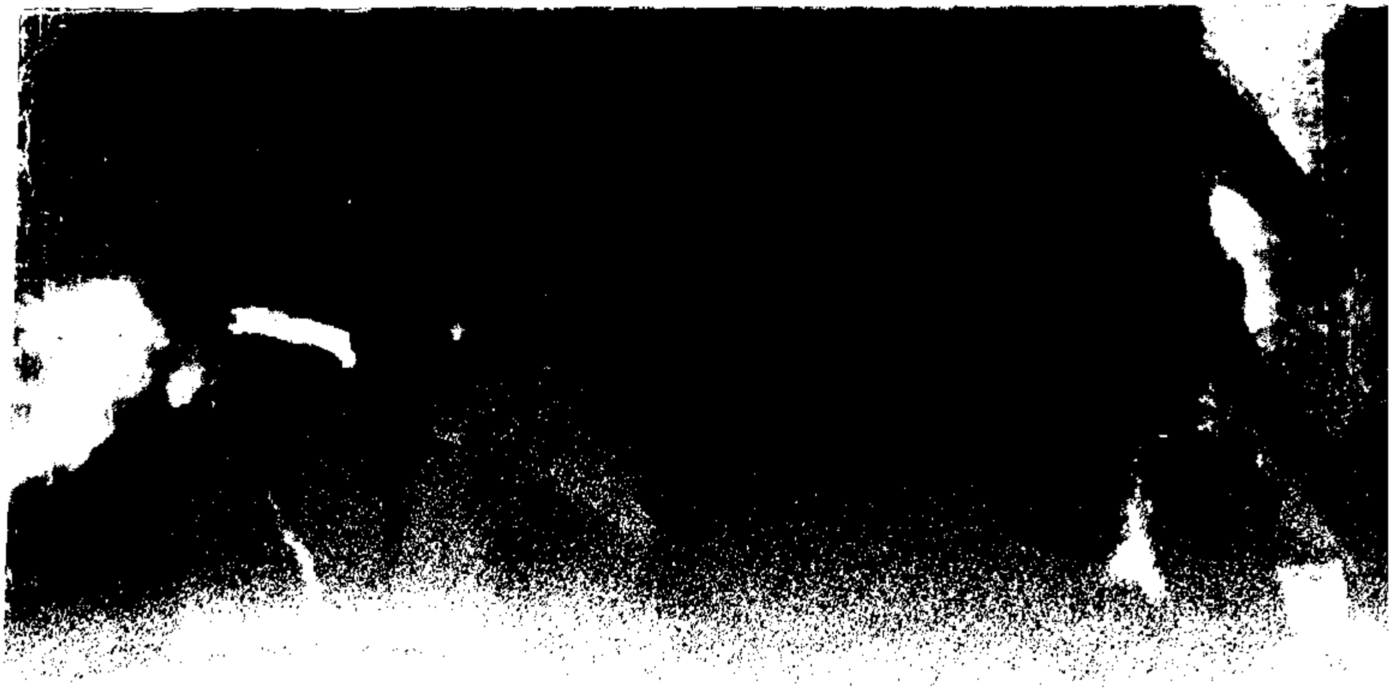

CROWN-BERGER KENYA LIMITED

ANNUAL REPORT AND ACCOUNTS 1995

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

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DIRECTORS & PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

V. Mallya*	Chairman
M.W. Harley	Vice Chairman
D.R. Desai*	Regional Director
D.J. Rogers**	Managing Director
B.K. Rotich	Director
M.L. Somen	Director
C.K. Mehta**	Director
H.R. Devani**	Director
R. Sukumar*	Director
A.K.R. Nedungadi*	Alternate Director to V.Mallya

*Indian **British

CORPORATE SECRETARY

Chunga Associates, Nairobi

EXECUTIVE DIRECTORS

D.J. Rogers	Managing Director
R. Sukumar*	Director

AUDITORS

Bellhouse Mwangi Ernst & Young, Nairobi

LEGAL ADVISORS

Hamilton Harrison & Mathews, Nairobi

REGISTERED OFFICE

Crown-Berger Kenya Limited,
Mogadishu Road,
P.O.Box 78848
Nairobi

sold as against 7.1 million in 1994. The profit before taxation, however, went down to Kshs 49 million against Kshs 132 million in the previous year. The after tax profits were similarly lower at Kshs 31 million as against Kshs 76 million in 1994.

Your Directors have recommended and paid a one-off final interim dividend of Kshs 1 per share as against Kshs 2.7 per share in 1994. Notwithstanding the reduced profitability, your Company has continued to maintain the leadership position with the Crown and Robbialac brands. Having acquired Twiga Paints Ltd., in January last year, your Company's management have been consolidating all aspects of Twiga's operations within Crown-Berger. The integration exercise was completed earlier this year and the production of all brands is now performed in the recently-expanded factory in Mogadishu Road. Finance and Administrative personnel have been integrated with our existing Likoni Road offices. The Twiga acquisition has brought to your Company exclusive rights to the manufacture of the internationally-famous "DULUX" brand manufactured under licence from ICI, UK which offers important long-term growth potential within the East Africa region. The acquisition also has brought to your Company the ownership of the "DUCO" brand which, together with Robbialac "VITON", provides us with a two-pronged benefit in the important Vehicle Refinish market.

Your Company's management is conscious of several cost-push factors and plans to right-size many of the operational and functional processes by more focused training of, and effective contribution by, all our people. The Company has invested considerable resources over the last two years in computer systems. This is an on-going process which promises to contribute speedily to the Company's improved growth and profitability in future.

The Board of Directors of your Company has become somewhat smaller in size with the resignations in last few months of Mr. Khalif Maalim, Technical Director, and Mr. Iqbal Karmali, Sales Director. Your Company's management is considering alternatives to fill these vacancies on the Board and also the management team.

The adverse trend in profitability experienced by your Company in the second half of 1995 has continued in the first half of 1996 though with reduced vigour. I have every reason to believe that the turn-around has already started and the second half of 1996 will see your Company back to enjoying healthy profitability.

While concluding, I thank my colleagues on the Board for their support and advice as well as the management, all employees, suppliers, customers, banks and our well-wishers whose support has been invaluable throughout the year under review.

AUDITORS' REPORT

TO THE MEMBERS OF CROWN-BERGER KENYA LIMITED AND SUBSIDIARY

BELLHOUSE MWANGI ERNST & YOUNG

We have audited the accounts set out on pages 8 to 20 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 13 and 14. We obtained all the information and explanations which we considered necessary for the purposes of our audit.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the accounts. Our responsibility is to express an opinion on the accounts based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with generally accepted auditing standards. We planned and performed our audit so as to obtain a reasonable assurance that the accounts are free from material misstatement. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of significant estimates and judgements made by the Directors in the preparation of the accounts, and whether the accounting policies are appropriate, consistently applied and adequately disclosed.

OPINION

In our opinion, proper books of account have been kept and the accounts, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the group at 31 December 1995 and of the profit and cash flow for the year then ended and comply with the Companies Act.

NAIROBI

12th July 1996

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Note	1995 KShs. '000	1994 KShs. '000
TURNOVER	1(b)	1,149,785	953,446
PROFIT BEFORE TAXATION	16	51,455	132,059
TAXATION	17	(18,060)	(55,762)
PROFIT FOR THE YEAR		33,395	76,297
PROPOSED DIVIDEND	18	(21,570)	(58,239)
RETAINED PROFIT FOR THE YEAR		11,825	18,058
STATEMENT OF RETAINED PROFITS			
RETAINED PROFITS BROUGHT FORWARD		85,397	62,422
RETAINED PROFIT FOR THE YEAR		11,825	18,058
TRANSFER FROM REVALUATION RESERVE	14	5,409	4,917
RETAINED PROFITS CARRIED FORWARD		102,631	85,397
EARNINGS PER SHARE	15	1.55	3.53

BALANCE SHEET - THE COMPANY

31 DECEMBER 1995

	Note	1995 KShs.'000	1994 KShs.'000
FIXED ASSETS	2(ii)	143,456	138,630
INVESTMENTS	3	82,378	-
CURRENT ASSETS			
Stocks	6	370,613	351,854
Debtors and prepayments	7	226,759	156,937
Amounts due from group companies	8	186,072	96,319
Tax recoverable		21,277	-
Cash and bank balances		14,255	30,110
		818,976	635,220
CURRENT LIABILITIES			
Bank overdraft	9	276,823	184,486
Loans	10	61,577	13,030
Creditors	11	113,062	75,005
Amounts due to group companies	8	115,267	75,535
Taxation		-	5,753
Dividend payable		37,570	47,276
		604,299	401,085
NET CURRENT ASSETS		214,677	234,135
		440,511	372,765
SHAREHOLDERS' FUNDS			
Share capital	12	107,850	107,850
Share premium	13	80,174	80,174
Capital reserve	14	82,189	87,106
Retained profits		99,657	85,397
		369,870	360,527
LONG - TERM LOAN	10	70,641	12,238
		440,511	372,765

The accounts were approved by the Board of Directors on 1 April 1996 and signed on its behalf by:-

Dipak R. Desai **Regional Director**

David J. Rogers **Managing Director**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings and plant and equipment and the computation of related depreciation.

(b) Turnover

Turnover, which comprises the value of goods invoiced during the year less returns, rebates and value added tax, is accounted for on the despatch of goods to customers basis.

(c) Fixed assets and depreciation

Fixed assets are stated at professional valuations with subsequent additions at cost, less depreciation. The basis of valuation is open market value for existing use.

i) Crown-Berger Kenya Limited

Depreciation is calculated on the straight line basis, at rates estimated to write off the assets over their expected useful lives.

Depreciation rates are as follows:

Leasehold property	2%	p.a.
Plant, machinery & equipment	10% and 8%	p.a.
Furniture and fittings	12.5%	p.a.
Motor vehicles	20% or 25%	p.a.
Computers	20%	p.a.

ii) Twiga Paints Limited

Depreciation is calculated on the reducing balance basis, at the following rates:-

Leasehold building	2.5%	p.a.
Plant and machinery	12.5%	p.a.
Motor vehicles	20% or 25%	p.a.
Furniture and equipment	10%	p.a.

(d) Stocks

Raw materials and finished goods are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method.

Goods in transit are valued at their actual cost.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

2. FIXED ASSETS

i) GROUP

	Leasehold land and buildings Kshs.'000	Plant & machinery Kshs.'000	Furniture, fittings & office equipment Kshs.'000	Motor vehicles Kshs.'000	Total Kshs.'000
COST OR VALUATION					
At 31 December 1994	94,969	94,308	21,165	37,426	247,868
Additions	5,724	4,189	10,198	1,121	21,232
Disposals	-	-	(190)	(447)	(637)
At 31 December 1995	100,693	98,497	31,173	38,100	268,463
DEPRECIATION					
At 31 December 1994	4,748	24,187	7,375	23,986	60,296
Charge for the year	1,841	8,038	3,788	5,303	18,970
Disposals	-	-	(190)	(315)	(505)
At 31 December 1995	6,589	32,225	10,973	28,974	78,761
NET BOOK VALUES					
At 31 December 1995	94,104	66,272	20,200	9,126	189,702
At 31 December 1994	56,770	61,929	9,018	10,913	138,630

Leasehold property and plant was revalued on 31 December 1991 by Milligan & Company Limited on the basis of open market for the existing use. The resulting surplus of Kshs. 95,780,000 was transferred to capital reserve.

On 31 December 1993, a revaluation of assets was done by Milligan & Company Limited on the basis of open market for the existing use. The resulting surplus of Kshs. 127,065,200 was not incorporated in the books.

Fixed assets of the subsidiary were revalued on 31 December 1992 by Milligan & Company Limited on the basis of open market for existing use. The resulting surplus of Kshs. 9,539,416 was transferred to capital reserve.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

3. INVESTMENTS

	1995 Kshs. '000	1994 Kshs.'000
Investments in Twiga Paints Limited	82,373	-

Twiga Paints Limited was purchased during the year at a value of Kshs. 82,378,000.

4. GOODWILL ON CONSOLIDATION

The goodwill was recognised on acquisition of Twiga Paints Limited.

5. INTANGIBLE ASSET

The intangible asset relates to the purchase consideration for the assignment of agreement to use Duco and Dulux brand names and technical information. The cost is being amortised over ten years.

	THE GROUP		THE COMPANY	
	1995 Kshs.'000	1994 Kshs.'000	1995 Kshs.'000	1994 Kshs.'000
6. STOCKS				
Finished goods	115,124	85,400	100,887	85,400
Raw materials	279,742	266,454	269,726	266,454
	394,866	351,854	370,613	351,854
7. DEBTORS				
Trade debtors	216,493	120,356	198,076	120,356
Other debtors and prepayments	29,580	36,581	28,683	36,581
	246,073	156,937	226,759	156,937
8. GROUP COMPANIES				
Amounts due to parent company	41,352	31,645	41,352	31,645
Amounts due to group companies	73,339	43,890	73,915	43,890
	114,691	75,535	115,267	75,535
Amounts due from parent company	28,025	22,490	28,025	22,490
Amounts due from group companies	83,601	73,829	158,047	73,829
	111,626	96,319	186,072	96,319

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

14. CAPITAL RESERVE	THE GROUP		THE COMPANY	
	1995	1994	1995	1994
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
At 1 January 1995	87,106	92,023	87,106	92,023
Release to revenue reserves	(5,409)	(4,917)	(4,917)	(4,917)
At 31 December 1995	81,697	87,106	82,189	87,106

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of Kshs.30,913,000 for the company and Kshs.33,395,000 for the group (1994 - Kshs.76,297,000) and on ordinary shares in issue of 21,570,000.

16. PROFIT BEFORE TAXATION	THE GROUP		THE COMPANY	
	1995	1994	1995	1994
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Profit before tax is stated after charging:-				
Depreciation	18,970	14,046	16,332	14,046
Directors' emoluments	5,314	4,614	5,314	4,614
Auditors' remuneration	1,200	1,000	1,000	1,000
Interest payable	73,107	50,100	71,704	50,100

17. TAXATION

At 35% on the profit for the year as adjusted for tax purposes	18,060	52,858
over provision in previous years	-	(1,026)
Drought levy	-	3,930
	18,060	55,762

18. DIVIDEND

Proposed dividend	21,570	58,239

Chunga Associates
Rattansi Educational Trust Building
P.O.Box 41968,
Nairobi

PROXY FORM

CROWN-BERGER KENYA LIMITED

I/We ____

of ____

being a member/members of Crown-Berger Kenya Limited hereby appoint

____

____

of ____

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the thirty-ninth Annual General Meeting of the Company to be held on Friday 27 September 1996 and at any adjournment thereof.

Signed/Sealed this ______________ day of ______________ 1996

____

____

Notes

1. In the case of a corporation the proxy must be under the common seal or the hand of an officer or attorney duly authorised in that behalf.

2. To be valid the proxy form should be completed and deposited with Secretaries not less than 48 hours before the time for holding the meeting or adjourned meeting.

CROWN-BERGER KENYA LIMITED

PROXY FORM

PROXY FORM

ANNUAL REPORT & ACCOUNTS

for the year ended 31 december

ANNUAL REPORT