIRMENT PROVISION) FOR FINANCIAL ASSETS	25	6,950	(73,926)
SELLING AND DISTRIBUTION COSTS		(1,356,673)	(857,981)
ADMINISTRATIVE EXPENSES		(1,907,633)	(1,368,152)
SHARE OF PROFIT IN ASSOCIATES	22	526,876	623,273
SHARE OF PROFIT IN JOINT VENTURE	23	-	17,497
PROFIT BEFORE FINANCE COSTS AND TAXATION		1,556,270	1,666,686
FINANCE COSTS	8	(1,904,891)	(930,946)
(LOSS)/PROFIT BEFORE TAXATION	10	(348,621)	735,740
TAXATION CREDIT/(CHARGE)	11	74,928	(56,280)
(LOSS)/PROFIT FOR THE PERIOD/YEAR		(273,693)	679,460
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation	16	92,511	91,111
Deferred tax on revaluation of property	28	(10,500)	(21,582)
		82,011	69,529
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations net of tax		383,035	129,762
Other comprehensive income for the period, net of tax		465,046	199,291
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		191,353	878,751

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023 (Continued)

	Note	2023 Shs '000	2022 Shs '000
(LOSS)/PROFIT FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the company		(267,285)	686,120
Non - controlling interests	12	(6,408)	(6,660)
(Loss)/profit for the period/year		(273,693)	679,460
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		197,761	885,411
Non - controlling interests	12	(6,408)	(6,660)
Total comprehensive income for the period/year		191,353	878,751
EARNINGS PER SHARE:			
Basic and diluted (loss)/earnings per share (Shs)	13	(3.33)	8.55
EARNINGS BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION	14	2,175,150	1,980,431

CAR & GENERAL (KENYA) PLC

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	2023 (15 months) Shs '000	2022 (12 months) Shs '000
REVENUE	5	287,418	181,197
OTHER INCOME	7	53,328	53,672
GAIN IN FAIR VALUE OF INVESTMENT PROPERTIES	15	-	61,500
IMPAIRMENT PROVISION FOR FINANCIAL ASSETS	25	-	(23,845)
ADMINISTRATIVE EXPENSES		(204,046)	(169,573)
PROFIT BEFORE FINANCE COSTS AND TAXATION		136,700	102,951
FINANCE COSTS	8	(181,103)	(87,050)
(LOSS)/PROFIT BEFORE TAXATION	10	(44,403)	15,901
TAXATION CHARGE	11	(3,145)	(17,962)
LOSS FOR THE PERIOD/YEAR		(47,548)	(2,061)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation	16	63,884	61,000
Deferred tax on revaluation of property	28	(10,500)	(18,300)
		53,384	42,700
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations net of tax		(432)	446
Other comprehensive income for the period, net of tax		52,952	43,146
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,404	41,085
EARNINGS BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION	14	204,820	150,299

CAR & GENERAL (KENYA) PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	2023 Shs '000	2022 Shs '000
ASSETS			
Non-current assets			
Investment properties	15	3,080,743	3,061,437
Property, plant and equipment	16	3,226,735	2,840,067
Intangible assets	17	61,796	36,561
Biological assets	18	52,373	-
Right of use assets	19	515,423	614,006
Investment in associates	22	1,105,562	1,424,403
Investment in joint venture	23	-	333,594
Deferred tax asset	28	513,519	367,020
		8,556,151	8,677,088
Current assets			
Inventories	24	8,345,631	7,540,924
Trade and other receivables	25	2,697,306	1,873,538
Due from related companies	26(a)	-	446,072
Loan due from related company	26(b)	803,431	136
Corporate tax recoverable	11(c)	261,416	187,615
Cash and bank balances	32(c)	574,471	197,511
		12,682,255	10,245,796
Total assets		21,238,406	18,922,884
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	27(a)	401,033	401,033
Revaluation reserve		1,000,853	898,195
Retained earnings		3,552,805	3,904,902
Exchange translation reserve		518,747	135,712
Equity attributable to owners of the parent		5,473,438	5,339,842
Non-controlling interests	12	258,124	264,532
		5,731,562	5,604,374
Non-current liabilities			
Deferred tax liabilities	28	923,168	883,736
Borrowings	29	1,447,368	1,426,611
Lease liabilities	30	431,208	515,794
Loan due to a related party	26(c)	166,808	165,266
		2,968,552	2,991,407
Current liabilities			
Due to a related company	26(d)	-	733,753
Bank overdraft	29	291,694	139,937
Borrowings	29	6,876,870	5,553,474
Lease liabilities	30	206,816	188,366
Trade and other payables	31	5,133,664	3,667,891
Corporate tax payable	11(c)	29,248	43,682
		12,538,292	10,327,103
Total equity and liabilities		21,238,406	18,922,884

The financial statements on pages 20 to 90 were approved and authorised for issue by the Board of Directors on 29 April 2024 and were signed on its behalf by:

N. Ng'ang'a, EBS
Director

V. V. Gidoomal
Director

CAR & GENERAL (KENYA) PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 Shs '000	2022 Shs '000
ASSETS			
Non-current assets			
Investment properties	15	1,727,543	1,727,892
Property, plant and equipment	16	1,253,465	1,223,304
Intangible assets	17	214	282
Right of use assets	19	239,382	269,812
Investment in subsidiaries	20	405,975	405,975
		3,626,579	3,627,265
Current assets			
Trade and other receivables	25	34,939	49,468
Due from related companies	26(a)	921,849	831,484
Loan due from related company	26(b)	-	120,575
Corporate tax recoverable	11(c)	59,897	32,537
Cash and bank balances	32(c)	2,297	851
		1,018,982	1,034,915
Total assets		4,645,561	4,662,180
EQUITY AND LIABILTIES			
Capital and reserves			
Share capital	27(a)	401,033	401,033
Revaluation reserve		537,019	491,971
Retained earnings		791,283	894,660
Exchange translation reserve		2,925	3,357
		1,732,260	1,791,021
Non-current liabilities			
Deferred tax liability	28	685,135	671,873
Borrowings	29	306,740	263,792
Lease liabilities	30	293,859	288,481
		1,285,734	1,224,146
Current liabilities			
Due to related companies	26(d)	1,260,700	1,023,830
Bank overdrafts	29	1,364	5,789
Borrowings	29	247,929	462,430
Lease liabilities	30	14,463	34,002
Trade and other payables	31	103,111	120,962
		1,627,567	1,647,013
		4,645,561	4,662,180

The financial statements on pages 20 to 90 were approved and authorised for issue by the Board of Directors on 29 April 2024 and were signed on its behalf by:

N. Ng'ang'a, EBS
Director

V. V. Gidoomal
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	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 2021	200,516	816,978	3,559,317	5,950	4,582,761	271,192	4,853,953
Profit for the year	-	-	686,120	-	686,120	(6,660)	679,460
Bonus shares issue (note 27(a))	200,517	-	(200,517)	-	-	-	-
Other comprehensive income for the year		69,529	-	129,762	199,291	-	199,291
Transfer of excess depreciation	-	15,247	(15,247)	-	-	-	-
Deferred tax on excess depreciation transfer	-	(3,559)	3,559	-	-	-	-
Dividends paid – 2021	-	-	(128,330)	-	(128,330)	-	(128,330)
At 30 September 2022	401,033	898,195	3,904,902	135,712	5,339,842	264,532	5,604,374
At 1 October 2022	401,033	898,195	3,904,902	135,712	5,339,842	264,532	5,604,374
(Loss)/profit for the period	-	-	(267,285)	-	(267,285)	(6,408)	(273,693)
Other comprehensive income for the year	-	82,011	-	383,035	465,046	-	465,046
Transfer of excess depreciation	-	24,219	(24,219)	-	-	-	-
Deferred tax on excess depreciation transfer	-	(3,572)	3,572	-	-	-	-
Dividends paid – 2022	-	-	(64,165)	-	(64,165)	-	(64,165)
At 31 December 2023	401,033	1,000,853	3,552,805	518,747	5,473,438	258,124	5,731,562

The reserve accounts included in the statement of changes in equity are explained below:

*The asset revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - Note 16.

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

CAR & GENERAL (KENYA) PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	Share capital Shs' 000	Revaluation Reserve* Shs' 000	Retained earnings Shs' 000	Exchange translation reserve** Shs' 000	Total Shs' 000
At 1 October 2021	200,516	457,575	1,217,264	2,911	1,878,266
(Loss) for the year	-	-	(2,061)	-	(2,061)
Bonus shares issue (note 27(a))	200,517	-	(200,517)		-
Other comprehensive income for the year	-	42,700	-	446	43,146
Transfer of excess depreciation	-	(11,863)	11,863	-	-
Deferred tax on depreciation transfer	-	3,559	(3,559)	-	-
Dividends paid – 2021	-	-	(128,330)	-	(128,330)
At 30 September 2022	401,033	491,971	894,660	3,357	1,791,021
At 1 October 2022	401,033	491,971	894,660	3,357	1,791,021
(Loss) for the period	-	-	(47,548)	-	(47,548)
Other comprehensive income for the period	-	53,384	-	(432)	52,952
Transfer of excess depreciation	-	(11,908)	11,908	-	-
Deferred tax on depreciation transfer	-	3,572	(3,572)	-	-
Dividends paid – 2022	-	-	(64,165)	-	(64,165)
At 31 December 2023	401,033	537,019	791,283	2,925	1,732,260

The reserve accounts included in the statement of changes in equity are explained below:

*The asset revaluation reserve represents the net cumulative surplus arising from revaluations of property, plant and equipment - Note 16.

**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.

CAR & GENERAL (KENYA) PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	2023 Shs '000	2022 Shs '000
Cash flows from operating activities			
Net cash generated/(used in) from operations	32(a)	1,885,755	(960,955)
Corporate tax paid	11(c)	(109,607)	(106,227)
Interest received		20,763	62,453
Interest paid	8	(1,259,765)	(669,275)
Net cash generated from/(used in) operating activities		537,146	(1,674,004)
Cash flows from investing activities			
Purchase of biological assets	18	(57,824)	-
Purchase of property, plant and equipment	16	(393,250)	(242,553)
Purchase of intangible assets	17	(38,218)	(21,560)
Shareholders loan to related parties	26(b)	(803,431)	-
Repayment of loan from related parties	26(b)	136	-
Investment in associate	22	-	(11,927)
Dividend received from an associate	22	845,717	-
Acquisition of subsidiary, net of cash acquired	21	(27,877)	-
Proceeds on disposal of investment property		-	41,500
Proceeds on disposal of property, plant and equipment		23,272	1,208
Net cash used in investing activities		(451,475)	(233,332)
Cash flows from financing activities			
Repayment of lease liabilities	30	(220,948)	(121,728)
Loans received	32(b)	21,622,889	16,137,008
Loans repaid	32(b)	(21,221,781)	(14,300,919)
Hire - purchase finance	32(b)	-	(2,807)
Dividend paid	27(b)	(64,165)	(128,330)
Net cash generated from financing activities		115,995	1,583,224
Net increase/(decrease) in cash and cash equivalents		201,666	(324,112)
Cash and cash equivalents at beginning of the period/year		57,574	349,122
Effects of foreign exchange rates		23,537	32,564
Cash and cash equivalents at end of the period/year	32(c)	282,777	57,574

COMPANY STATEMENT OF CASH FLOWS
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	2023 Shs '000	2022 Shs '000
Cash flows from operating activities			
Net cash generated from operations	32(a)	407,485	198,552
Corporation tax paid	11(c)	(27,806)	(20,734)
Interest paid	8	(121,594)	(102,159)
Net cash generated from operating activities		258,085	75,659
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(2,380)	(9,247)
Purchase of intangible assets	17	-	(80)
Proceeds on disposal of property, plant and equipment		476	-
Proceeds on disposal of investment property		-	41,500
Net cash (used)/generated from investing activities		(1,904)	32,173
Cash flows from financing activities			
Repayment of lease liabilities	30	(14,161)	(8,822)
Loans received	32(b)	286,564	299,734
Loans repaid	32(b)	(458,116)	(298,091)
Dividend paid	27(b)	(64,165)	(128,330)
Net cash used in financing activities		(249,878)	(135,509)
Net increase/(decrease) in cash and cash equivalents		6,303	(27,677)
Cash and cash equivalents at the beginning of the period/year		(4,938)	22,887
Effects of foreign exchange rate changes		(432)	(148)
Cash and cash equivalents at the end of the period/year	32(c)	933	(4,938)
		=======	========

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 MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated and company financial statements (hereafter referred to as financial statements) have been prepared in accordance with IFRS Accounting Standards 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 IFRS Accounting Standards

(i) Relevant new and amendments to standards and interpretations on the financial statements effective for the period ended 31 December 2023

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendment became effective for annual periods beginning on or after 1 January 2023.

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and,
Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS Accounting Standards may be considered material accounting policy information.

Amendments to IAS 8 - Definition of Accounting Estimates

The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendment seeks to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, the amendments clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

Adoption of new and revised IFRS Accounting Standards (Continued)

(i) Relevant new and amendments to standards and interpretations on the financial statements effective for the period ended 31 December 2023 (Continued)

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

The amendment is effective for annual periods beginning on or after 1 January 2023.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity’s exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

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

(ii) Relevant New and revised IFRS Accounting Standards in issue but not yet effective for the period ended 31 December

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

New and Amendments to standards	***Effective for annual periods beginning on or after***
Amendments to IAS 1 - *Classification of liabilities as current or non-current*	1 January 2024, with earlier application permitted
Amendments to IFRS 16 - *Lease Liability in a Sale and Leaseback*	1 January 2024, with earlier application permitted
Amendments to IAS 21 - *Lack of Exchangeability*	1 January 2025
Amendments to IAS 7 and IFRS 7: *Supplier finance arrangements*	1 January 2024 as earlier adoption permitted
IFRS S1 General requirements for disclosures of sustainability – *related financial information.*	1 January 2024
IFRS S2 Climate – *related disclosures*	1 January 2024
IFRS 18 - *Presentation and Disclosure in Financial Statements*	1 January 2027 as earlier adoption permitted
Amendments to IAS 1- *Non-current Liabilities with Covenants*	1 January 2024 as earlier adoption permitted
Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be set, however 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, as detailed below:

Amendments to IAS 1- Classification of liabilities as current or non-current	The amendment is effective for annual periods beginning on or after 1 January 2024. The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors do not expect that the adoption of the amendment will have an impact on the financial statements of the Group.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Adoption of new and revised IFRS Accounting Standards (Continued)

ii) Relevant New and revised IFRS Accounting Standards in issue but not yet effective for the period ended 31 December 2023 (continued)

Amendments to IFRS 16-Lease Liability in a Sale and Leaseback	The amendment is effective for annual periods beginning on or after 1 January 2024. The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. The directors do not expect that the adoption of the amendment will have an impact on the financial statements of the Group.s
Amendments to IAS 21 - Lack of Exchangeability	The amendment is effective for annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The directors do not expect that the adoption of the amendment will have a material impact on the financial statements of the Group.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Adoption of new and revised IFRS Accounting Standards (Continued)

ii) Relevant New and revised IFRS Accounting Standards in issue but not yet effective for the period ended 31 December 2023 (Continued)

Amendments to IAS 7 and IFRS 7: Supplier finance arrangements	The amendment is effective for annual periods beginning on or after 1 January 2024. The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements: • The terms and conditions of the arrangements • The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements • The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers • Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement • Liquidity risk information The directors do not expect that the adoption of the amendment will have an impact on the financial statements of the Group.
IFRS S1 General requirements for disclosures of sustainability – related financial information	This includes the core framework for the disclosure of material information about sustainability related risks and opportunities across an entity's value chain. The directors are currently assessing the impact which this amendment may have on the financial statements of the Group.
IFRS S2 Climate – related disclosures	This is the first thematic standard issued that sets our requirements for entities to disclose information about climate-related risks and opportunities. The directors are currently assessing the impact which this amendment may have on the financial statements of the Group.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Adoption of new and revised IFRS Accounting Standards (Continued)

ii) Relevant New and revised IFRS Accounting Standards in issue but not yet effective for the period ended 31 December 2023 (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements	In April 2024, the IASB released IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) which includes presentation and disclosure requirements for all entities applying IFRS Accounting Standards. When effective, IFRS 18 supersedes IAS 1 Presentation of Financial Statements. Entities will continue to apply IAS 7 Statement of Cash Flows, although there are certain limited amendments to IAS 7 as a result of IFRS 18. The standard will not impact the recognition or measurement of items in the financial statements but will impact how companies present and disclose financial performance. Entities will be required to classify income and expenses in the following categories: • operating, • investing, • financing, • income taxes and discontinued operations. These categories apply to all entities, with some modification for entities whose main business activities relate to investments in assets (e.g., insurers and investment entities) or provision of financing to customers (e.g., banks). In addition to these categories, the standard requires two new defined subtotals to be presented in the financial statement, operating profit and profit before financing and income taxes. Enhanced principles on the aggregation and disaggregation of information have been included in IFRS 18. Supporting application guidance will assist in determining whether information about transactions should be included in the primary financial statements or notes. Most entities report alternative performance measures. IFRS 18 defines management-defined performance measures (MPMs). Entities are required to present MPMs in a single note to the financial statements and disclose reconciliations between the MPMs and totals or subtotals required by IFRS 18 or other IFRS Accounting Standards. The requirements will be applied retrospectively. The standard is applicable for period beginning on or after 1 January 2027. Earlier application is permitted.
Amendments to IAS 1 - Presentation of Financial Statements— Non-current Liabilities with Covenants	The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Adoption of new and revised IFRS Accounting Standards (Continued)

ii) Relevant New and revised IFRS Accounting Standards in issue but not yet effective for the period ended 31 December 2023 (Continued)

Amendments to IAS 1 - Presentation of Financial Statements— Non-current Liabilities with Covenants *(Continued)*	The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants(Including the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.
Amendments to IFRS 10 and IAS 28 - 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 has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2023.

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 and biological assets which are carried at fair value.

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Basis of consolidation

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

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

Basis of 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 IFRS 9 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).

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer

Sale of equipment, motorcycles and three-wheeler vehicles

The Group recognizes revenue when it satisfies a performance obligation by transferring promised goods to a customer (which is when the customer obtains control of the goods). The amount of revenue recognized is the amount allocated to the satisfied performance obligation. A performance obligation is satisfied at a point in time, for promises, to transfer goods to a customer. Revenue is stated net of Value Added Tax (VAT) and discounts.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Service revenue

Sales of services are recognised over time in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided.

Rental income

Rental income is recognised when the Group's right to receive the rent payment is established.
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.

Poultry sale

The company recognises revenue from the following major sources:

- Sales of day-old chicks.
- Sales of eggs.
- Sales of parent stock.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Cost of sales

Cost of sales is the accumulated total of all costs used to create our products which have been sold. Cost of sales of inventory is recognized as an expense in the period in which the related revenue is recognized. The various costs of sales fall into the general sub-categories of carrying amount of inventories, direct labour, direct materials, depreciation, overheads and write-down of inventories. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The cost of sales does not include selling and distribution expenses.

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.

2 MATERIAL 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount (higher of value in use and fair value less costs of disposal) of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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

2. MATERIAL ACCOUNTING POLICIES (Continued)

Leases

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

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

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

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessor

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

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

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

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

Investment properties

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

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

Inventories

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

Biological assets

Biological assets comprise of 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.

Financial instruments (Continued)

Financial assets (Continued)

(a) Classification of financial assets

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

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

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

(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.

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.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of Financial assets (Continued)

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

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

Related parties

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

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

Taxation

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

Current taxation

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

Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset on consolidation.

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.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Employee benefits obligations

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

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

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

Foreign currencies

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

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

Cash and cash equivalents

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

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group Chief Executive Officer). The directors then allocate resources to and assess the performance of the operating segments of the Group.

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

Provisions

Provisions for restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions for future operating losses are not recognised.

2 MATERIAL ACCOUNTING POLICIES (Continued)

Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The amount recognised as a provision is the best estimate of the present value of expenditures expected to be incurred to settle the obligation using a pre-tax rate that reflects the current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in profit or loss under finance costs.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the asset based either on actual cost on specific borrowings or, in the case of general borrowings, based on a weighted average cost.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

a) 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.

b) 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.

c) Deferred tax asset

Deferred tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward used tax losses can be utilised.

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

Key sources of estimation uncertainty (Continued)

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) Determination of discount rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses either the property yield or incremental borrowing rate (IBR) to measure the lease liabilities. 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.

The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group's incremental borrowing rate is estimated at the Group level and is based on the average rate of obtaining loans from commercial banks.

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;

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

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

- 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 (2022: 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.

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.
- ICT Training and Talent development - development of talent by offering multi-disciplinary learning, management and training delivery solutions to corporations, institutions and individuals.
- Manufacturing - manufacture of helmets, plastic components, and motorcycle safety accessories.

(b) Segment revenues and results

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

	Trade and workshop Shs '000	Investment properties Shs '000	Poultry Shs '000	Manufacturing Shs '000	ICT Training and development Shs '000	Total Shs '000
30/09/2023						
Revenue	25,912,336	225,206	708,580	394,547	-	27,240,669
	========	=======	======	======	======	========
Gain in fair value of investment properties	-	2,980	-	-	-	2,980
	========	=======	======	======	======	========
30/09/2022						
Revenue	18,378,102	152,591	630,332	237,837	23	19,398,885
	========	=======	======	======	======	========
Gain in fair value of investment properties	-	111,500	-	-	-	111,500
	========	=======	======	======	======	========

Revenue reported above represents revenue generated from external customers.

No single customer contributed 5% or more to the group’s revenue in either 2023 or 2022.

4 SEGMENTAL INFORMATION (Continued)

(b) Segment revenues and results (Continued)

	Trade and workshop Shs '000	Investment properties Shs '000	Poultry Shs '000	Financial Services* Shs '000	Joint Venture* Shs '000	ICT Training & Development Shs '000	Manufacturing Shs '000	Total Shs '000
31 December 2023								
Earnings before finance cost, depreciation, amortization and taxation								
Kenya	678,697	204,820	-	526,876	-	(7,685)	37,370	1,440,078
Uganda	177,866	-	-	-	-	-	-	177,866
Tanzania	570,795	-	(13,082)	-	-	-	-	557,713
Rwanda	(507)	-	-	-	-	-	-	(507)
Total	1,426,851	204,820	(13,082)	526,876	-	(7,685)	37,370	2,175,150
	=======	=======	=======	=======	=======	=======	=======	========
30 September 2022								
Earnings before finance cost, depreciation, amortization and taxation								
Kenya	825,515	150,298	-	623,273	17,497	(3,915)	(4,862)	1,607,806
Uganda	87,232	-	-	-	-	-	-	87,232
Tanzania	167,188	-	118,876	-	-	-	-	286,064
Rwanda	(671)	-	-	-	-	-	-	(671)
Total	1,079,264	150,298	118,876	623,273	17,497	(3,915)	(4,862)	1,980,431
	=======	=======	=======	=======	=======	=======	======	=======

*Financial services business is undertaken through associates. EBITDA figures for financial services and Joint venture are after tax.

4 SEGMENTAL INFORMATION (Continued)

(c) Segment assets and liabilities

	Trade and workshop Shs '000	Investment properties Shs '000	Poultry Shs '000	ICT Training & Talent Development Shs '000	Manufacturing Shs '000	Total Shs '000
31 December 2023						
Assets	16,489,232	3,662,694	855,628	5,349	225,503	21,238,406
	=========	========	========	========	========	=========
Liabilities	13,553,536	1,592,722	199,278	690	160,618	15,506,844
	=========	========	========	========	========	========
30 September 2022						
Assets	14,014,973	3,870,336	736,062	25,560	275,953	18,922,884
	=========	========	========	========	========	=========
Liabilities	11,104,785	1,846,873	194,237	7,589	165,026	13,318,510
	=========	========	========	========	========	=========

(d) Other segment information

31 December 2023						
Cost of sales	22,169,330	-	552,348	-	277,758	22,999,436
Other costs	180,859	-	-	-	-	180,859
Expenses - selling and administrative	2,741,236	204,046	195,582	6,155	117,287	3,264,306
Interest expenses	1,101,204	121,594	8,224	288	28,455	1,259,765
Depreciation/amortisation	470,428	68,120	35,063	4,436	40,833	618,880
	========	======	======	======	======	========
30 September 2022						
Cost of sales	15,661,616	(1,388)	393,021	-	200,377	16,253,626
Other costs	138,992	-	-	-	-	138,992
Expenses - selling and administrative	1,811,255	169,573	155,366	9,694	80,245	2,226,133
Interest expenses	651,824	-	-	667	16,784	669,275
Depreciation/amortisation	199,672	47,346	23,150	5,758	37,819	313,745
	========	========	========	=========	=========	=========

(e) Geographical information

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

	2023 Shs '000	2022 Shs '000
Kenya	12,891,434	10,615,205
Uganda	1,631,114	1,334,470
Tanzania	12,716,668	7,446,453
Rwanda	1,453	2,757
	27,240,669	19,398,885
	========	========

4 SEGMENTAL INFORMATION (Continued)

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

	2023 Shs '000	2022 Shs '000
Non-current assets (excluding deferred tax assets)		
Kenya	6,216,537	6,913,812
Tanzania	1,597,928	1,271,228
Uganda	227,068	123,554
South Sudan	1,043	1,392
Rwanda	56	82
	8,042,632	8,310,068
Total assets		
Kenya	13,456,539	13,123,112
Tanzania	6,567,607	4,893,415
Uganda	1,190,913	881,602
Rwanda	1,139	23,178
South Sudan	22,208	1,577
	21,238,406	18,922,884
Total liabilities		
Kenya	10,236,456	9,136,830
Tanzania	4,896,100	3,721,875
Uganda	371,699	456,461
Rwanda	2,589	3,344
	15,506,844	13,318,510

5 REVENUE

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
Trade and workshop	25,912,336	18,378,102	-	-
Poultry	708,580	630,332	-	-
ICT training and development	-	23	-	-
Rental income – third parties	225,206	152,591	225,206	152,591
Rental income - internal	-	-	62,212	28,606
Manufacturing	394,547	237,837	-	-
Total	27,240,669	19,398,885	287,418	181,197

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
6 OTHER COSTS				
Demurrage and storage costs	180,859	138,992	-	-

The Tanzania trading operations suffered significant storage and demurrage charges during clearing processes due to logistical challenges.

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
7 OTHER INCOME				
(Loss)/gain on disposal of property, plant and equipment	(7,659)	(1,422)	381	-
Management fees	52,947	53,672	52,947	53,672
Interest income on related party loans – Watu Group	20,763	62,455	-	-
Miscellaneous income*	157,345	93,503	-	-
	223,396	208,208	53,328	53,672

*Miscellaneous income mostly relates to marketing support Services offered in Tanzania by Car & General Trading Limited.

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
8 FINANCE COSTS				
Interest on borrowings	1,185,566	616,983	93,184	78,597
Interest expense on lease liability (note 30)	74,199	52,292	28,410	23,562
Net foreign exchange losses/(gains)	645,126	261,671	59,509	(15,109)
	1,904,891	930,946	181,103	87,050
9 EMPLOYMENT COSTS				
Salaries and wages	1,658,688	1,003,719	30,037	34,546
Retirement benefit costs:				
- Defined contribution scheme	48,185	38,079	4,492	3,226
- National Social Security Fund contribution	51,207	26,730	120	21
Leave pay provision charge	11,988	2,917	3,414	2,059
	1,770,068	1,071,445	38,063	39,852

10 (LOSS)/PROFIT BEFORE TAXATION

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

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
Employment costs (note 9)	1,770,068	1,071,445	38,063	39,852
Directors' remuneration - non-Executive	13,623	7,857	13,623	7,857
- Executive	29,112	24,654	29,112	24,654
Auditors' remuneration	22,887	15,735	960	1,264
Depreciation of property, plant and equipment (note 16)	319,670	161,581	37,622	22,950
Amortisation of intangible assets (note 17)	16,186	6,501	68	54
Depreciation of right-of-use asset (note 19)	283,024	145,663	30,430	24,344
Impairment provision relating to trade receivables (note 25)	(6,950)	73,926	-	-
Interest expense on lease liability (note 30)	74,199	52,292	28,410	23,562
Net foreign exchange losses/(gains)	645,126	261,671	59,509	(15,109)
(Loss)/gain on disposal of property, plant and equipment	(7,659)	(1,422)	381	-
Provision for inventory write off	46,606	61,885	-	-
Impairment provision relating to related party balances	-	-	-	23,845

11 TAXATION

(a) Taxation charge

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Current taxation based on taxable income	23,113	65,265	446	13,457
Deferred tax (credit)/charge (note 28)	(95,551)	(2,000)	2,699	2,165
Deferred tax on tax losses (not previously recognised now recognised)/not recognised) (note 28)	(9,094)	-	-	-
Prior year under provision - deferred taxation (note 28)	6,604	(6,985)	-	2,340
Taxation (credit)/charge	(74,928)	56,280	3,145	17,962
	=======	=======	=======	=======

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

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
(Loss)/profit before taxation	(348,621)	735,740	(44,403)	15,901
	=======	=======	=======	=======
Tax calculated at the applicable rate	(108,534)	206,897	(13,321)	4,770
Tax effect of share of results of associate and joint venture	(161,831)	(198,975)	-	-
Tax effect of expenses not deductible for tax	184,146	54,748	13,867	10,852
Adjustment on deferred tax liability provision on change of use of property.	-	-	2,599	-
Deferred tax on tax losses (not previously recognised now recognised)/not recognised	4,687	595	-	-
Prior year under provision - deferred taxation	6,604	(6,985)	-	2,340
Taxation (credit)/charge	(74,928)	56,280	3,145	17,962
	=======	=======	=======	=======

11 TAXATION (Continued)

(c) Corporate tax recoverable/(payable)

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
At beginning of the year	143,933	103,636	32,537	25,260
Charge for the year (note 11(a))	(23,113)	(65,265)	(446)	(13,457)
Paid in the period	109,607	106,227	27,806	20,734
Translation adjustments	1,741	(665)	-	-
At end of the period	232,168	143,933	59,897	32,537
This is analysed as:				
Corporate tax recoverable	261,416	187,615	59,897	32,537
Corporate tax payable	(29,248)	(43,682)	-	-
	232,168	143,933	59,897	32,537

12 NON-CONTROLLING INTEREST - GROUP

	2023	2022
	Shs '000	Shs '000
At the beginning of the period	264,532	271,192
Share of loss for the period	(6,408)	(6,660)
At the end of the period	258,124	264,532

	2023	2022
	%	%
Represented by non-controlling interests in:		
Car & General (Marine) Limited	16	16
Dewdrops Limited	34	34
Progen Company Limited	34	34
BodaPlus Limited	35	35

The above entities are incorporated in Kenya.

13 EARNINGS PER SHARE - GROUP

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

	2023	2022
(Loss)/profit attributable to owners of the company (Shs' 000)	(267,285)	686,120
Weighted average number of ordinary shares	80,206,616	80,206,616
Basic and diluted earnings per share (Shs)	(3.33)	8.55

14 EARNINGS BEFORE FINANCE COSTS, DEPRECIATION, AMORTIZATION AND TAXATION

The Group and Company have disclosed Earnings 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 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 before finance costs, depreciation, amortization and taxation is not a defined performance measure in IFRS Accounting Standards. The Groups' definition of Earnings before finance costs, depreciation, amortization and taxation may not be comparable with similarly titled performance measures and disclosures by other entities.

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
(Loss)/profit for the period/year	(273,693)	679,460	(47,548)	(2,061)
Taxation (credit)/charge	(74,928)	56,280	3,145	17,962
(Loss)/profit before tax	(348,621)	735,740	(44,403)	15,901
Finance costs	1,904,891	930,946	181,103	87,050
Depreciation of property, plant and equipment	319,670	161,580	37,622	22,950
Amortisation of intangible assets	16,186	6,501	68	54
Depreciation of right of use asset	283,024	145,663	30,430	24,344
Earnings before finance costs, depreciation, amortization and taxation	2,175,150	1,980,431	204,820	150,299

15 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
At beginning of the period/year	3,061,437	3,525,004	1,727,892	2,250,914
Transfer to property, plant and equipment	-	(540,000)	-	(540,000)
Disposals	-	(41,500)	-	(41,500)
Fair value gain	2,980	111,500	-	61,500
Translation adjustments	16,326	6,433	(349)	(3,022)
At end of the period/year	3,080,743	3,061,437	1,727,543	1,727,892

The fair value of the Group’s and Company’s investment properties as at 31 December 2023 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.

15 INVESTMENT PROPERTIES - GROUP AND COMPANY (Continued)

The carrying value of the investment properties charged as security for loan facilities is Shs 3,081 million (2022: Shs 3,061million) and Shs 1,728 million (2022: Shs 1,728 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
31 December 2023				
New Cargen House	-	-	1,726,500	1,726,500
Shanzu plots	-	1,250,000	-	1,250,000
Tanzania plot	-	103,200	-	103,200
Juba plot	-	1,043	-	1,043
	-	1,354,243	1,726,500	3,080,743
30 September 2022				
New Cargen House	-	-	1,726,500	1,726,500
Shanzu plots	-	1,250,000	-	1,250,000
Tanzania plot	-	83,545	-	83,545
Juba plot	-	1,392	-	1,392
	-	1,334,937	1,726,500	3,061,437

Company

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
31 December 2023				
New Cargen House	-	-	1,726,500	1,726,500
Juba plot	-	1,043	-	1,043
	-	1,043	1,726,500	1,727,543
30 September 2022				
New Cargen House	-	-	1,726,500	1,726,500
Juba plot	-	1,392	-	1,392
	-	1,392	1,726,500	1,727,892

15 INVESTMENT PROPERTIES - GROUP AND COMPANY (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 7.4% (2022: 7.5% to 9 %).	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 Shs 315M per acre (2022: Shs 300M - Shs 350M per acre). Warehouse construction costs of Shs 30,140 - Shs 36,000 per square meter (2022: Shs 27,000 - Shs 34,000 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 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 50M - Shs 55M weighted average per acre (2022: Shs 50M - Shs 55M 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 period.

The income generated from the properties for both group and company are as follows:

	GROUP AND COMPANY	
	2023	2022
	Shs'000	Shs'000
Rental income from investment properties (note 5)	225,206	152,591
Direct operating expense arising from rented out investment property *	(106,930)	(37,903)
	118,276	114,688
	========	========

*These expenses are recorded together with other administrative expenses.

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings Shs '000	Machinery Shs '000	Furniture, fittings and equipment Shs '000	Motor vehicles Shs '000	Computers Shs '000	Work in progress Shs '000	Total Shs '000
Cost or valuation							
At 1 October 2021	1,435,501	435,764	272,282	231,848	62,293	5,157	2,442,845
Translation adjustments	105,987	3,062	14,078	8,582	1,612	659	133,981
Additions	48,619	109,025	59,007	18,615	7,287	-	242,553
Transfer from investment properties	540,000	-	-	-	-	-	540,000
Transfer of WIP to land & buildings	5,816	-	-	-	-	(5,816)	-
Disposals	-	(2,531)	(5,143)	(6,584)	(4,525)	-	(18,783)
Revaluation surplus	71,782	-	-	-	-	-	71,782
At 30 September 2022	2,207,706	545,320	340,224	252,461	66,611	-	3,412,378
At 1 October 2022	2,207,706	545,320	340,224	252,461	66,667	-	3,412,378
Translation adjustments	231,599	8,310	34,030	22,267	4,111	-	300,317
Additions	183	185,312	41,247	152,798	13,710	-	393,250
Disposals	-	(21,617)	(14,242)	(21,815)	(5,484)	-	(63,158)
Revaluation surplus	57,838	-		-		-	57,838
At 31 December 2023	2,497,325	717,325	401,259	405,711	79,004	-	4,100,624
Depreciation							
At 1 October 2021	-	143,889	112,709	139,358	35,704	-	431,660
Translation adjustments	126	1,517	6,768	5,124	1,017	-	14,552
Charge for the period	22,557	86,046	22,476	23,652	6,849	-	161,580
Eliminated on disposals	-	(2,164)	(3,641)	(6,007)	(4,341)	-	(16,153)
Write back on revaluation	(19,329)	-	-	-	-	-	(19,329)
At 30 September 2022	3,354	229,288	138,312	162,127	39,229	-	572,310
At 1 October 2022	3,354	229,288	138,313	162,127	39,229	-	572,311
Translation adjustments	4,219	6,065	15,855	19,925	2,764	-	48,828
Charge for the year	39,349	148,136	38,198	82,034	11,953	-	319,670
Eliminated on disposals	-	(6,817)	(4,425)	(16,964)	(4,041)	-	(32,247)
Write back on revaluation	(34,673)	-	-	-	-	-	(34,673)
At 31 December 2023	12,249	376,672	187,941	247,122	49,905	-	873,889
Net book value							
At 31 December 2023	2,485,076	340,653	213,318	158,589	29,099	-	3,226,735
At 30 September 2022	2,202,352	316,032	201,912	90,334	27,438	-	2,840,067
Net book value (cost basis)							
At 31 December 2023	850,520	340,653	213,318	158,589	29,099	-	1,592,179
At 30 September 2022	895,532	316,032	201,912	90,334	27,438	-	1,531,248

16 PROPERTY, PLANT AND EQUIPMENT – COMPANY

	Land and buildings Shs '000	Motor vehicles Shs '000	Furniture, fittings and equipment Shs '000	Computers Shs '000	Total Shs '000
Cost or Valuation					
At 1 October 2021	575,000	1,227	80,996	9,089	666,312
Additions	-	100	8,491	656	9,247
Transfer from related parties	-	-	-	298	298
Transfer from investment properties	540,000	-	-	-	540,000
Revaluation surplus	45,000	-	-	-	45,000
At 30 September 2022	1,160,000	1,327	89,487	10,043	1,260,857
At 1 October 2022	1,160,000	1,327	89,487	10,043	1,260,857
Additions	-	-	1,565	815	2,380
Transfer from related parties	-	-	3,878	937	4,815
Disposals	-	(770)	(76)	(145)	(991)
Revaluation surplus	35,000	-	-	-	35,000
At 31 December 2023	1,195,000	557	94,854	11,650	1,302,061
Depreciation					
At 1 October 2021	-	1,097	23,437	5,802	30,336
Charge for the period	16,000	45	6,209	696	22,950
Transfer from related parties	-	-	-	267	267
Written back on revaluation	(16,000)	-	-	-	(16,000)
At 30 September 2022	-	1,142	29,646	6,765	37,553
At 1 October 2022	-	1,142	29,646	6,765	37,553
Charge for the year	28,884	51	7,833	854	37,622
Transfer from related parties	-	-	2,364	763	3,127
Eliminated on disposals		(705)	-	(117)	(822)
Written back on revaluation	(28,884)	-	-	-	(28,884)
At 31 December 2023	-	488	39,843	8,265	48,596
Net book value					
At 31 December 2023	1,195,000	69	55,011	3,385	1,253,465
At 30 September 2022	1,160,000	185	59,841	3,278	1,223,304
Net book value (cost basis)					
At 31 December 2023	599,581	69	55,011	3,385	658,046
At 30 September 2022	611,817	185	59,841	3,278	675,121

16 PROPERTY, PLANT AND EQUIPMENT – GROUP AND COMPANY (Continued)

Work in progress in prior year relate to renovations of one of the buildings in Tanzania.

Assets pledged as security

The carrying value of land and buildings charged as security for loan facilities is Shs 850 million (2022: Shs 895 million) and Shs 611 million (2022: Shs 599 million) for Group and Company respectively at the end of the period. Details of the outstanding loan facilities are disclosed in note 29.

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 31 December 2023 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 period.

Details of the fair value hierarchy for the Group's and Company's property carried at fair value as at 31 December 2023 and 30 September 2022 are as follows:

	Level 1 Shs '000	Level 2 Shs '000	Level 3 Shs '000	Total Shs '000
31 December 2023				
Group				
Land and buildings	-	-	2,485,076	2,485,076
	========	========	========	========
Company				
Land and buildings	-	-	1,195,000	1,195,000
	========	========	========	========
30 September 2022				
Group				
Land and buildings	-	-	2,202,326	2,202,326
	========	========	========	========
Company				
Land and buildings	-	-	1,160,000	1,160,000
	========	========	========	========

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

17 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP Shs '000	COMPANY Shs '000
Cost		
At 1 October 2021	41,724	2,688
Translation adjustments	759	-
Additions	21,560	80
Write off	(140)	-
At 30 September 2022	63,903	2,768
At 1 October 2022	63,903	2,768
Translation adjustments	6,987	-
Additions	38,218	-
Write off	(4,923)	-
At 31 December 2023	104,185	2,768
Amortisation		
At 1 October 2021	20,677	2,432
Translation adjustments	294	-
Charge for the year	6,501	54
Eliminated on write off	(130)	-
At 30 September 2022	27,342	2,486
At 1 October 2022	27,342	2,486
Translation adjustments	2,181	-
Charge for the period	16,186	68
Eliminated on write off	(3,320)	-
At 31 December 2023	42,389	2,554
Net book value		
At 31 December 2023	61,796	214
At 30 September 2022	36,561	282

Intangible assets relate to computer software in use by the Group. The intangible assets have an estimated useful life of 5 years.

18 BIOLOGICAL ASSETS

Changes in carrying amounts of the biological assets comprise:

	Poultry
	Shs'000
At start of period	-
Transfer from stock	52,273
Increase due to purchases	57,824
(Losses) arising from changes in fair value	(20,294)
Decrease due to sales	(34,406)
Decrease due to mortality	(38,625)
Translation difference	35,601
At end of period	52,373

Poultry is made up of parent stock. There were no contracted commitments for development or acquisition of biological assets as at 31 December 2023 (2022: Nil).

Biological assets are carried at fair value less costs to sell at the end of each reporting period.

The fair value of the poultry is determined by management based on market prices of parent stock of similar age, breed and genetic merit.

The key assumptions made in the determination of the fair value are:

- the market price will remain constant based on estimated future market prices.
- the actual costs to sell will not change significantly from estimated costs.
- exchange rate will remain constant based on forecast

The following table presents Group's biological assets that are measured at fair value

	Valuation technique	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Period ended 31 December 2023					
Poultry	Market approach	-	52,373	-	52,373

There were no transfers between any levels during the period. In the calculation of the fair value for biological asset, the Group has applied market price and yield to the unobservable inputs.

Gains/(losses) arising from changes in fair value based on market prices for that age of poultry have been recognised in the statement of profit or loss as part of cost of sales.

Quantities of each biological asset age wise were as follows;

	Number
1 - 10 weeks	16,589
11 - 20 weeks	15,850
21 - 40 weeks	8,183
40 weeks and above	11,751
	52,373

19 RIGHT OF USE ASSETS

Group

	Buildings Shs '000	Motor vehicles Shs '000	Total Shs '000
Cost:			
At 1 October 2021	728,572	57,259	785,831
Translation adjustment	16,144	-	16,144
Additions	165,845	24,590	190,435
Modifications/alteration*	(77,134)	(3,304)	(80,438)
At 30 September 2022	833,427	78,545	911,972
At 1 October 2022	833,427	78,545	911,972
Translation adjustment	46,059	-	46,059
Additions	189,779	5,479	195,258
Disposal	(31,551)	-	(31,551)
Modifications/alteration*	(76,472)	(7,546)	(84,018)
At 31 December 2023	961,242	76,478	1,037,720
Depreciation:			
At 1 October 2021	193,373	25,442	218,815
Translation adjustment	6,634	-	6,634
Charge for the year	132,622	13,041	145,663
Modifications/alteration*	(72,507)	(639)	(73,146)
At 30 September 2022	260,122	37,844	297,966
At 1 October 2022	260,122	37,844	297,966
Translation adjustment	22,392	-	22,392
Charge for the period	258,988	24,036	283,024
Disposal	(22,020)	-	(22,020)
Modifications/alteration*	(53,145)	(5,921)	(59,066)
At 31 December 2023	466,337	55,959	522,296
Net book value:			
At 31 December 2023	494,904	20,519	515,423
At 30 September 2022	573,305	40,701	614,006

19 RIGHT OF USE ASSETS (Continued)

Company

	Buildings Shs '000
Cost:	
At 1 October 2022 and 31 December 2023	342,844
Depreciation:	
At 1 October 2021	48,688
Charge for the year	24,344
At 30 September 2022	73,032
At 1 October 2022	73,032
Charge for the period	30,430
At 31 December 2023	103,462
Net book value:	
At 31 December 2023	239,382
At 30 September 2022	269,812

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.

* Lease modification/alterations relates to lease retirement, extension and cancellation.

20 INVESTMENT IN SUBSIDIARIES - COMPANY

Details of investment	Country of incorporation	2023 % of equity interest	2022 % of equity interest	2023 Shs '000	2022 Shs '000
Wholly-owned subsidiaries					
Car & General (Trading) Limited – Tanzania	Tanzania	100%	100%	137,755	137,755
Kibo Poultry Products Limited	Tanzania	100%	100%	256,538	256,538
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%	-	-
Cummins C&G Holdings Limited	Mauritius	100%	50%	-	-
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%	-	-
Bodaplus Limited	Kenya	65%	65%	-	-
				405,975	405,975

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

	Car & General (Marine)		Boda Plus		Progen Company Limited		Dewdrops Limited	
	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000
Summarised statement of financial position								
Total assets	66,654	66,654	238,585	275,953	1,266,626	1,277,803	1,052,823	1,052,823
Total liabilities	18,992	18,878	159,539	165,026	1,156,194	1,175,058	430,695	430,666
Net assets	47,662	47,776	79,046	110,927	110,432	102,745	622,128	622,157
Non - controlling interests	16%	16%	35%	35%	34%	34%	34%	34%
Summarised statement of profit or loss								
Gain in fair value of investment property	-	-	-	-	-	50,000	-	-
Revenue	-	-	394,547	237,837	-	(3,081)	-	-
Cost of sales	-	-	(277,758)	(200,377)	-	-	-	-
Other income	-	-	(2,965)	104	-	-	-	-
Expenses	(114)	(121)	(117,287)	(80,245)	(4,699)	(4,181)	(29)	(38)
Loss for the year	(114)	(121)	(3,463)	(47,267)	(4,699)	(51,100)	(29)	(38)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	(114)	(121)	(3,463)	(47,267)	(4,699)	(51,100)	(29)	(38)

21 ACQUISITION OF SUBSIDIARIES

On 20 June 2023, the group acquired the remaining 50 per cent of the issued share capital of Cummins C&G Holdings Limited previously held by CMI Africa Holdings BV as a Joint Venture, obtaining full control of Cummins C&G Holdings Limited. Cummins C&G Holdings Limited carries on the business of sale and service of commercial engines and power equipment and qualifies as a business as defined in IFRS 3 Business Combinations. Cummins C&G Holdings Limited was acquired to obtain full control of the business and also improve the group's revenue and profitability.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	Shs '000
Financial assets	452,881
Inventories	159,874
Property and equipment	19,945
Identifiable intangible assets	1,555
Deferred tax asset	26,956
Financial liabilities	(215,909)
Total identifiable assets acquired and liabilities assumed	445,302
Goodwill	-
Total consideration	445,302
Satisfied by:	
Cash	150,071
Balance payable to CMI Africa Holdings BV	295,231
Total consideration	445,302
Net cash outflow arising on acquisition:	
Cash consideration	150,071
Less: cash and cash equivalent balances acquired	(122,194)
Acquisition of subsidiary, net of cash acquired	27,877

The fair value of the financial assets includes trade receivables with a fair value of Shs 149 million and a gross contractual value of Shs 154 million. The best estimate at acquisition date of the contractual cash flows not to be collected is Shs 4.9 million.

Cummins C&G Holdings Limited contributed Shs 2.5 billion revenue and Shs 112 million to the group's profit for the period between the date of acquisition and the reporting date.

If the acquisition of Cummins C&G Holdings Limited had been completed on the first day of the financial year, group revenues for the period would have been Shs 2.61 billion and group profit would have been Shs 137 million.

22 INVESTMENT IN ASSOCIATES - GROUP

Details of the Group's associates 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	
			2023	2022
Watu Credit Limited	Microfinance Services	Kenya	-	29.00%
Watu Tuu Limited	Microfinance Services	Tanzania	29.00%	29.00%
Watu Holdings Limited	Microfinance Services through subsidiaries.	Mauritius	29.00%	29.00%
Nyali Mwenge Limited	Microfinance Services	Tanzania	28.50%	-
			======	======

For 2023, the major operations for microfinance services were in Kenya, Tanzania and Uganda through watu credit Uganda Limited. The Group’s investment in associates is as follows:

	2023 Shs'000	2022 Shs'000
Watu Credit Limited (note 22(a))	-	1,175,105
Watu Holdings Limited (note 22(b))	952,083	245,853
Watu Tuu Limited	100,957	3,445
Nyali Mwenge Limited	52,522	-
	1,105,562	1,424,403
	========	=======

The movement in the investment is as follows:

At the beginning of the period	1,424,403	789,203
Additional investment in the period	-	11,927
Dividend received from associates in the period	(845,717)	-
Share of profit in the period	526,876	623,273
	1,105,562	1,424,403
	========	=======

22 INVESTMENT IN ASSOCIATES – GROUP (Continued)

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 15 months period ended 31 December and 12 months period ended 30 September prepared in accordance with IFRS Accounting Standards.

Associates	Watu Credit Limited		Watu Holdings Limited		Watu Tuu Limited	
	2023	2022	2023	2022	2023	2022
	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000	Sh '000
Current assets	-	14,666,163	33,375,294	9,674,486	3,606,948	1,094,677
Non-current assets	-	1,537,486	1,342,149	262,911	165,880	27,676
Non - current liabilities	-	9,787,106	24,865,288	6,885,494	2,799,961	-
Current liabilities	-	1,666,870	3,057,644	1,654,866	629,921	1,129,591
Cash and cash equivalents	-	403,152	670,206	124,134	296,068	86,905
Total revenue	2,539,264	10,925,803	19,919,179	3,284,468	2,086,793	236,771
Profit/(loss) for the period	314,521	1,473,051	984,934	705,419	336,247	(29,248)
Group's share of profit/(loss) from associates	91,211	427,184	285,631	204,571	97,512	(8,482)

	Nyali Mwenge Limited	
	2023	2022
	Sh '000	Sh '000
Current assets	-	-
Non-current assets	406,739	-
Non - current liabilities	-	-
Current liabilities	212,668	-
Cash and cash equivalents	475	-
Total revenue	5,115,383	-
Profit for the period	184,288	-
Group's share of profit/(loss) from associates	52,522	-

22 INVESTMENT IN ASSOCIATES – GROUP (Continued)

(a) Watu Credit Limited

The Group, through Car & General Trading Limited - Kenya, held 29% of the equity holding in Watu Credit Limited in the prior year. This has now been swapped with an equivalent shareholding of 8,080,000 shares in Watu Holdings Limited during the period.

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 before the swap and taking into account the following factors:

- The financial year end date of Watu Credit Limited is 31 December. This is the reporting date established when the company was incorporated. For purposes of applying the equity method of accounting, the audited financial statements of Watu Credit Limited for the year ended 31 December 2023 have been used.
- The Group held 29% of the equity shares of Watu Credit Limited in the prior year which have now been swapped with equivalent equity shareholding in Watu Holdings Limited during the period.

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 before the share swap is recognised in the consolidated financial statements:

	2023 Shs '000	2022 Shs '000
At beginning of period/year	1,175,105	747,921
Share of profit for the period/year	91,211	427,184
Less: dividend received from associate	(845,717)	-
Associate share swap	(420,599)	-
At end of period/year	-	1,175,105

(b) Watu Holdings Limited

The Group, through Car & General Trading Limited - Kenya, holds 29% (2022: 29%) of the equity holding in Watu Holdings Limited.

Watu Holdings Limited was incorporated in Mauritius in 2022. The principal activities of Watu Holdings Limited is to hold investments and provide micro-credit facilities. The Company has several subsidiaries main ones being; Watu Credit (Uganda) Limited, Watu Credit Limited and Watu Sierra Leone 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 Holdings 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 audited financial statements of Watu Holdings Limited for the period ended 31 December 2023 have been used.
- The Group holds 29% (2022: 29%) of the equity shares of Watu Holdings Limited.

22 INVESTMENT IN ASSOCIATES – GROUP (Continued)

(b) Watu Holdings Limited (continued)

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:

	2023 Shs '000	2022 Shs '000
At beginning of period/year	245,853	41,282
Share of profit for the period/year	285,631	204,571
Associate share swap	420,599	-
At end of period/year	952,083	245,853

(c) Watu Tuu Limited

The Group, through Car & General Trading Limited - Kenya, holds 29% (2022: 29%) of the equity holding in Watu Tuu Limited. Watu Credit (Tanzania) is a subsidiary of Watu Tuu Limited.

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

Watu Tuu 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 Tuu 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 audited financial statements of Watu Tuu Limited for the period ended 31 December 2023 have been used.
- The Group holds 29% of the equity shares of Watu Tuu 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 Tuu Limited.

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

	2023 Shs '000	2022 Shs '000
At beginning of period/year	3,445	-
Purchase of shares	-	11,927
Share of profit/(loss) in the year	97,512	(8,482)
At end of period/year	100,957	3,445

In the prior year, the Group invested 104,400 shares in Watu Tuu Limited leading to the total owership by the Group in Watu Tuu Limited to 29%.

The Group has also advanced a loan to Watu Credit (Tanzania) Limited, a subsidiary of Watu Tuu Limited, whose outstanding balances at the end of the year was nil (2022; Shs 0.14 million) and attracts interest at the rate of 18% p.a. Please refer to note 26(b).

22 INVESTMENT IN ASSOCIATES – GROUP (Continued)

(d) Nyali Mwenge Limited

The Group, through Car & General Trading Limited - Kenya, holds 28.5% (2022: 0%) of the equity holding in Nyali Mwenge Limited.

Nyali Mwenge Limited as part of its micro finance services offers asset finance – financing motorcycles and three-wheelers across Tanzania.

Nyali Mwenge 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 Nyali Mwenge 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 audited financial statements of Nyali Mwenge Limited for the period ended 31 December 2023 have been used.
- The Group holds 28.5% of the equity shares of Nyali Mwenge 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 Nyali Mwenge Limited.

The carrying amount of the Group’s interest in Nyali Mwenge Limited is recognised in the consolidated financial statements:

	2023 Shs '000	2022 Shs '000
At beginning of period/year	-	-
Purchase of shares	-	-
Share of profit in the period	52,522	-
At end of period/year	52,522	-
	======	======

23 INVESTMENT IN JOINT VENTURE – GROUP

The joint venture, Cummins C&G Holdings Limited, was 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. The group through Car & General (Trading) Limited Kenya has acquired the remaining 50% equity on 20 June 2023 from Cummins Africa Holdings BV during the period to convert the JV to a fully owned subsidiary. The joint venture is accounted for using the equity method for the period before the acquisition and there after the subsidiary consolidated in these financial statements. The consideration payable for purchase of the joint venture was USD 3,114,000 and the net assets acquired have been carried at fair value.

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	
			2023	2022
Cummins C&G Holdings Limited	Product Distribution	Mauritius	100%	50%
			=====	======

The joint venture is accounted for using the equity method in these financial statements before acquisition of the remainder of the shares that lead to this now being 100% held subsidiary.

23 INVESTMENT IN JOINT VENTURE - GROUP (Continued)

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 audited financial statements for the year ended 31 December 2023 prepared in accordance with IFRS Accounting Standards.

	2023 Shs '000	2022 Shs '000
Value of net assets at period/year end		
Total assets	-	1,882,549
Total liabilities	-	1,042,533
Net assets at period/year end	-	840,016
The above amounts of assets and liabilities includes the followings:		
Cash and cash equivalents	-	137,653
Revenue	-	1,882,600
Profit for the period/year before acquisition to subsidiary	25,120	34,994
Company share of profit before acquisition to subsidiary	12,560	17,497
The above profit for the period/year is after charging/(crediting) the following:		
Depreciation	17,024	30,359
Income tax charge	-	3,314

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

	2023 Shs '000	2022 Shs '000
Net assets of the joint venture	-	840,016
Proportion of the Group's ownership interest in the joint venture	-	50%
Share of net assets in the joint venture	-	420,008
Other adjustments - effect of exchange rate adjustments	-	(86,414)
Carrying amount of the Group's interest in the venture	-	333,594

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

	2023	2022
At beginning of the period/year	333,594	316,097
Share of profit in period/year	12,560	17,497
Transfer to subsidiary	(346,154)	-
At end of the period/year	-	333,594

24 INVENTORIES - GROUP

	2023 Shs '000	2022 Shs '000
Goods in transit and in bond	4,872,208	4,350,313
Finished products	2,078,174	1,942,904
Raw materials, spares and consumables	1,428,671	1,252,195
Work in progress	12,093	4,033
Livestock (Parent stock) inventories	-	52,273
Books and learning materials	1,091	1,091
Inventory provision for obsolescence	(46,606)	(61,885)
	8,345,631	7,540,924

During the period, the group inspected inventories for impairment and wrote down the related inventories to their net realisable value, which resulted to a loss provision of Shs'000' 46,606 (2022 Shs '000' 61,885). In addition, the inventories have reduced by Shs'000' 46,606 (2022 Shs '000' 61,885) as a result of the write down to net realisable value. This write down was recognised as an expense during the period.

25 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000
Trade receivables	2,404,286	1,965,874	65,657	68,816
Allowance for expected credit losses	(616,223)	(599,499)	(48,594)	(48,594)
Net trade receivables	1,788,063	1,366,375	17,063	20,222
Prepayments	92,032	56,342	7,182	8,547
Other receivables	817,211	450,821	10,694	20,699
	2,697,306	1,873,538	34,939	49,468

Set out below is the movement in the allowance for expected credit losses of trade receivables

	GROUP		COMPANY	
	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000
As at 1 October	599,499	512,277	48,594	48,594
Translation adjustments	39,027	13,296	-	-
Provision for expected credit losses	(6,950)	73,926	-	-
Bad debts write back	(15,353)	-	-	-
At 31 December/30 September	616,223	599,499	48,594	48,594

26 RELATED PARTIES BALANCES AND TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the end of the period and the related expenses and income for the period are as follows:

a) Due from related companies

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Car & General (Automotive) Limited	-	-	(263)	469
Car & General (Trading) Limited - (Tanzania)	-	-	19,809	4,665
Car & General (Uganda) Limited	-	-	8,058	1,528
Progen Company Limited	-	-	52,273	59,992
Sovereign Holdings International Limited	-	-	11,290	10,822
Car & General (Marine) Limited	-	-	18,628	18,519
Car & General (Engineering) Limited	-	-	15,227	15,019
Dewdrops Limited	-	-	274,425	274,398
Cummins C&G Holdings Limited	-	446,072	521,318	446,072
Bodaplus	-	-	1,079	-
Kibo Poultry Products Limited	-	-	5	-
	-	446,072	921,849	831,484
	=======	=======	=======	=======

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

b) Loan due from related companies

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
BodaPlus	-	-	-	538
Watu Credit Limited	803,431	-	-	-
Watu Credit (Tanzania) Limited	-	136	-	-
Car & General (Trading) - Tanzania	-	-	-	120,037
	803,431	136	-	120,575
	=======	======	=======	=======

The loans to related companies above are denominated in Kenya Shillings and attract interest at the rate of 18% (2022: 18%) per annum. The loan is repayable within 12 months of the financial year.

c) Loan due to a related party

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Due to a minority interest shareholder	166,808	165,266	-	-
	=======	=======	=======	=======

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.

26 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

d) Due to related companies

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
Cummins C&G Holdings Limited	-	733,753	-	-
Car & General (Trading) Limited – Kenya	-	-	1,257,464	1,020,483
Car & General (Industries) Limited	-	-	3,072	3,180
Car & General (Rwanda) Limited	-	-	164	167
	-	733,753	1,260,700	1,023,830

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

e) Related party transactions

The following transactions were carried out with related parties during the period.

	GROUP 2023 Shs '000	GROUP 2022 Shs '000	COMPANY 2023 Shs '000	COMPANY 2022 Shs '000
Management fees				
Cummins C&G Holdings Limited	52,947	53,672	52,947	53,672
Rental income				
Car & General (Trading) Limited - (Kenya)	48,072	28,606	48,072	28,606
Interest income				
Interest income on related party loans – Watu Group	20,763	62,455	-	-

Compensation of key management personnel

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

	2023 Shs '000	2022 Shs '000
Salaries and other benefits to key management	500,753	359,444
Directors' remuneration		
Executive Director	29,112	24,654
Non-Executive Directors	13,623	7,857
	42,735	32,511

26 RELATED PARTIES BALANCES AND TRANSACTIONS (Continued)

(e) Related party transactions (continued)

During the period, 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 a shareholder of Car and General (Kenya) Plc Group and is also related through common Director.

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Borrowings repaid	1,752,959	1,049,642	37,199	29,239
Borrowings received	2,546,107	889,123	47,473	9,239
Interest paid on related company loans (Banks)	176,760	78,556	1,836	383
Interest paid on Directors' loans	33,778	29,780	33,514	29,780
Loan balance – Directors	325,666	211,000	295,934	200,000
Loan balance - Banks	1,416,489	612,639	10,274	-
Overdraft balance - Banks	131,926	114,777	381	5,788

27(a) SHARE CAPITAL - GROUP AND COMPANY

	2023	2022
	Shs '000	Shs '000
Authorised:		
82,103,308 (2022: 82,103,308) ordinary shares of Shs 5 each	410,517	410,517
Issued and fully paid:		
80,206,616 (2022: 80,206,616) ordinary shares of Shs 5 each	401,033	401,033

	2023		2022	
	Number of shares	Shs '000	Number of shares	Shs '000
At the beginning of the year	80,206,616	401,033	40,103,308	200,516
Bonus share issue	-	-	40,103,308	200,517
At the end of the year	80,206,616	401,033	80,206,616	401,033

In the prior year, the company issued bonus shares from retained earnings of one share for every ordinary share held with a par value of Shs 5 each. This was approved at the Annual General Meeting of the Company held on Thursday, 24 March 2023.

		2023 Shs '000	2022 Shs '000
27(b)	DIVIDENDS		
	Amounts proposed as distributions to equity holders in the period/year:		
	Proposed dividends	-	64,165
		=======	======

The directors do not recommend the declaration of a dividend for the period. The prior year proposed first and final dividend for the year was Shs 0.80 per share.

28 DEFERRED TAXATION

Deferred income tax is calculated using the enacted income tax rate of 30% (2022: 30%). The deferred income tax liability/(asset) is made up as follows:

	GROUP		COMPANY	
	2023 Shs '000	2022 Shs '000	2023 Shs '000	2022 Shs '000
Other provisions	(214,076)	(181,222)	(21,541)	(24,303)
Tax losses	(153,995)	(57,521)	-	-
Unrealised exchange differences	3,935	(7,826)	1,624	1,624
Accelerated capital allowances	26,219	26,219	(5,186)	(5,186)
Provision for expected credit losses	(164,725)	(164,725)	(45,858)	(45,858)
Fair value gain on investment property	452,546	452,546	400,841	400,841
Revaluation surplus on property, plant and equipment	459,745	449,245	355,255	344,755
Net deferred tax liability	409,649	516,716	685,135	671,873
	======	======	======	======
Presented in the statement of financial position as follows:				
Deferred tax asset	(513,519)	(367,020)	-	-
Deferred tax liability	923,168	883,736	685,135	671,873
	409,649	516,716	685,135	671,873
	======	======	======	======
The movement on the deferred tax account is as follows:				
At start of period/year	516,716	497,394	671,873	649,068
(Credit)/charge to profit or loss (note 11(a))	(95,551)	(2,000)	2,699	2,165
Deferred tax on revaluation surplus of property	10,500	21,582	10,500	18,300
Deferred tax on tax losses not previously recognised	(9,094)	-	-	-
Prior year (over)/under provision	6,604	(6,985)	-	2,340
Translation difference	(19,526)	6,725	63	-
At end of period/year	409,649	516,716	685,135	671,873
	======	======	======	======

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 31 December 2023, the Group had tax losses amounting to Shs 513 million (2022: Shs 192 million) available for carry forward and set off against future taxable income. Kenyan Income Tax laws allow for carry forward of tax losses indefinitely. The accumulated tax losses will be utilised to offset future taxable profits.

29 BORROWINGS

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Loans – working capital loans	2,743,226	1,857,317	306,740	263,792
Import loans	5,578,767	5,122,164	247,929	462,430
Hire purchase finance	2,245	604	-	-
Bank overdrafts	291,694	139,937	1,364	5,789
	8,615,932	7,120,022	556,033	732,011
Presented in the statement of financial position as follows:				
Non-current liability	1,447,368	1,426,611	306,740	263,792
Current liability	7,168,564	5,693,411	249,293	468,219
	8,615,932	7,120,022	556,033	732,011

Maturities of amounts included in loans is as follows:

Within one year	7,168,564	5,693,411	249,293	468,219
Between two and five years	1,447,368	1,426,611	306,740	263,792
	8,615,932	7,120,022	556,033	732,011

Analysis of borrowings by currency

Borrowings in USD	4,219,393	4,723,390	295,933	-
Borrowings in KShs	4,218,447	2,306,043	260,100	732,011.
Borrowings in TZS	178,092	90,589	-	-
	8,615,932	7,120,022	556,033	732,011

Analysis of borrowings by security

Secured borrowings	6,311,149	5,018,186	11,638	5,788
Unsecured borrowings	2,304,783	2,101,836	544,395	726,223
	8,615,932	7,120,022	556,033	732,011

Included in loans are unsecured loans advanced to the Group amounting to Shs 325 million (2022: Shs 211 million) that are due to two company Directors or their associates. The loans are unsecured, denominated in Kenya Shillings and US Dollars and attract interest at the rate of 17% and 12% p.a respectively.

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.

29 BORROWINGS (Continued)

Interest rates

The effective interest rates at end of period were as follows:

	2023	2022
Bank overdrafts	15.73%	12.17%
	=======	=======
Loans		
Loans in Kshs	17.38%	10.98%
Loans in USD	8.58%	9.52%
Loans in TZS	13.40%	8.99%
	=======	=======
Loans in Ush - base rate set by the bank from time to time plus 0.75%		
Hire purchase facility	17.50%	14.00%
	=======	=======

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 USD 24,540,000 and Shs 153,000,000 by Car & General (Trading) Limited - Kenya, 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) PLC, Car & General (Trading) Ltd – Kenya 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 1,465,000,000 over all assets of Car & General (Kenya) PLC, ranking pari passu with the debenture created in favour of Standard Chartered Bank Kenya Limited.
- A legal charge for Shs 510,000,000 over land and buildings located on LR No. 209/8319, LR No. 209/8320, LR No. 209/8321 and LR No. 37/273 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 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 mortgage for USD 4,750,000 over the company`s property on Plot 81 Jinja Road (obligator; Car and General (Uganda) Limited) a debenture for USD 5,800,000 over fixed and floating assets of the company (obligator; Car & General (Uganda) Limited) and a corporate guarantee for USD 4,750,000.

Undrawn facilities

At the end of the reporting period, the Group had undrawn committed borrowing facilities amounting to Shs 963 million (2022: Shs 646 million).

30 LEASE LIABILITIES

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
At beginning of period/year	704,160	618,281	322,483	331,305
Additions	145,128	190,435	-	-
Modifications/alterations*	(32,118)	(7,547)	-	-
Interest expense on lease liabilities	74,199	52,292	28,410	23,562
Interest paid	(74,199)	(52,292)	(28,410)	(23,562)
Lease payments	(220,948)	(121,728)	(14,161)	(8,822)
Translation adjustment	41,802	24,719	-	-
At end of period/year	638,024	704,160	308,322	322,483
	======	======	======	======
Maturity analysis				
Year 1	206,816	188,366	36,138	34,002
Year 2	146,409	176,206	37,945	35,702
Year 3	95,152	134,688	39,842	37,487
Year 4	59,768	136,170	41,834	39,362
Year 5	30,813	77,922	43,926	41,330
Year 6 and onwards	274,749	214,311	240,668	295,179
Undiscounted lease payments at the end of the period/year	813,707	927,663	440,353	483,062
Less unearned interest	(175,683)	(223,503)	(132,031)	(160,579)
	638,024	704,160	308,322	322,483
	======	======	======	=======
Analysed as:				
Current	206,816	188,366	14,463	34,002
Non-current	431,208	515,794	293,859	288,481
	638,024	704,160	308,322	322,483
	=======	=======	=======	=======

* Lease modification/alterations relates to lease retirement, extension and cancellation.

The statement of profit or loss shows the following amounts relating to leases:

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Depreciation of right-of-use asset	283,024	145,663	30,430	24,344
Interest expense on lease liabilities	74,199	52,292	28,410	23,562

The Group has lease contracts that include an extension option. The option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether the extension option is reasonably certain to be exercised.

The total cash outflow for leases in the period for Group and Company was Shs 295 million (2022: KShs 174 million) and Shs 42.6 million (2022: Shs 32.3 million) respectively that related to principal portion of lease payments and interest expense on the leases.

31 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
Trade payables	3,573,499	3,043,069	43,801	57,978
Provision	430,899	166,154	17,568	25,572
Other payables	1,129,266	458,668	41,742	37,412
	5,133,664	3,667,891	103,111	120,962

32 NOTES TO THE STATEMENT OF CASH FLOWS

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
(Loss)/profit before taxation	(348,621)	735,740	(44,403)	15,901
Adjusted for:				
Gain in fair value of investment properties (note 15)	(2,980)	(111,500)	-	(61,500)
Depreciation of property, plant and equipment (note 16)	319,670	161,580	37,622	22,950
Amortisation of intangible assets (note 17)	16,186	6,501	68	54
Depreciation of right of use asset (note 19)	283,024	145,663	30,430	24,344
Effect of lease modifications on right of use asset (note 19)	34,483	-	-	-
Effect of lease modifications on lease liability	32,118	-	-	-
Loss/(gain) on disposal of property, plant and equipment	7,659	1,422	(381)	-
Loss on write off - intangible assets	1,603	-	-	-
Loss arising from change in fair value	20,294	-	-	-
Decrease in value of biological assets due to sales (note 18)	34,406	-	-	-
Decrease in value of biological assets due to mortality (note 18)	38,625	-	-	-
Transfer of biological assets from inventories	(52,273)	-	-	-
Interest on borrowings (note 8)	1,185,566	616,983	93,184	78,597
Interest expense on lease liability (note 8)	74,199	52,292	28,410	23,562
Interest income (note 26e)	(20,763)	(62,455)	-	-
Unrealised exchange on borrowings (note 32(b))	943,045	274,452	-	-
Share of profit in associates	(526,876)	(623,273)	-	-
Effect of acquisition through business combinations (note 21)	295,231	-	-	-
Share of profit in joint venture	-	(17,497)	-	-
Movements in working capital items:				
Inventories	(804,707)	(3,043,984)	-	-
Trade and other receivables	(823,768)	(601,859)	14,529	(6,683)
Net movement in related company balances	(286,139)	319,537	265,877	69,590
Trade and other payables	1,465,773	1,185,443	(17,851)	31,737
Net cash generated from/(used in) operations	1,885,755	(960,955)	407,485	198,552

32 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	Shs '000	Shs '000	Shs '000	Shs '000
At the beginning of the period	6,980,085	4,872,351	726,222	724,578
Loan received	21,622,889	16,137,008	286,564	299,734
Loan repayments	(21,221,781)	(14,300,919)	(458,116)	(298,091)
Hire purchase facility	-	(2,807)	-	-
Exchange differences	943,045	274,452	-	-
At the end of the period	8,324,238	6,980,085	554,670	726,221

(c) Analysis of cash and cash equivalents

Cash and bank balances	574,471	197,511	2,297	851
Bank overdrafts (note 29)	(291,694)	(139,937)	(1,364)	(5,789)
	282,777	57,574	933	(4,938)

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

33 CAPITAL COMMITMENTS

	2023	2022
	Shs '000	Shs '000
Authorised and contracted for	71,954	142,285

34 CONTINGENT LIABILITIES

(a) Guarantees

	2023	2022
Group		
Sundry bank guarantees	139,875	41,143
Company		
Guarantees in respect of bank facilities for subsidiaries	7,498,290	2,439,837
Sundry bank guarantees	6,300	6,300
	7,504,590	2,446,137

(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

34 CONTINGENT LIABILITIES (Continued)

(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 reference to the prior year assessment, Kenya Revenue Authority (KRA) withdrew the case filed at the high court for Ksh 677 million relating to company's tariff classification for three wheelers for the years of income 2015 to 2021 but issued another custom assessment in respect to the same product tariff classification for the period January 2022 to January 2023 amounting to Ksh 224million. The company objected to the assessment and the case is at the Tax Appeal Tribunal.

The basis of the company's objection is that Kenya Revenue Authority filed a consent at the High Court and the matter was then marked as closed on 18 April 2023 on the basis of the consent after Kenya Revenue Authority vacated the prior demand for the period 2015 to2020. This Notice of Withdrawal is referred to in the
Kenya Revenue Authority current demand letter and was followed by the current position.

In light of the Court's Judgment in the Auto Industries case, the product should also be classified under heading 8711 for the audit period January 2022 to January 2023 which is the subject period for this Application for Review.

In the period under review, Kenya Revenue Authority issued an assessment to the company relating to Income tax as a result of interest restriction as introduced in the Finance Act 2022. The assessment was based on the
inclusion of share of profit from associate and joint venture when computing earnings before interest, tax, depreciation and amortization (EBITDA) for the purpose of computing deductible interest expense pursuant to section 16(2) (j) of the income tax Act, Chapter 470of the laws of Kenya. The case is currently at the Tax Appeals Tribunal.

During the year under review, Kenya Revenue Authority conducted a transfer pricing audit and issued an additional income tax assessment to Cummins C&G Ltd for the financial year 2017 of Ksh 109 million and financial years 2018 to 2021 of Ksh 135 million. The company objected to the assessments and the two cases are currently at the Tax Appeal Tribunal. Cummins CMI, the former Joint Venture partner, has guaranteed an indemnity of 50% in case of an adverse ruling against the company.

35 OPERATING LEASE ARRANGEMENTS - 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:

	2023 Shs '000	2022 Shs '000
Within one year	182,294	184,634
In the second to fifth year inclusive	806,761	793,390
	989,055	978,024

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.

36 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	
	2023	2022	2023	2022
	Shs'000'	Shs'000'	Shs'000'	Shs'000'
Equity	5,731,562	5,604,374	1,732,260	1,791,021
Total borrowings	8,615,932	7,120,022	556,033	732,011
Less: cash and bank balances	(574,471)	(197,511)	(2,297)	(851)
Net debt	8,041,461	6,922,511	553,736	731,160
Gearing Ratio	140%	122%	32%	41%

The Directors are aware of the increased 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.

37 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 matrix is adjusted for forward-looking factors specific to the debtors and the economic environment. 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.

37 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (Continued)

The Group considers a financial asset in default when contractual payments are 180 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.

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 >180 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.

Group

31 December 2023	**Internal/ external rating**	**Lifetime ECL**	**Gross carrying amount Shs'000**	**Loss allowance Shs'000**	**Net carrying amount Shs'000**
Trade receivables	Investment grade	Lifetime ECL (simplified approach - SPPI)	2,404,286	(616,223)	1,788,063
Loan due from related company	Performing	Lifetime ECL (simplified approach – SPPI)	803,431	-	803,431
Bank balance	Performing	Lifetime ECL not credit-impaired	574,471	-	574,471
			3,782,188	(616,223)	3,165,965

37 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (Continued)

Group (Continued)

	Internal/ external rating	Lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
30 September 2022					
Trade receivables	Investment grade	Lifetime ECL (simplified approach - SPPI)	1,965,874	(599,499)	1,366,375
Due from related company	Performing	Lifetime ECL not credit-impaired	446,072	-	446,072
Loan due from related company	Performing	Lifetime ECL (simplified approach – SPPI)	136	-	136
Bank balance	Performing	Lifetime ECL not credit-impaired	197,511	-	197,511
			2,609,593	(599,499)	2,010,094
			=======	========	========

Company

	Internal/ external rating	Lifetime ECL	Gross carrying amount Shs'000	Loss allowance Shs'000	Net carrying amount Shs'000
31 December 2023					
Trade receivables	Investment grade	Lifetime ECL (simplified approach - SPPI)	65,657	(48,594)	17,063
Due from related companies	Performing	Lifetime ECL not credit-impaired	1,025,940	(104,091)	921,849
Bank balance	Performing	Lifetime ECL not credit-impaired	2,297	-	2,297
			1,093,894	(152,685)	941,209
			=======	========	=======
30 September 2022					
Trade receivables	Investment grade	Lifetime ECL (simplified approach -SPPI)	68,816	(48,594)	20,222
Due from related companies	Performing	Lifetime ECL not credit-impaired	935,575	(104,091)	831,484
Loan due from related company	Performing	Lifetime ECL (simplified approach – SPPI)	120,575	-	120,575
Bank balance	Performing	Lifetime ECL not credit-impaired	851	-	851
			1,125,817	(152,685)	973,132
			======	========	=======

37 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (Continued)

	Trade and other receivables	Bank balances	Due from related companies	Total
Group				
At 1 October 2021	512,277	-	-	512,277
Translation adjustments	13,296	-	-	13,296
Increase in loss allowance in the year	73,926	-	-	73,926
Bad debt write off/(write back)	-	-	-	-
At 30 September 2022	599,499	-	-	599,499
At 1 October 2022	599,499	-	-	599,499
Translation adjustments	39,027	-	-	39,027
Decrease in loss allowance in the period	(4,064)	-	-	(4,064)
Bad debt write back	(15,353)	-	-	(15,353)
At 31 December 2023	616,223	-	-	616,223
Company				
At 1 October 2021	48,594	-	80,246	128,840
Increase in loss allowance in the year	-	-	23,845	23,845
At 30 September 2022	48,594	-	104,091	152,685
At 1 October 2022	48,594	-	104,091	152,685
Increase in loss allowance in the period	-	-	-	-
At 31 December 2023	48,594	-	104,091	152,685

37 FINANCIAL RISK MANAGEMENT (Continued)

(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.

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 31 December 2023						
Liabilities						
Trade payables	1,592,616	1,246,783	734,100	-	-	3,573,499
Borrowings	1,290,402	2,911,961	2,966,201	1,447,368	-	8,615,932
Lease liabilities	-	-	206,816	156,459	274,749	638,024
Loan due to related party	-	-	-	166,808	-	166,808
Due to related parties	-	-	-	-	-	-
Total financial liabilities	2,883,018	4,158,744	3,907,117	1,770,635	274,749	12,994,263
At 30 September 2022						
Liabilities						
Trade payables	1,581,384	1,285,970	175,715	-	-	3,043,069
Borrowings	1,051,402	1,644,122	2,997,887	1,426,611	-	7,120,022
Lease liabilities	-	-	188,366	301,483	214,311	704,160
Loan due to related party	-	-	-	165,266	-	165,266
Due to related parties	-	-	733,753	-	-	733,753
Total financial liabilities	2,632,786	2,930,092	4,095,721	1,893,360	214,311	11,766,270

37 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Company

31 December 2023

	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
Liabilities						
Trade payables	43,801	-	-	-	-	43,801
Borrowings	95,118	58,029	96,146	306,740	-	556,033
Lease liabilities	-	-	14,463	90,795	203,064	308,322
Due to related parties	-	-	1,260,700	-	-	1,260,700
Total financial liabilities	138,919	58,029	1,371,309	397,535	203,064	2,168,856

At 30 September 2022

	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
Liabilities						
Trade payables	57,978	-	-	-	-	57,978
Borrowings	5,788	50,996	411,435	263,792	-	732,011
Lease liabilities	-	-	34,002	153,881	134,600	322,483
Due to related parties	-	-	1,023,830	-	-	1,023,830
Total financial liabilities	63,766	50,996	1,469,267	417,673	134,600	2,136,302

37 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:

31 December 2023	USD Shs'000	EURO Shs'000	RWF Shs'000	JPY Shs'000	GBP Shs'000	ZAR Shs'000
Assets						
Bank and cash balances	797,334	11	23	-	11	-
Trade and other receivables	139,349	444	8,378	-	3,725	-
Due from related parties	-	-	1,384	-	-	-
	936,683	455	9,785	-	3,736	-
Liabilities						
Trade and other payables	1,735,732	45,344	-	157,771	80,805	-
Borrowings	4,219,393	-	-	-	-	-
Due to related parties	-	-	-	-	-	-
	5,955,125	45,344	-	157,771	80,805	-
Net exposure	(5,018,442)	(44,889)	9,785	(157,771)	(77,069)	-
30 September 2022						
Assets						
Bank and cash balances	2,886	-	23	-	-	-
Trade and other receivables	112,752	263	8,378	-	3,725	-
Due from related parties	-	-	1,384	-	-	-
	115,638	263	9,785	-	3,725	-
Liabilities						
Trade and other payables	948,586	4,511	48	6,017	-	3,451
Borrowings	4,723,390	-	-	-	-	-
Due to related parties	303,696	-	-	-	-	-
	5,975,672	4,511	48	6,017	-	3,451
Net exposure	(5,860,034)	(4,248)	9,737	(6,017)	3,725	(3,451)

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.

37 FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Sensitivity analysis (continued)

Profit or loss

	2023 Shs '000	2022 Shs '000
USD	(501,844)	(586,003)
ZAR	-	(345)
JPY	(15,777)	(602)
RWF	979	974
GBP	(7,707)	373
EURO	(4,489)	425
	(528,838)	(585,178)

(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 period 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 31 December 2023						
Financial assets						
Bank balances	574,471	-	-	-	-	574,471
Financial liabilities						
Borrowings	(1,290,402)	(2,911,961)	(2,966,201)	(1,447,368)	-	(8,615,932)
Interest sensitivity gap	(715,931)	(2,911,961)	(2,966,201)	(1,447,368)	-	(8,041,461)
At 30 September 2022						
Financial assets						
Bank balances	197,511	-	-	-	-	197,511
Financial liabilities						
Borrowings	(1,055,477)	(2,457,933)	(2,503,793)	(1,102,819)	-	(7,120,022)
Interest sensitivity gap	(857,966)	(2,457,933)	(2,503,793)	(1,102,819)	-	(6,922,511)

37 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.

	2023 Shs'000 Effect on profit	**2022 Shs'000 Effect on profit**
+1% Movement	(80,415)	(69,225)
-1% Movement	80,415	69,225
	=======	=======

(iii) Price risk

As at 31 December 2023, the group did not hold financial instruments that are subject to price fluctuations.

38 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

39 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

40 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.