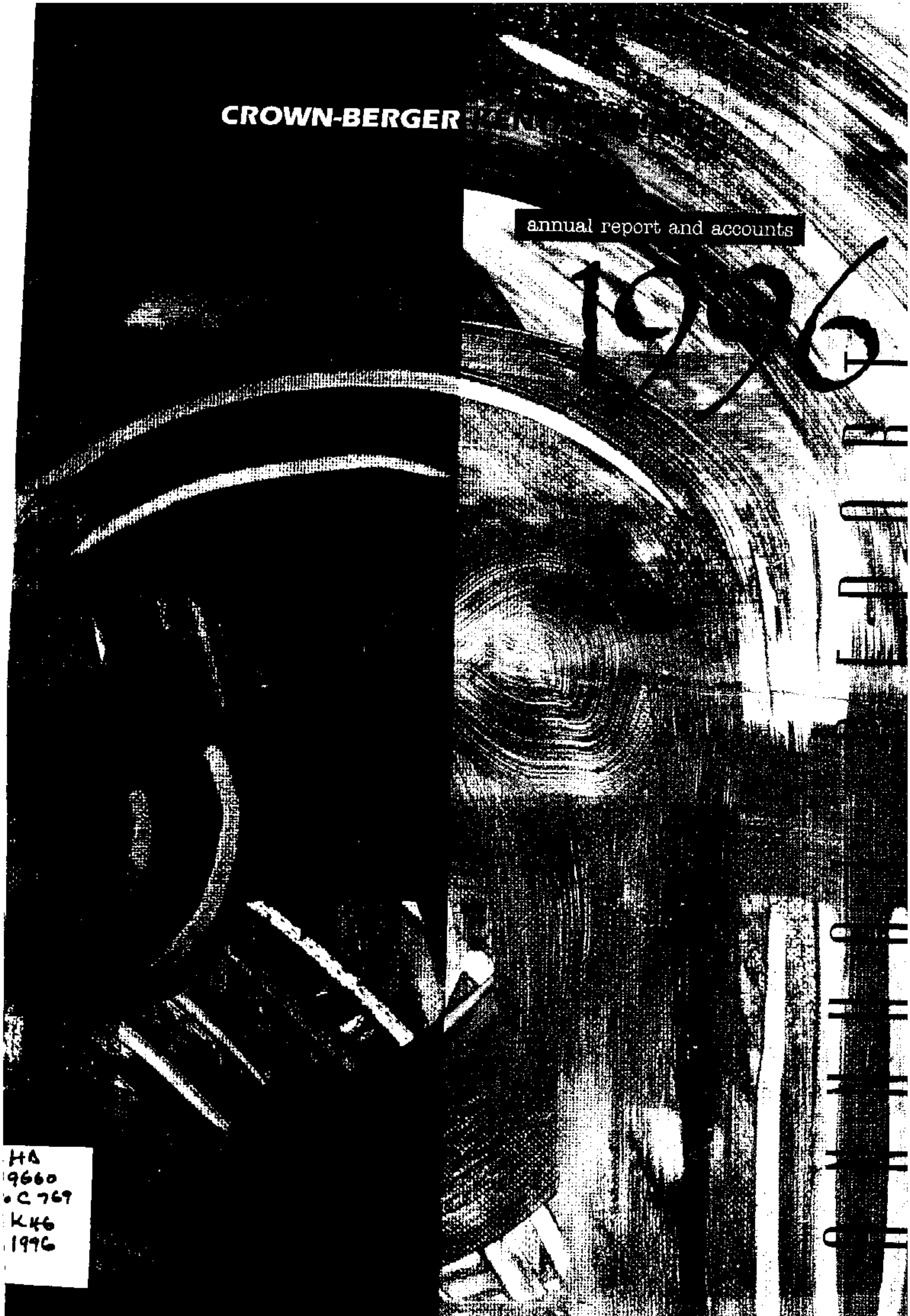

CROWN-BERGER
annual report and accounts
1996

Page

CHAIRMAN'S STATEMENT

It is my pleasure to address you this presentation on the business and financial performance during 1996 of your company Crown-Berger Kenya Ltd. At the national level, in the early part of 1996 Kenya witnessed an encouraging increase in construction activity. Unfortunately, this improvement was short lived and, as the year progressed, demand for building products steadily reduced. High cost of borrowing and fast-declining property values were amongst the causes for many previously viable domestic housing projects being subsequently shelved by developers. This scenario is reflected in Kenya's G.D.P. growth, provisionally estimated in the region of 4.5%, as against official target of 5.7%. The deficit is attributable to the drought that ravaged many parts of he country, resulting in crop failure in some parts and low yields in the maize producing areas.

In the retail sector, pressure on disposable income has prejudiced demand. Hardware merchants, the major distribution channel for your company's products, have been de-stocking to minimize the working capital interest burden. The prices realised have been constant and, at times, have been lowered by manufacturers keen to maintain their sales volumes. Under such trying circumstances, the year witnessed only minimal paint volume growth. Several new, albeit small, local manufacturers joined the industry in addition to numerous imported brands.

Nevertheless, Crown-Berger succeeded in further strengthening its market leadership and increased its volume by approx. 10%, compared to the previous year. High incentives were offered by competitors in their attempts to gain sales at the expense of your company, the Brand Leader and Number One by a distance. Benefits of the conservative mid-year selling price increases on selected products were partly eroded due to the need to remain competitive and retain client loyalty.

In contrast to the tendency by some manufacturers to 'cut corners' to compensate for selling price reductions, your company is committed to its policy of offering the most superior paint products available on the Kenya market, thereby enhancing the high quality image traditionally enjoyed by the Crown and Robbialac ranges. Major improvements have been completed in the formulation of several of our paint finishes designed to provide exceptional long-term appearance and durability. Notwithstanding, the economic climate encourages 'down-trading' and the trend towards cheaper products continues. Crown-Berger participates conservatively in the high volume 'Economy' sector which is favoured by the new and less established paint manufacturers. Our Viton and Duco brands enjoy a healthy market share in the Vehicle Refinish market, which has also become increasingly competitive with an increase in 'Jua Kali' refinishes at the low end of the market and an influx of more sophisticated imported products at the top end. Your company continues to be a prominent player in the construction sector of the PVC pipe market. However, due to the 'commodity' nature of the plastic pipe business and the entry of three new producers during the past 18 months, selling prices and volumes have been under extreme pressure.

The international chemical and paint material procurement difficulties and resultant cost escalation experienced in 1995, had a major impact on manufacturing costs during the first part of 1996. All the same, your operational management was successful in achieving much-improved results during the second half of the year.

The value of your company's net turnover for 1996 increased to Kshs 1212 million as against Kshs 1150 million in 1995. Sales volumes were 7.6 million finished products as against 7.5 million litres/kg in the previous year. The loss of Kshs 15.5 million in the first half of 1996 improved significantly by the second half profits of Kshs 26.6 million closing the year with Profit Before Taxation of Kshs 11.1 million against 1995 profit of Kshs 51.4 million. The profit improvement from second half of 1996 has continued into 1997. On the basis of unaudited figures available with the Directors, Profit Before Tax in 1997 first quarter was twice over the year 1996 at Kshs 22.9 million.

The after tax profits for 1996 were Kshs 6.3 million as against Kshs [illegible] million in 1995. Your Directors have recommended a final dividend of Kshs 1/- per share, subject to your approval at the Annual General Meeting, for the year ended 31 December 1996 to be paid on or before 31 July 1997 to the shareholders registered on 30 June 1997. In declaring the dividend despite inadequate profits by withdrawal of the shortfall from accumulated reserves, your Directors recognised the sustainable profit making capacity of your businesses and decided to maintain the uninterrupted dividend paying record of your company.

	Page

2. Paint industry and trade - Kenya - periodicals.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of the Company will be held at the Norfolk Hotel, in the ballroom, on Tuesday, 24 June 1997 at 2.30 p.m. to conduct the following business.

1. To read the notice convening the meeting.
2. To consider and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31 December 1996 together with the Directors' and Auditors' Reports thereon.
3. To declare a final dividend of Kshs. 1/= per share.
4. To approve the Directors' remuneration.
5. To authorise the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD

For CHUNGA ASSOCIATES
SECRETARIES

P.O. Box 41968
NAIROBI

Date: 30 May 1997

N.B. In accordance with section 136 (2) of the Companies Act (Cap.486) every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member. Proxy forms should be returned to the Secretaries, P.O. Box 41968, Nairobi, to arrive not later than 48 hours before the meeting or any adjournment thereof. A form of proxy is provided at the end of this report.

DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

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

CHAIRMAN'S STATEMENT

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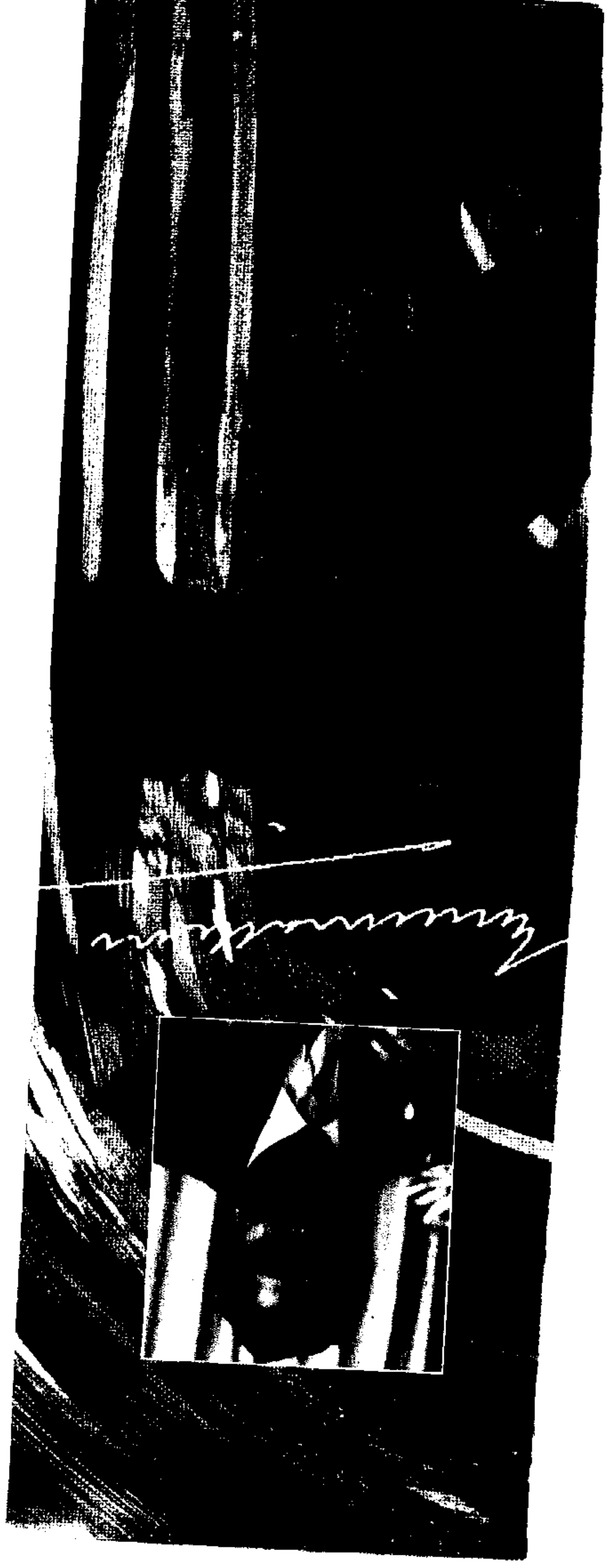
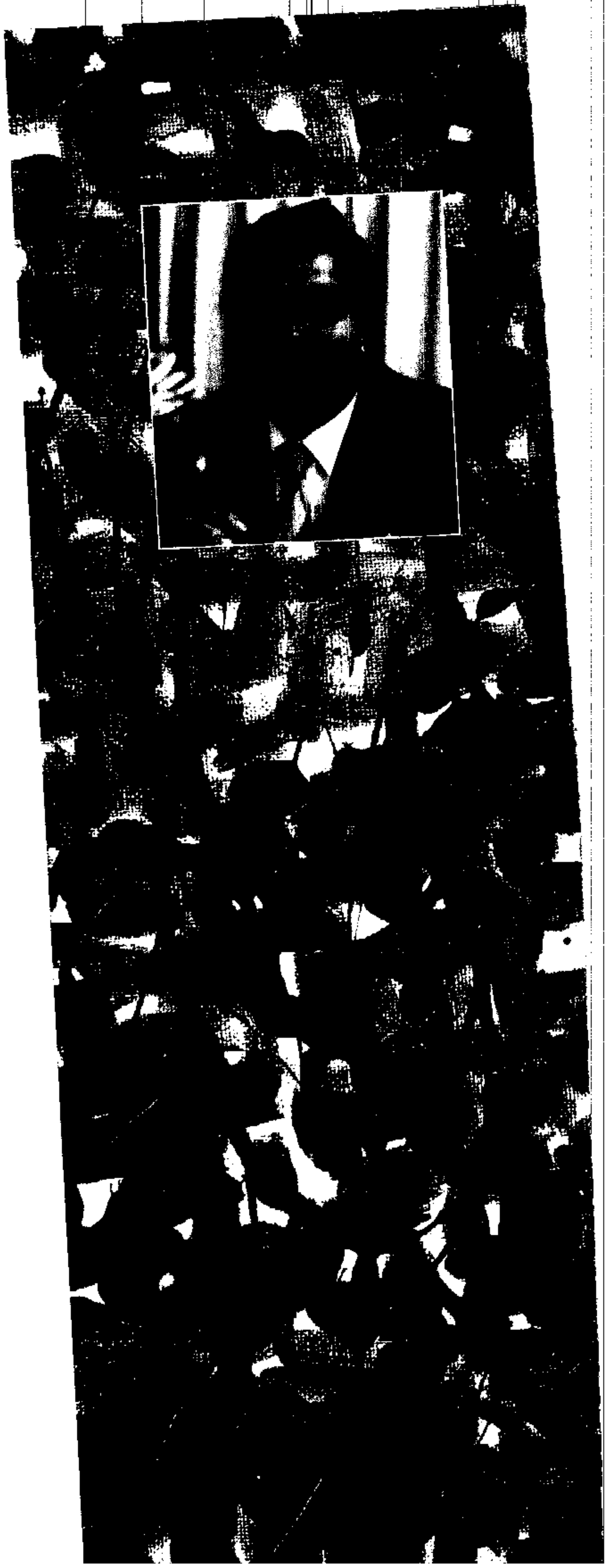
The international chemical and paint material procurement difficulties and resultant cost escalation experienced in 1995, had a major impact on manufacturing costs during the first part of 1996. All the same, your operational management was successful in achieving much-improved results during the second half of the year.

The value of your company's net turnover for 1996 increased to Kshs 1212 million as against Kshs 1150 million in 1995. Sales volumes were 7.6 million finished products as against 7.5 million litres/kg in the previous year. The loss of Kshs 15.5 million in the first half of 1996 improved significantly by the second half profits of Kshs 26.6 million closing the year with Profit Before Taxation of Kshs 11.1 million against 1995 profit of Kshs 51.4 million. The profit improvement from second half of 1996 has continued into 1997. On the basis of unaudited figures available with the Directors, Profit Before Tax in 1997 first quarter was twice over the year 1996 at Kshs 22.9 million.

The after tax profits for 1996 were Kshs 6.3 million as against [illegible] 1995. Your Directors have recommended a final dividend of Kshs 1/- per share, subject to your [illegible] the Annual General Meeting, for the year ended 31 December 1996 to be paid on or before 31 July 1997 [illegible] registered on 30 June 1997. In declaring the dividend despite inadequate profits by withdrawal of the [illegible] from accumulated reserves, your Directors recognised the sustainable profit making capacity of your businesses and decided to maintain the uninterrupted dividend paying record of your company.





As in the past, your company's management continued with initiatives to rationalise costs and strengthening revenue earning capabilities. At the beginning of 1996, the Twiga Paints complex on Sasio Road, Industrial Area, was vacated and manufacturing operations were integrated within Crown-Berger's factory complex at Mogadishu Road. Subsequently, the Twiga factory and office complex was sold off and proceeds applied to bring down the bank borrowings. Your company did suffer delays in identifying a buyer and taking in proceeds until almost the end of 1996, a reflection of the generally declining property prices in the country.

The accretion of Twiga Paints activities within our factory and continually increasing volumes for most of our brands, inevitably led to many areas of plant and equipment operating at full capacity. The manufacturing infrastructure also faces unwelcome pressures due to frequent power supply breakdowns. Power shortages are a fact of life and their adverse impact can be minimised by planning, but the unannounced disruptions cause significant process re-workings and capacity bottlenecks. Your operations management is finalising proposals for a new plant and machinery installation including power generation equipment for creating capacities to sustain growth in volumes and quality. Plans are also being worked on to finance the new investments both in terms of capital expenditure and working capital for growth.

During the year, your company appointed Anderson Consulting, top ranking international consultants with a brief to recommend Best Practices and Profit Improvement measures in all functional areas. On completion of this comprehensive study, the Anderson team have submitted re-engineering proposals and an implementation plan designed to improve effectiveness, efficiency and output with significant favourable impact on profitability. Recognising the value of potential benefits, the implementation plan is placed under direct charge of a full-time functional director of your company. We can look forward to positive results of this initiative on a continually improvng scale in future operations.

Your company has held the pole position in the Kenyan paint market for the past thirty years, through its Crown and Robbialac brands. Likewise, we have been the technological leaders in the industry. It is not surprising, therefore, that Crown-Berger is often used by competitors as a recruitment source. Personnel departures during the early months of last year included two executive Directors who joined a competitor.

You will be pleased to learn however, that the two positions, namely head of Sales and Marketing and Works, have recently been filled by the appointment of two highly qualified men who possess a combined 35 years of relevant industry experience. In addition to our strong management and market leading brands, the company is now well-placed to take full advantage of the benefits of its product Technology Agreement with Imperial Chemical Industries, PLC (ICI UK) via the exclusive production and distribution of the famous Dulux and Duco brands within East African territory.

In spite of the difficult market circumstances, both in terms of competition and economic environment, the Company's Management has been successful in significantly improving its bottom-line trading results during the first 5 months of 1997. This trend is expected to continue. Indeed, we are confident that once the excitement of the forthcoming general election is over, the company's results will reflect the positive impact of a healthy and buoyant economic climate and a surge in building construction activity in both government and private sectors.

In conclusion, I would like to place on record my sincere appreciation for the support extended by the company's bankers, suppliers, other business associates and my colleagues on the Board during the year under review. I would also like to thank our customers for their valuable and continued support. Finally, I would like to place on record my appreciation for the contribution made by all employees and staff who constitute our most precious asset.

CONSOLIDATED BALANCE SHEET

31 DECEMBER 1996

	Note	1996 KShs. '000	1995 KShs. '000
FIXED ASSETS	2(i)	367,052	189,702
GOODWILL	4	65,393	65,393
INTANGIBLE ASSET	5	4,504	5,067
CURRENT ASSETS			
Stocks	6	357,643	394,866
Debtors and prepayments	7	252,995	246,073
Amounts due from group companies	8	96,598	111,626
Tax recoverable		16,481	21,277
Cash and bank balance		12,358	17,194
		736,075	791,036
CURRENT LIABILITIES			
Bank overdraft	9	178,746	276,823
Loans	10	51,900	61,577
Creditors	11	174,077	117,544
Amounts due to group companies	8	71,647	114,691
Dividend payable		26,570	37,570
		502,940	608,205
NET CURRENT ASSETS		233,135	182,831
		670,084	442,993
SHAREHOLDERS' FUNDS			
Share capital	12	107,850	107,850
Share premium	13	80,174	80,174
Capital reserve	14	257,002	81,697
Retained profits		113,825	102,631
		558,851	372,352
LONG-TERM LOAN	10	111,233	70,641
		670,084	442,993

The accounts were approved by the Board of Directors on 14 April, 1997 and signed on its behalf by:-

Dipak R. Desai **Regional Director**

David J. Rogers **Managing Director**

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 as modified by the revaluation of certain fixed assets, 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
On the basis of rationale explained in note 4 to the accounts, the company has deferred amortizing goodwill which was acquired in 1995. Kenya Accounting Standard No. 13 requires that goodwill be amortized immediately over its estimated economic life. The company will commence amortization from the financial year 1997 to comply with the above standard.

In our opinion, except for the above, 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 1996 and of the profit and cash flows for the year then ended and comply with the Companies Act.

NAIROBI
14 May, 1997

CONSOLIDATED BALANCE SHEET

31 DECEMBER 1996

	Note	1996 KShs. '000	1995 KShs. '000
FIXED ASSETS	2(i)	367,052	189,702
GOODWILL	4	65,393	65,393
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		736,075	791,036
CURRENT LIABILITIES			
Bank overdraft	9	178,746	276,823
Loans	10	51,900	61,577
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Dividend payable		26,570	37,570
		502,940	608,205
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		670,084	442,993
SHAREHOLDERS' FUNDS			
Share capital	12	107,850	107,850
Share premium	13	80,174	80,174
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Retained profits		113,825	102,631
		558,851	372,352
LONG-TERM LOAN	10	111,233	70,641
		670,084	442,993

The accounts were approved by the Board of Directors on 14 April, 1997 and signed on its behalf by:-

Dipak R. Desai **Regional Director**

David J. Rogers **Managing Director**

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 KShs. '000	1995 KShs. '000
TURNOVER	1(b)	1,211,794	1,149,785
PROFIT BEFORE TAXATION	16	11,096	51,455
TAXATION	17	(4,796)	(18,060)
PROFIT FOR THE YEAR		6,300	33,395
TRANSFER FOM RESERVES		15,270	
PROPOSED DIVIDEND	18	(21,570)	(21,570)
RETAINED PROFIT FOR THE YEAR		-	11,825
STATEMENT OF RETAINED PROFITS			
RETAINED PROFITS BROUGHT FORWARD		102,631	85,397
TRANSFER TO CURRENT YEAR PROFIT		(15,270)	-
RETAINED PROFIT FOR THE YEAR		-	11,825
TRANSFER FROM CAPITAL RESERVE	14	26,464	5,409
RETAINED PROFITS CARRIED FORWARD		113,825	102,631
EARNINGS PER SHARE	15	0.29	1.55

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 KShs.'000	1995 KShs.'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	11,096	51,455
Adjustment for items not involving the movement of funds:		
Amortization of ICI royalties	563	563
Depreciation	21,941	18,970
Gain on sale of fixed assets	(3,867)	(380)
Operating profit before working capital changes	29,733	70,608
Stocks	37,223	(43,012)
Debtors and prepayments	(6,922)	(89,136)
Creditors	56,533	42,539
Group companies	28,016	2,413
	144,583	(16,588)
Tax paid	-	(45,090)
Cash flow from operating activities	144,583	(61,678)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of ICI trade mark	-	(5,630)
Purchase of fixed assets	(30,649)	(21,232)
Proceeds on sale of fixed assets	36,994	512
Acquisition of subsidiary	-	(82,378)
Cash flow from investing activities	6,345	(108,728)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of dividend	(32,570)	(31,276)
Payment of loan	(141,676)	(23,571)
Loans	116,559	120,000
Cash flow from financing activities	(57,687)	65,153
Net cash flow	93,241	(105,253)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(259,629)	(154,376)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(166,388)	(259,629)

BALANCE SHEET - THE COMPANY

31 DECEMBER 1996

	Note	1996 KShs.'000	1995 KShs.'000
FIXED ASSETS	2(ii)	349,238	143,456
INVESTMENTS	3	82,378	82,378
CURRENT ASSETS			
Stocks	6	342,230	370,613
Debtors and prepayments	7	234,838	226,759
Amounts due from group companies	8	122,922	186,072
Tax recoverable		16,481	21,277
Cash and bank balances		6,875	14,255
		723,346	818,976
CURRENT LIABILITIES			
Bank overdraft	9	178,746	276,823
Loans	10	51,900	61,577
Creditors	11	168,957	113,062
Amounts due to group companies	8	68,669	115,267
Dividend payable		26,570	37,570
		494,842	604,299
NET CURRENT ASSETS		228,504	214,677
		660,120	440,511
SHAREHOLDERS' FUNDS			
Share capital	12	107,850	107,850
Share premium	13	80,174	80,174
Capital reserve	14	272,556	82,189
Retained profits		88,307	99,657
		548,887	369,870
LONG - TERM LOAN	10	111,233	70,641
		660,120	440,511

The accounts were approved by the Board of Directors on 14 April, 1997 and signed on its behalf by:-

Dipak R. Desai **Regional Director**

David J. Rogers **Managing Director**

PROFIT & LOSS ACCOUNT - THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 KShs.'000	1995 KShs.'000
TURNOVER	1(b)	1,117,011	1,103,657
PROFIT BEFORE TAXATION	16	10,099	48,973
TAXATION	17	(4,796)	(18,060)
PROFIT FOR THE YEAR		5,303	30,913
TRANSFER FROM RESERVES		16,267	
PROPOSED DIVIDEND	18	(21,570)	(21,570)
RETAINED PROFIT FOR THE YEAR		-	9,343

	Note	1996 KShs.'000	1995 KShs.'000
STATEMENT OF RETAINED PROFITS			
RETAINED PROFITS BROUGHT FORWARD		99,657	85,397
TRANSFER TO CURRENT YEAR PROFIT		(16,267)	-
RETAINED PROFIT FOR THE YEAR		-	9,343
TRANSFER FROM CAPITAL RESERVE	14	4,917	4,917
RETAINED PROFITS CARRIED FORWARD		88,307	99,657
EARNINGS PER SHARE	15	0.25	1.43

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

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

Stocks are valued as follows:
Raw materials - at the lower of cost and net realisable value.
Finished goods - at cost plus attributable production overheads.

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 1996

(e) Translation of foreign currencies

Foreign transactions during the year were converted into Kenya Shillings at rates ruling at the transactions dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(f) Deferred Taxation

Provision for deferred tax is made when income, expenditure or depreciation fall into different periods for accounting and for tax purposes. The provision is calculated at tax rates ruling at the balance sheet date. No provision has been made in these accounts because no tax benefit or charge is likely to crystallise in the foreseeable future.

(g) Goodwill

Goodwill on acquisition of subsidiaries is calculated as the purchase price less the net book value of the tangible and separable intangible assets at the time of acquisition.

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 1995	100,693	98,497	31,173	38,100	268,463
Additions	452	10,740	6,071	13,386	30,649
Disposals	(34,690)	-	(1,203)	(2,687)	(38,580)
Revaluation	119,079	35,886	-	-	154,965
At 31 December 1996	185,534	145,123	36,041	48,799	415,497
DEPRECIATION					
At 31 December 1995	6,589	32,225	10,973	28,974	78,761
Charge for the year	1,868	8,533	5,696	5,844	21,941
On disposal	(2,411)	-	(544)	(2,498)	(5,453)
On revaluation	(6,046)	(40,758)	-	-	(46,804)
At 31 December 1996	-	-	16,125	32,320	48,445
NET BOOK VALUES					
At 31 December 1996	185,534	145,123	19,916	16,479	367,052
At 31 December 1995	94,104	66,272	20,200	9,126	189,702

Freehold property and plant was revalued on 31 December 1991 and 31 December 1996 by Milligan & Company Limited on the basis of open market for the existing use. The resulting surplus of Kshs. 95,780,000 and Kshs. 195,284,000 respectively was transferred to capital reserve.

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

On 31 December 1996, a revaluation of freehold property and plant by Milligan & Company Limited on the basis of open market for existing use. The resulting surplus of Kshs. 195,284,000 was transferred to capital reserve. Fixed assets of the subsidiary was revalued on the same date by Milligan & Company Limited on the basis of open market for the existing use. The resulting surplus of Kshs. 6,484,534 was transferred to capital reserve.

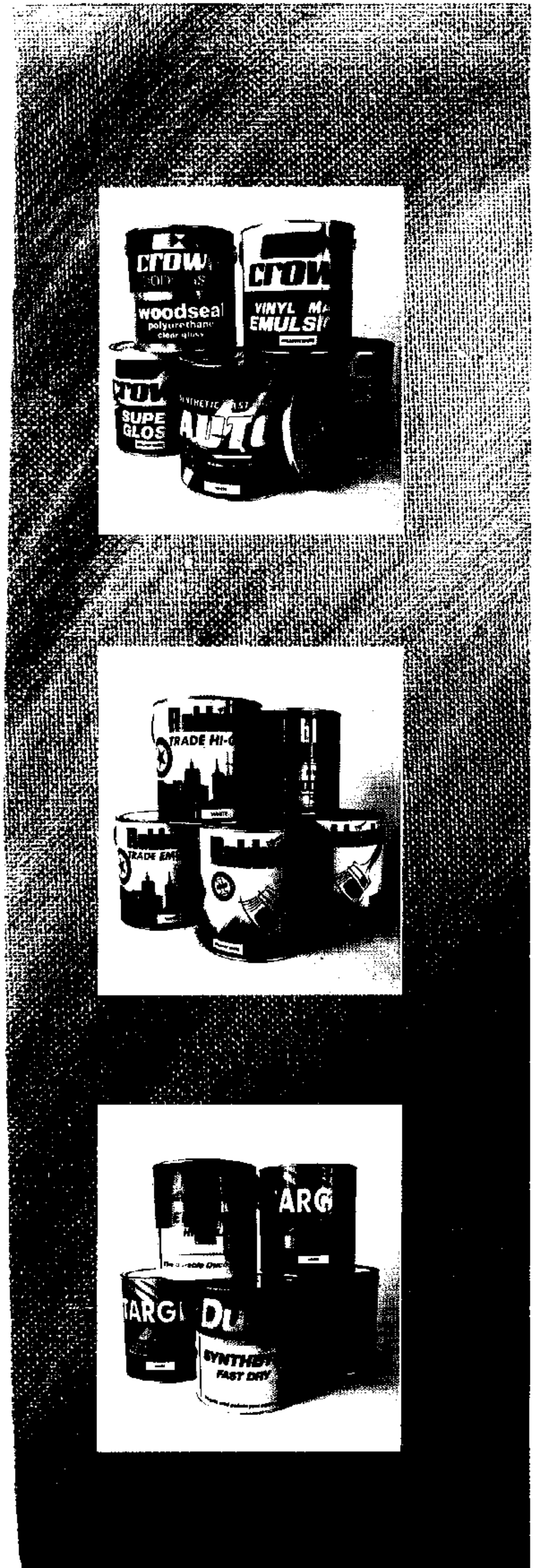
NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

ii) THE COMPANY

	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 1995	66,003	87,797	25,399	32,908	212,107
Additions	452	10,740	6,062	13,386	30,640
Disposals	-	-	(905)	(1,977)	(2,882)
Revaluation	119,079	33.829	-	-	152,908
At 31 December 1996	185,534	132,366	30,556	44.317	392,773
DEPRECIATION					
At 31 December 1995	4,731	28,693	9,568	25,659	68,651
Charge for the year	1,315	7,637	5,258	5,468	19,678
Disposals	-	-	(441)	(1,977)	(2,418
On revaluation	(6,046)	(36.330)	-	-	(42,376)
At 31 December 1996	-	-	14,385	29.150	43,535
NET BOOK VALUES					
At 31 December 1996	185.534	132,366	16,171	15,167	349,238
At 31 December 1995	61.272	59,104	15,831	7,249	143,456

Freehold property and plant was revalued on 31 December 1991 and December 1996 by Milligan & Company Limited on the basis of open market for the existing use. The resulting surplus of Kshs. 95,780,000 and Kshs. 195,284,000 respectively was transferred to capital reserve.


woodseal
polyurethane
FAST DRY


2K ACRYLIC
ENAMEL
WHITE

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

3. INVESTMENTS

	1996 Kshs.'000	1995 Kshs.'000
Investments in Twiga Paints Limited	82,378	82,378

Twiga Paints Limited was purchased in 1995 at a value of Kshs. 82,378,000.

4. GOODWILL ON CONSOLIDATION

The goodwill was recognised on acquisition of Twiga Paints Limited in 1995. The Board of Directors have decided to amortise the goodwill amount in ten equal instalments beginning financial year 1997. This is based on the time for assimilating new technology with the present product range and the phased marketing plan required for differing segments under prevailing environment/competitive situation in markets of five countries in East Africa for which the company has rights.

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 amortized over ten years.

	THE GROUP		THE COMPANY	
	1996 Kshs.'000	1995 Kshs.'000	1996 Kshs.'000	1995 Kshs.'000
6. STOCKS				
Finished goods	100,064	115,124	86,664	100,887
Raw materials	257,579	279,742	255,566	269,726
	357,643	394,866	342,230	370,613
7. DEBTORS				
Trade debtors	231,642	216,493	214,077	198,076
Other debtors and prepayments	21,353	29,580	20,761	28,683
	252,995	246,073	234,838	226,759
8. GROUP COMPANIES				
Amounts due to parent company	14,987	41,352	14,987	41,352
Amounts due to group companies	56,660	73,339	53,682	73,915
	71,647	114,691	68,669	115,267
Amounts due from parent company	3,112	28,025	3,112	28,025
Amounts due from group companies	93,486	83,601	119,810	158,047
	96,598	111,626	122,922	186,072

9. BANK OVERDRAFT

The bank overdraft is secured by a floating debenture over the company's assets and a legal charge over the company's properties.

10. LOANS

	1996 Kshs.'000	1995 Kshs.'000
Loans outstanding	163,133	132,218
Loan repayable within one year included under current liabilities	(51,900)	(61,577)
	111,233	70,641

The loans are from Barclays Bank of Kenya Limited and are secured by cross guarantees from Crown Paints and Building Products Limited, Crown-Berger Kenya Limited, letter of comfort from the parent company and legal charges over LR 214/483,486 and LR 3734/616. Interest is charged at prevailing market rates.

11. CREDITORS	THE GROUP 1996 Kshs.'000	THE GROUP 1995 Kshs.'000	THE COMPANY 1996 Kshs.'000	THE COMPANY 1995 Kshs.'000
Trade creditors	145,404	98,712	144,969	96,178
Other creditors and accruals	28,673	18,832	23,988	16,884
	174,077	117,544	168,957	113,062

12. SHARE CAPITAL

	1996	1995
Authorised:-		
25 million ordinary shares of Kshs.5 each.	125,000	125,000
Issued and fully paid:-		
21,570,000 ordinary shares of Kshs.5 each.	107,850	107,850

13. SHARE PREMIUM

	1996	1995
This arose from the issue of 8,630,000 ordinary shares to the public in 1992.	80,174	80,174

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

14. CAPITAL RESERVE	THE GROUP		THE COMPANY	
	1996	1995	1996	1995
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
At 1 January 1996	81,697	87,106	82,189	87,106
Release to revenue reserves	(26,464)	(5,409)	(4,917)	(4,917)
Surplus on revaluation	201,769	-	195,284	-
At 31 December 1996	257,002	81,697	272,556	82,189

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings of Kshs. 5,303,000 (1995-Kshs. 30,913,000) for the company and Kshs. 6,300,000 (1995-Kshs. 33,395,000) for the group and on ordinary shares in issue of 21,570,000.

16. PROFIT BEFORE TAXATION	THE GROUP		THE COMPANY	
	1996	1995	1996	1995
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Profit before tax is stated after charging:-				
Depreciation	21,941	18,970	19,678	16,332
Directors' emoluments	4,840	5,314	4,840	5,314
Auditors' remuneration	1,200	1,200	1,000	1,000
Interest payable	86,518	73,107	86,518	71,704

17. TAXATION

At 35% on the profit for the year as adjusted for tax purposes	4,796	18,060
	4,796	18,060

18. DIVIDEND

Proposed dividend	21,570	21,570

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

19. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	1996	1995	1996	1995
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
Bills discounted	28,589	76,842	28,589	76,842
Guarantees given by bankers	1,075	1,079	1,075	1,079
	29,664	77,921	29,664	77,921

20. ULTIMATE HOLDING COMPANY

The Company is a subsidiary of CB Overseas Holdings Limited, incorporated in England.
The Company's ultimate holding company is California Limited, incorporated in the Isle of Man.