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1. Crown Berger Ltd - 100 shares  
2. Joint Director and Auditor - 100 shares

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting of the Company will be held at the Crown Berger Factory, Mogadishu Road, Nairobi on Tuesday 4 June 2002 at 3.00 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 Financial Statements for the year ended 31 December 2001 together with the Directors' and Auditors' reports thereon.
- 3 To declare a final dividend of KShs 0.50 per share.
- 4 To approve the Directors' remuneration.
- 5 To elect directors:
  - a. Messrs M Charania, FGK Maina and MM Bhatt retire from office in accordance with the Capital Markets Authority Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya, and being eligible, offer themselves for re-election.
  - b. Mr HHRJ Charania who was appointed an additional director on 18 April 2002, retires from office in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election.
- 6 To authorise the Directors to fix the remuneration of the Auditors.

BY ORDER OF THE BOARD

For CHUNGA ASSOCIATES  
SECRETARIES

Date: 26 April 2002

PO Box 41968  
00100 - NAIROBI

NB 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, PO Box 41968, 00100 - 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.

2007/0816

## **COMPANY INFORMATION**

YEAR ENDED 31 DECEMBER 2001

### **PRINCIPAL PLACE OF BUSINESS**

Mogadishu Road  
P.O.Box 78084  
Nairobi

### **REGISTERED OFFICE**

Mogadishu Road  
P.O.Box 78084  
Nairobi  
Telephone: 533603

### **BANKERS**

Barclays Bank of Kenya Ltd  
P.O.Box 18060  
Nairobi

### **ADVOCATES**

Hamilton Harrison and Mathews  
ICEA Building  
P.O.Box 30333  
Nairobi

### **COMPANY SECRETARIES/REGISTRARS/ OFFICE WHERE THE REGISTER OF SECURITIES IS KEPT**

Chunga Associates  
P.O.Box 41968, 00100  
Nairobi

### **AUDITORS**

Ernst & Young  
Kenya Re Towers, Upperhill  
Off Ragati Road  
P.O.Box 44286  
Nairobi

## CHAIRMAN'S STATEMENT

I am pleased to present this annual report and the financial statements of your company for the year ended 31st December 2001. The year 2001 was not very suitable for the industry due to the continuation of the difficult global and domestic environment, coupled with the 11 September tragedy in the United States, which brought a setback in all sectors throughout the world.

### **The Economic Overview in Kenya.**

The year in review was not at all encouraging for the industry as the domestic economy was trailing behind due to the uncertain prevailing political situation and thus it remained stagnant.. The inflation fell with every month and registered minus 3% in December 2001 compared with positive 7.5% in the corresponding month of the year 2000. The Nairobi stock exchange 20-share index tumbled down by 30% to 1355 points and still is showing signs of wobbling thus giving the true actual state of commerce and industry in general.

### **The construction industry is no exception and there is very little to say**

The crude oil prices are on an upward move due to the current terrorist activities in the world, which is definitely messing up the stable raw material prices in these parts of the world. The Kenya shilling is showing good signs of stability.

### **Sales Performance**

I am proud of your company's dealer network who have definitely tried hard to maintain the sales volume in spite of the difficult situation and fierce competition prevailing in the paint industry.

In spite of the fierce competition your company has adhered to strict vigilance to maintain high standards as far as the quality of your company's products is concerned.

The export market which was initiated last year has shown signs of improvement and is on the upward move.

### **Bank Funds:**

Your company is also fortunate to get an approval from the CMA to trade in commercial paper in hard currency.

### **Computerised Dispensing:**

Your company has also introduced computerised dispensing in decorative premium paints in the dealer network and in particular has also started computerised dispensing in the export field. This year we hope to expand this by introducing it to more dealers through Kenya.

### **Risk Management**

Your company is exposed to the following risks.

- Certain Middle East paint manufacturers dumping paint
- Fierce competition and down trading in low quality low priced products.
- Escalating raw material prices especially solvents due to the global environment.

Your directors and the sales force in particular are fully aware of the above threats and are putting utmost effort to counter and register adequate sales for your company.

## CHAIRMAN'S STATEMENT

### **Plastic manufacturing unit closure.**

As per our motto to remain in core activity we have discontinued the plastic division due to deteriorating down trading market conditions which are basic characteristic of non branded commodities.

### **Management accountability and corporate governance.**

Last year i had mentioned about management accountability. CMA has now given some directive about corporate governance to all public limited companies.

As a chairman of your company and the board of directors, we are committed to ensuring excellent corporate governance.

We shall remain committed to you dear shareholders and be vigilant in adhering to objectives that safeguard your assets and interest

### **Crown-Berger Performance**

Due to the prevailing economic situation in Kenya most of the industries failed to register any growth. Your company however tried to maintain a good gross turnover of KShs 1,015,704,000 and profit before tax of KShs 58,514,000 the directors have recommended a dividend of 10%.

### **Future outlook**

Your company is definitely pushing products in the export market and also in the Comesa countries. As stated earlier, the results are encouraging. We are also trying to export computerised dispensing technology in the export market and we have successfully launched one such unit in Mauritius. Our sales force has been directed to achieve more penetration and ensure strict controls to monitor and achieve good business objectives. We continue to still be the leader in our field.

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## LIST OF 10 LARGEST SHAREHOLDERS 2001

|     | Shareholder's Name and Address                                                                                           | No. of Shares | % of Shares |
|-----|--------------------------------------------------------------------------------------------------------------------------|---------------|-------------|
| 1.  | Crown Paints and Buildings Products Limited<br>PO Box 78188<br>Nairobi                                                   | 10,814,695    | 50.14       |
| 2.  | UB Kenya Holdings Limited<br>Fairmays Solicitors<br>10 Babmaes Street<br>London SW1Y 6HD, NO. 37219<br>Picadilly         | 2,940,000     | 13.63       |
| 3.  | Barclays (Kenya) Nominees Limited<br>PO Box 40984<br>Nairobi                                                             | 1,294,000     | 5.99        |
| 4.  | Old Mutual Life Assurance Company Limited<br>PO Box 30059<br>Nairobi                                                     | 552,040       | 2.56        |
| 5.  | Bhimji Ramji Halai<br>PO Box 6474<br>Nairobi                                                                             | 313,510       | 1.45        |
| 6.  | Mulchand Narshi Shah<br>PO Box 44851<br>Nairobi                                                                          | 246,716       | 1.14        |
| 7.  | Orbit Chemical Industries Limited<br>PO Box 48870<br>Nairobi                                                             | 196,650       | 0.91        |
| 8.  | Mahendra Fulchand Gandhi and<br>Mrs Malvika Mahendra Gandhi<br>PO Box 90393<br>Mombasa                                   | 182,672       | 0.85        |
| 9.  | Kanaksinh Karsandas Babla and<br>Sandip Kanaksinh Babla<br>C/O The Standard Motor Co. Limited<br>PO Box 80631<br>Mombasa | 149,000       | 0.69        |
| 10. | Mahendra Dahyabhai Patel<br>PO Box 178<br>Sarit Centre<br>00606<br>Nairobi                                               | 131,715       | 0.61        |

### DISTRIBUTION OF SHAREHOLDERS

| Shareholding      | No. of Shares     | No. of Shareholders | % Shares Held |
|-------------------|-------------------|---------------------|---------------|
| less than 500     | 51,820            | 253                 | 0.24          |
| 500-5,000         | 1,594,603         | 1,326               | 7.39          |
| 5,001-10,000      | 738,285           | 92                  | 3.42          |
| 10,001-100,000    | 2,155,959         | 72                  | 10.00         |
| 100,001-1,000,000 | 3,274,638         | 15                  | 15.18         |
| Above 1,000,000   | 13,754,695        | 2                   | 63.77         |
| <b>TOTAL</b>      | <b>21,570,000</b> | <b>1,760</b>        | <b>100.00</b> |

The directors submit their report and the audited financial statements for the year ended 31 December 2001 which show the state of the Group's affairs.

**1. PRINCIPAL ACTIVITIES**

The Group continues to manufacture and sell paints, adhesives, decorating sundries, plastic pipes, PVA emulsion and alkyd resins.

**2. GROUP RESULTS**

The results of the Group for the year are set out on page 11.

**3. DIVIDENDS**

The directors recommend the payment of a dividend of KShs 10,785,000 which represents 10% of the ordinary shares, (2000: KShs.10,785,000 - 10%)

**4. RESERVES**

The reserves of the Group are set out on page 21, note 10.

**5. DIRECTORS**

The directors who served during the year and to the date of this report were:-

|                   |   |                                                            |
|-------------------|---|------------------------------------------------------------|
| M. Charania       | - | Chairman                                                   |
| D.R. Desai        | - | (Resigned 1 August 2001).                                  |
| F.G.K. Maina      |   |                                                            |
| M. Bhatt          |   |                                                            |
| P.M. Mwati        | - | (Alternate to M. Bhatt).                                   |
| H.H.R.J. Charania | - | (Appointed 18 April 2002).                                 |
| C.K.V. Rao        | - | (Alternate to H.H.R.J. Charania, appointed 18 April 2002). |

**6. AUDITORS**

Ernst & Young, have expressed their willingness to continue in office in accordance with Section 159(2) of the Companies Act.

By Order of the Board

CHUNGA ASSOCIATES  
Secretaries

26 April 2002

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Group and the Company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Group and the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Accounting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of their operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon for the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Group and the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Patrick Mwati  
DIRECTOR

F.G.K. Maina  
DIRECTOR

26 April 2002

26 April 2002

# REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CROWN-BERGER KENYA LIMITED AND SUBSIDIARY

We have audited the financial statements on pages 10 to 26 which have been prepared on the basis of the accounting policies set out on pages 16 and 17. We obtained all the information and explanations which we considered necessary for our audit.

## RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE INDEPENDENT AUDITORS

As stated on page 8, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of the affairs of the Group and the company and of their operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

## BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors, as well as the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2001 and of the profit and cash flows of the Group and the Company for the year then ended and comply with International Accounting Standards and the Companies Act.

 **ERNST & YOUNG**

Certified Public Accountants of Kenya  
Nairobi

26 April 2002

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2001

|                                                  | Note | 2001<br>KShs'000 | 2000<br>KShs'000 |
|--------------------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                                    |      |                  |                  |
| <b>NON-CURRENT ASSETS</b>                        |      |                  |                  |
| Fixed assets                                     | 2    | 296,831          | 318,381          |
| Goodwill                                         | 3    | 32,698           | 39,239           |
| Intangible asset                                 | 5    | 1,689            | 2,252            |
|                                                  |      | <u>331,218</u>   | <u>359,872</u>   |
| <b>CURRENT ASSETS</b>                            |      |                  |                  |
| Stocks                                           | 6    | 319,897          | 291,689          |
| Trade and other debtors                          | 7    | 181,981          | 224,533          |
| Amounts due from related companies               | 8    | 75,620           | 40,841           |
| Tax recoverable                                  |      | -                | 12,786           |
| Bank balances and cash                           |      | 22,654           | 9,438            |
|                                                  |      | <u>600,152</u>   | <u>579,287</u>   |
| <b>TOTAL ASSETS</b>                              |      | <u>931,370</u>   | <u>939,159</u>   |
| <b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>       |      |                  |                  |
| <b>CAPITAL AND RESERVES</b>                      |      |                  |                  |
| Share capital                                    | 9    | 107,850          | 107,850          |
| Reserves                                         | 10   | 429,077          | 411,711          |
| Proposed dividends                               | 11   | 10,785           | 10,785           |
|                                                  |      | <u>547,712</u>   | <u>530,346</u>   |
| <b>NON-CURRENT LIABILITIES</b>                   |      |                  |                  |
| Deferred tax                                     | 12   | 67,245           | 66,886           |
| <b>CURRENT LIABILITIES</b>                       |      |                  |                  |
| Bank overdraft                                   | 13   | 32,999           | 131,217          |
| Commercial papers                                | 14   | 34,160           | 53,950           |
| Loan                                             | 15   | 30,000           | -                |
| Creditors and accruals                           | 16   | 160,518          | 140,899          |
| Amounts due to related companies                 | 8    | 50,079           | 15,861           |
| Tax payable                                      |      | 8,657            | -                |
|                                                  |      | <u>316,413</u>   | <u>341,927</u>   |
| <b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b> |      | <u>931,370</u>   | <u>939,159</u>   |

The financial statements were approved by the Board of Directors on 26 April 2002 and signed on its behalf by:-

|               |   |           |
|---------------|---|-----------|
| Patrick Mwati | ) | Directors |
| F.G.K. Maina  | ) |           |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

|                                                         | Note | 2001<br>KShs'000 | 2000<br>KShs'000 |
|---------------------------------------------------------|------|------------------|------------------|
| SALES                                                   | 17   | 1,015,704        | 1,029,549        |
| COST OF SALES                                           | 18   | (654,978)        | (708,162)        |
| GROSS PROFIT                                            |      | 360,726          | 321,387          |
| OTHER INCOME                                            | 19   | 7,701            | 9,596            |
|                                                         |      | 368,427          | 330,983          |
| EXPENSES:-                                              |      |                  |                  |
| Administration and establishment                        | 20   | 155,833          | 144,115          |
| Selling and distribution                                | 21   | 76,037           | 66,343           |
| Other charges and expenses                              | 22   | 49,604           | 47,454           |
|                                                         |      | 281,474          | 257,912          |
| PROFIT FROM CONTINUING<br>OPERATING ACTIVITIES          |      | 86,953           | 73,071           |
| NET FINANCE COSTS                                       | 23   | 28,439           | 32,408           |
| PROFIT FROM CONTINUING<br>OPERATIONS BEFORE TAXATION    | 24   | 58,514           | 40,663           |
| TAXATION                                                | 25   | (35,304)         | (21,183)         |
| NET PROFIT FROM CONTINUING<br>OPERATIONS AFTER TAXATION |      | 23,210           | 19,480           |
| Basic and diluted earnings per share                    | 26   | 1.08             | 0.90             |
| Dividends:                                              |      |                  |                  |
| Proposed for the year                                   | 11   | 10,785           | 10,785           |

Operating Profit 2001  
86,953

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

|                                                                                  | Note | Share<br>capital<br>KShs'000 | Share<br>premium<br>KShs'000 | Revaluation<br>reserve<br>KShs'000 | Retained<br>profit<br>KShs'000 | Proposed<br>dividends<br>KShs'000 | Total<br>equity<br>KShs'000 |
|----------------------------------------------------------------------------------|------|------------------------------|------------------------------|------------------------------------|--------------------------------|-----------------------------------|-----------------------------|
| At 1 January 2000                                                                |      | 107,850                      | 80,174                       | 136,148                            | 181,752                        | -                                 | 505,924                     |
| Prior year adjustment                                                            | 27   | -                            | -                            | -                                  | -                              | 21,570                            | 21,570                      |
| Restated balance                                                                 |      | 107,850                      | 80,174                       | 136,148                            | 181,752                        | 21,570                            | 527,494                     |
| Transfer of excess<br>depreciation on revaluation net<br>of related deferred tax |      | -                            | -                            | (11,532)                           | 11,532                         | -                                 | -                           |
| Deferred tax on transfer of<br>excess depreciation                               |      | -                            | -                            | -                                  | 4,942                          | -                                 | 4,942                       |
| Net profit for the year                                                          |      | -                            | -                            | -                                  | 19,480                         | -                                 | 19,480                      |
| Final dividends for 1999                                                         |      | -                            | -                            | -                                  | -                              | (21,570)                          | (21,570)                    |
| Proposed dividends for 2000                                                      |      | -                            | -                            | -                                  | (10,785)                       | 10,785                            | -                           |
| At 31 December 2000                                                              |      | 107,850                      | 80,174                       | 124,616                            | 206,921                        | 10,785                            | 530,346                     |
| At 1 January 2001                                                                |      | 107,850                      | 80,174                       | 124,616                            | 206,921                        | 10,785                            | 530,346                     |
| Transfer of excess depreciation<br>on revaluation net of related<br>deferred tax |      | -                            | -                            | (11,531)                           | 11,531                         | -                                 | -                           |
| Deferred tax on transfer<br>of excess depreciation                               |      | -                            | -                            | -                                  | 4,941                          | -                                 | 4,941                       |
| Net profit for the year                                                          |      | -                            | -                            | -                                  | 23,210                         | -                                 | 23,210                      |
| Final dividends for 2000                                                         |      | -                            | -                            | -                                  | -                              | (10,785)                          | (10,785)                    |
| Proposed dividends for 2001                                                      |      | -                            | -                            | -                                  | (10,785)                       | 10,785                            | -                           |
| At 31 December 2001                                                              |      | 107,850                      | 80,174                       | 113,085                            | 235,818                        | 10,785                            | 547,712                     |

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

|                                                        | Note | 2001<br>KShs'000 | 2000<br>KShs'000 |
|--------------------------------------------------------|------|------------------|------------------|
| Cash flows from operating activities:-                 |      |                  |                  |
| Net profit before taxation                             |      | 58,514           | 40,663           |
| Adjustments for:-                                      |      |                  |                  |
| Amortisation of ICI royalties                          |      | 563              | 563              |
| Depreciation                                           |      | 26,050           | 26,854           |
| Amortisation of Goodwill                               |      | 6,539            | 6,539            |
| Foreign exchange loss                                  |      | 1,301            | 2,300            |
| Interest expense                                       |      | 23,646           | 27,208           |
| Loss/(Gain) on disposal of fixed assets                |      | 106              | (1,762)          |
| Operating profit before working capital changes        |      | 116,719          | 102,365          |
| Trade and other debtors                                |      | 42,553           | 13,068           |
| Stocks                                                 |      | (28,207)         | (16,000)         |
| Trade creditors and accruals                           |      | 19,619           | (53,523)         |
| Due from group companies                               |      | (561)            | (10,472)         |
| Cash generated from operations                         |      | 150,123          | 35,438           |
| Income taxes paid                                      |      | (8,561)          | (52,125)         |
| Interest paid                                          |      | (23,646)         | (27,208)         |
| Net cash from (used in)/ operating activities          |      | 117,916          | (43,895)         |
| Cash flows from investing activities:-                 |      |                  |                  |
| Purchase of fixed assets                               |      | (5,699)          | (13,426)         |
| Proceeds on sale of fixed assets                       |      | 1,093            | 1,762            |
| Net cash used in investing activities                  |      | (4,606)          | (11,664)         |
| Cash flows from financing activities:-                 |      |                  |                  |
| Loan proceeds                                          |      | 30,000           | -                |
| Borrowings on commercial papers                        |      | (19,790)         | 53,950           |
| Dividends paid on ordinary shares                      |      | (10,785)         | (21,570)         |
| Net cash flow from financing activities                |      | (575)            | 32,380           |
| Net movement in cash and cash equivalents              |      | 112,735          | (23,179)         |
| Cash and cash equivalents at the beginning of the year |      | (121,779)        | (96,300)         |
| Effect of exchange rate changes                        |      | (1,301)          | (2,300)          |
| Cash and cash equivalents at the end of the year       | 28   | (10,345)✓        | (121,779)✓       |

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2001

| ASSETS                                           | Note | 2001<br>KShs'000 | 2000<br>KShs'000 |
|--------------------------------------------------|------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                        |      |                  |                  |
| Fixed assets                                     | 2    | 291,476          | 310,884          |
| Investments                                      | 4    | 82,378           | 82,378           |
|                                                  |      | <u>373,854</u>   | <u>393,262</u>   |
| <b>CURRENT ASSETS</b>                            |      |                  |                  |
| Stocks                                           | 6    | 298,540          | 271,362          |
| Debtors and prepayments                          | 7    | 162,279          | 205,742          |
| Amounts due from related companies               | 8    | 56,862           | 36,390           |
| Tax recoverable                                  |      | -                | 10,574           |
| Bank balances and cash                           |      | 18,438           | 4,893            |
|                                                  |      | <u>536,119</u>   | <u>528,961</u>   |
| <b>TOTAL ASSETS</b>                              |      | <u>909,973</u>   | <u>922,223</u>   |
| <b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>       |      |                  |                  |
| <b>CAPITAL AND RESERVES</b>                      |      |                  |                  |
| Share capital                                    | 9    | 107,850          | 107,850          |
| Reserves                                         | 10   | 414,005          | 397,407          |
| Proposed dividends                               | 11   | 10,785           | 10,785           |
|                                                  |      | <u>532,640</u>   | <u>516,042</u>   |
| <b>NON-CURRENT LIABILITIES</b>                   |      |                  |                  |
| DEFERRED TAX                                     | 12   | 66,813           | 65,843           |
| <b>CURRENT LIABILITIES</b>                       |      |                  |                  |
| Bank overdraft                                   | 13   | 32,999           | 131,217          |
| Commercial papers                                | 14   | 34,160           | 53,950           |
| Loan                                             | 15   | 30,000           | -                |
| Creditors and accruals                           | 16   | 155,554          | 139,310          |
| Amounts due to related companies                 | 8    | 50,079           | 15,861           |
| Tax payable                                      |      | 7,728            | -                |
|                                                  |      | <u>310,520</u>   | <u>340,338</u>   |
| <b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b> |      | <u>909,973</u>   | <u>922,223</u>   |

The financial statements were approved by the Board of Directors on 26 April 2002 and signed on its behalf by:-

|               |   |           |
|---------------|---|-----------|
| Patrick Mwati | ) | Directors |
| F.G.K. Maina  | ) |           |

# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

|                                                      | Note | 2001<br>KShs'000 | 2000<br>KShs'000 |
|------------------------------------------------------|------|------------------|------------------|
| SALES                                                | 17   | 913,360          | 940,925          |
| COST OF SALES                                        | 18   | (581,937)        | (640,890)        |
| GROSS PROFIT                                         |      | 331,423          | 300,035          |
| OTHER INCOME                                         | 19   | 7,126            | 9,111            |
|                                                      |      | <u>338,549</u>   | <u>309,146</u>   |
| EXPENSES:-                                           |      |                  |                  |
| Administration and establishment                     | 20   | 146,322          | 135,979          |
| Selling and distribution                             | 21   | 67,727           | 61,688           |
| Other charges and expenses                           | 22   | 43,065           | 40,915           |
|                                                      |      | <u>257,114</u>   | <u>238,582</u>   |
| PROFIT FROM CONTINUING OPERATING ACTIVITIES          |      | 81,435           | 70,564           |
| Net finance costs                                    | 23   | 27,809           | 31,996           |
| PROFIT FROM CONTINUING OPERATIONS<br>BEFORE TAXATION | 24   | 53,626           | 38,568           |
| TAXATION                                             | 25   | (30,706)         | (18,114)         |
| PROFIT AFTER TAXATION                                |      | <u>22,920</u>    | <u>20,454</u>    |
| Basic and diluted earnings per share                 | 26   | <u>1.06</u>      | <u>0.95</u>      |
| Dividends:                                           |      |                  |                  |
| Proposed for the year                                | 11   | <u>10,785</u>    | <u>10,785</u>    |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting modified by the revaluation of certain assets.

### b) Consolidation

The consolidated financial statements comprise the financial statements of Crown-Berger Kenya Limited (the parent company) and its controlled subsidiary Twiga Paints Limited, after the elimination of intercompany transactions.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

### c) Turnover

Turnover, which comprises the value of goods invoiced during the year less returns, rebates and value added tax is accounted for on the dispatch of goods/services to the customer.

### d) Fixed assets and depreciation

Fixed assets are stated at cost or valuation, less accumulated depreciation.

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

The annual depreciation rates in use are :

|                     |            |
|---------------------|------------|
| Leasehold building  | 2%         |
| Plant and machinery | 8% and 10% |
| Fixtures & fittings | 12.5%      |
| Motor vehicles      | 20% or 25% |
| Computers           | 20%        |

Excess depreciation on the revaluation surplus is transferred from the capital reserve to revenue reserve.

### e) Intangible assets

The company will continue its policy of capitalising acquired intangible assets (goodwill, trade marks, brand names). Intangible assets are amortized over the term of their useful lives.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

### f) Stocks

Stocks are valued at the lower of cost and net realisable value on a first in first out basis. Cost comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads wherever appropriate. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of the realisation and, where appropriate, the cost of conversion from its existing state to a realisable condition. Provision is made for obsolete, slow moving and defective stocks.

### g) Foreign currency transactions

Transactions during the year are 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.

### h) Retirement benefit costs

The company operates a defined contribution pension scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded both by the company and employees.

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently limited to Kshs 200 (KShs 80 upto 30 November 2001) per employee per month.

The company's contributions to the above schemes are charged to the profit and loss account in the year to which they relate.

### i) Bad and doubtful debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

### j) Taxation

Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation. Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

### k) Employees entitlements

The monetary benefits for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

### 2. FIXED ASSETS

#### (i) GROUP

|                         | Leasehold<br>land and<br>buildings<br>KShs'000 | Plant and<br>machinery<br>KShs'000 | Motor<br>vehicles<br>KShs'000 | Fixtures<br>fittings<br>and<br>equipment<br>KShs'000 | Total<br>KShs'000 |
|-------------------------|------------------------------------------------|------------------------------------|-------------------------------|------------------------------------------------------|-------------------|
| Cost or valuation       |                                                |                                    |                               |                                                      |                   |
| At 1 January 2001       | 190,609                                        | 183,828                            | 39,109                        | 49,936                                               | 463,482           |
| Additions               | -                                              | 2,059                              | 1,140                         | 2,500                                                | 5,699             |
| Disposals               | -                                              | (1,088)                            | (2,050)                       | -                                                    | (3,138)           |
| At 31 December 2001     | 190,609                                        | 184,799                            | 38,199                        | 52,436                                               | 466,043           |
| Comprising:             |                                                |                                    |                               |                                                      |                   |
| Valuation 1996          | 124,998                                        | 52,088                             | -                             | -                                                    | 177,086           |
| Cost                    | 65,611                                         | 132,711                            | 38,199                        | 52,436                                               | 288,957           |
|                         | 190,609                                        | 184,799                            | 38,199                        | 52,436                                               | 466,043           |
| Depreciation            |                                                |                                    |                               |                                                      |                   |
| At 1 January 2001       | 15,142                                         | 55,342                             | 36,298                        | 38,319                                               | 145,101           |
| Charge for the year     | 3,812                                          | 16,304                             | 1,904                         | 4,030                                                | 26,050            |
| Eliminated on disposals | -                                              | (36)                               | (1,903)                       | -                                                    | (1,939)           |
| At 31 December 2001     | 18,954                                         | 71,610                             | 36,299                        | 42,349                                               | 169,212           |
| Net Book Value          |                                                |                                    |                               |                                                      |                   |
| At 31 December 2001     | 171,655                                        | 113,189                            | 1,900                         | 10,087                                               | 296,831           |
| At 31 December 2000     | 175,467                                        | 128,486                            | 2,811                         | 11,617                                               | 318,381           |

The assets were revalued on 31 December 1996. The revaluation amounts have been incorporated in these financial statements. The bases of valuation were:-

|                              |                     |
|------------------------------|---------------------|
| Leasehold land and buildings | - Open market value |
| Plant and machinery          | - Open market value |

The valuation was undertaken by independent professional valuers, Milligan & Company Limited. The valuation surplus was credited to capital reserves.

The Motor vehicles, equipment and fixtures and fittings are stated at cost.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

2. No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated fixed assets with a cost of KShs 95,849,717 (2000: KShs 56,674,454) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rate, it would have amounted to KShs 12,700,563 (2000: KShs 11,158,923)

### (ii) COMPANY

|                         | Leasehold<br>land and<br>Buildings<br>KShs'000 | Plant and<br>machinery<br>KShs'000 | Motor<br>vehicles<br>KShs'000 | Fixtures,<br>fittings<br>and<br>equipment<br>KShs'000 | Total<br>KShs'000 |
|-------------------------|------------------------------------------------|------------------------------------|-------------------------------|-------------------------------------------------------|-------------------|
| Cost or valuation       |                                                |                                    |                               |                                                       |                   |
| At 1 January 2001       | 190,609                                        | 171,071                            | 36,918                        | 44,461                                                | 443,059           |
| Additions               | -                                              | 2,059                              | 1,140                         | 2,500                                                 | 5,699             |
| Disposals               | -                                              | (1,088)                            | (1,575)                       | -                                                     | (2,663)           |
| At 31 December 2001     | 190,609                                        | 172,042                            | 36,483                        | 46,961                                                | 446,095           |
| Comprising:             |                                                |                                    |                               |                                                       |                   |
| Valuation 1996          | 124,998                                        | 40,492                             | -                             | -                                                     | 165,490           |
| Cost                    | 65,611                                         | 131,550                            | 36,483                        | 46,961                                                | 280,605           |
|                         | 190,609                                        | 172,042                            | 36,483                        | 46,961                                                | 446,095           |
| Depreciation            |                                                |                                    |                               |                                                       |                   |
| At 1 January 2001       | 15,142                                         | 48,963                             | 34,107                        | 33,963                                                | 132,175           |
| Charge for the year     | 3,812                                          | 14,710                             | 1,904                         | 3,482                                                 | 23,908            |
| Eliminated on disposals | -                                              | (36)                               | (1,428)                       | -                                                     | (1,464)           |
| At 31 December 2001     | 18,954                                         | 63,637                             | 34,583                        | 37,445                                                | 154,619           |
| Net Book Value          |                                                |                                    |                               |                                                       |                   |
| At 31 December 2001     | 171,655                                        | 108,405                            | 1,900                         | 9,516                                                 | 291,476           |
| At 31 December 2000     | 175,467                                        | 122,108                            | 2,811                         | 10,498                                                | 310,884           |

The assets were revalued on 31 December 1996. The revaluation amounts have been incorporated in these financial statements. The bases of valuation were:-

|                              |   |                   |
|------------------------------|---|-------------------|
| Leasehold land and buildings | - | Open market value |
| Plant and machinery          | - | Open market value |

The valuation was undertaken by independent professional valuers, Milligan & Company Limited. The valuation surplus was credited to capital reserves.

The Motor vehicles, equipment and fixtures and fittings are stated at cost.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

## 3. GOODWILL ON CONSOLIDATION

The goodwill was recognised on acquisition of Twiga Paints Limited in 1995. The Board of Directors 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 environmental/competitive situations in markets of five countries in East Africa for which the company has rights.

## 4. INVESTMENTS

Investment in subsidiary  
Twiga Paints Limited  
1,375,000 ordinary shares of KShs 20 each

| COMPANY  |          |
|----------|----------|
| 2001     | 2000     |
| KShs'000 | KShs'000 |
| 82,378   | 82,378   |

## 5. INTANGIBLE ASSET

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

## 6. STOCKS

Finished goods  
Raw materials

| GROUP    |          | COMPANY  |          |
|----------|----------|----------|----------|
| 2001     | 2000     | 2001     | 2000     |
| KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| 168,764  | 170,544  | 147,407  | 150,217  |
| 151,133  | 121,145  | 151,133  | 121,145  |
| 319,897  | 291,689  | 298,540  | 271,362  |

## 7. DEBTORS

Trade debtors  
Other debtors  
Prepayments

|         |         |         |         |
|---------|---------|---------|---------|
| 166,834 | 216,301 | 147,330 | 197,953 |
| 6,593   | 4,821   | 6,395   | 4,378   |
| 8,554   | 3,411   | 8,554   | 3,411   |
| 181,981 | 224,533 | 162,279 | 205,742 |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

## 8. RELATED PARTY TRANSACTIONS

The company is controlled by Crown Paints and Building Products Limited (incorporated in Kenya) which owns 64% of the company's shares. The remaining 36% of the shares are widely held. The ultimate parent company of the Group is Barclays Holdings Limited incorporated in Belize Off-Shore Centre.

|                                                                    | GROUP         |               | COMPANY       |               |
|--------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                    | 2001          | 2000          | 2001          | 2000          |
|                                                                    | KShs'000      | KShs'000      | KShs'000      | KShs'000      |
| Outstanding balances arising from sale/purchase of goods/services: |               |               |               |               |
| Due from related companies:-                                       |               |               |               |               |
| Twiga Paints Limited                                               | 4,999         | 3,027         | 4,999         | 3,027         |
| Crown Paints and Building Products Limited                         | 51,863        | 33,363        | 51,863        | 33,363        |
| Crown-Berger Kenya Limited                                         | 18,758        | 4,451         | -             | -             |
|                                                                    | <u>75,620</u> | <u>40,841</u> | <u>56,862</u> | <u>36,390</u> |
| Due to related companies:                                          |               |               |               |               |
| Crown Paints & Building Products Limited                           | 26,322        | 8,383         | 26,322        | 8,383         |
| Twiga Paints Limited                                               | 23,757        | 7,478         | 23,757        | 7,478         |
|                                                                    | <u>50,079</u> | <u>15,861</u> | <u>50,079</u> | <u>15,861</u> |

## 9. SHARE CAPITAL

|                                           |                |                |                |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
| Authorised:                               |                |                |                |                |
| 25,000,000 ordinary shares of KShs.5 each | <u>125,000</u> | <u>125,000</u> | <u>125,000</u> | <u>125,000</u> |
| Issued and fully paid:                    |                |                |                |                |
| 21,570,000 ordinary shares of KShs.5 each | <u>107,850</u> | <u>107,850</u> | <u>107,850</u> | <u>107,850</u> |

## 10. RESERVES

|                     |                |                |                |                |
|---------------------|----------------|----------------|----------------|----------------|
| Share premium       | 80,174         | 80,174         | 80,174         | 80,174         |
| Revaluation reserve | 113,085        | 124,616        | 152,356        | 162,771        |
| Retained profit     | <u>235,818</u> | <u>206,921</u> | <u>181,475</u> | <u>154,462</u> |
|                     | <u>429,077</u> | <u>411,711</u> | <u>414,005</u> | <u>397,407</u> |

## 11. PROPOSED DIVIDENDS

|       |               |               |               |               |
|-------|---------------|---------------|---------------|---------------|
| Final | <u>10,785</u> | <u>10,785</u> | <u>10,785</u> | <u>10,785</u> |
|-------|---------------|---------------|---------------|---------------|

Dividend per share is calculated on dividends of KShs 10.785 million (2000: KShs.10.785million) on the number of shares in issue at the respective balance sheet dates.

Payments of the dividends is subject to withholding tax at the rate of 5% for residents and 10% for non residents.

CMA-LIBRARY

FOR THE YEAR ENDED 31 DECEMBER 2001

| GROUP    |          | COMPANY  |          |
|----------|----------|----------|----------|
| 2001     | 2000     | 2001     | 2000     |
| KShs'000 | KShs'000 | KShs'000 | KShs'000 |

|        |        |        |        |
|--------|--------|--------|--------|
| 67,245 | 66,886 | 66,813 | 65,843 |
|--------|--------|--------|--------|

- (i) Debenture RSC 525 million supported by supplementary charge over LR 209/5792 and LR209/4275 and
- (ii) Cross guarantee from Twiga Paints Limited of KShs.100 million.

| GROUP    |          | COMPANY  |          |
|----------|----------|----------|----------|
| 2001     | 2000     | 2001     | 2000     |
| KShs'000 | KShs'000 | KShs'000 | KShs'000 |

|        |        |        |        |
|--------|--------|--------|--------|
| 34,160 | 53,950 | 34,160 | 53,950 |
|--------|--------|--------|--------|

| GROUP    |          | COMPANY  |          |
|----------|----------|----------|----------|
| 2001     | 2000     | 2001     | 2000     |
| KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| 30,000   | -        | 30,000   | -        |

The loan is a short term facility from Barclays Bank of Kenya Ltd at an interest rate of 13%.

|                              |                |                |                |                |
|------------------------------|----------------|----------------|----------------|----------------|
| Trade creditors              | 123,795        | 125,497        | 123,662        | 125,327        |
| Other creditors              | 22,507         | 6,403          | 20,642         | 5,282          |
| Accruals and deferred income | 14,216         | 8,999          | 11,250         | 8,701          |
|                              | <u>160,518</u> | <u>140,899</u> | <u>155,554</u> | <u>139,310</u> |

Decorative Paints  
Industrial Paints  
V.R. Range  
Plastic  
Others

|                  |                  |                |                |
|------------------|------------------|----------------|----------------|
| 865,151          | 870,472          | 830,491        | 826,692        |
| 27,031           | 21,767           | 4,421          | 8,828          |
| 116,902          | 92,984           | 71,828         | 64,624         |
| 6,620            | 40,781           | 6,620          | 40,781         |
| -                | 3,545            | -              | -              |
| <u>1,015,704</u> | <u>1,029,549</u> | <u>913,360</u> | <u>940,925</u> |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

| 18. COST OF SALES                             | GROUP            |                  | COMPANY          |                  |
|-----------------------------------------------|------------------|------------------|------------------|------------------|
|                                               | 2001<br>KShs'000 | 2000<br>KShs'000 | 2001<br>KShs'000 | 2000<br>KShs'000 |
| Raw materials                                 | 545,541          | 602,999          | 485,527          | 547,786          |
| Salaries and wages                            | 58,414           | 51,943           | 55,023           | 49,194           |
| Depreciation of plant and machinery           | 21,955           | 22,382           | 20,361           | 20,788           |
| Machinery repairs and maintenance             | 4,829            | 7,129            | 4,829            | 7,129            |
| Fuel water and electricity                    | 11,260           | 11,447           | 11,227           | 11,370           |
| Others                                        | 12,979           | 12,262           | 4,970            | 4,623            |
|                                               | <u>654,978</u>   | <u>708,162</u>   | <u>581,937</u>   | <u>640,890</u>   |
|                                               |                  |                  |                  |                  |
| 19. OTHER INCOME                              |                  |                  |                  |                  |
|                                               | 2001<br>KShs'000 | 2000<br>KShs'000 | 2001<br>KShs'000 | 2000<br>KShs'000 |
| Gain on disposal of fixed assets              | 769              | 1,762            | 693              | 1,652            |
| Miscellaneous income                          | 499              | 726              | -                | 351              |
| Bad debts recovered                           | 6,433            | 7,108            | 6,433            | 7,108            |
|                                               | <u>7,701</u>     | <u>9,596</u>     | <u>7,126</u>     | <u>9,111</u>     |
|                                               |                  |                  |                  |                  |
| 20. ADMINISTRATION AND ESTABLISHMENT EXPENSES |                  |                  |                  |                  |
|                                               | 2001<br>KShs'000 | 2000<br>KShs'000 | 2001<br>KShs'000 | 2000<br>KShs'000 |
| Staff costs                                   | 80,071           | 81,972           | 71,681           | 75,180           |
| Depreciation                                  | 4,095            | 4,471            | 3,547            | 3,923            |
| Auditors' remuneration                        | 2,000            | 1,750            | 1,700            | 1,500            |
| Directors' emolument:                         |                  |                  |                  |                  |
| As directors                                  | 3,750            | 3,750            | 3,750            | 3,750            |
| Legal and professional fees                   | 10,069           | 9,183            | 9,818            | 8,990            |
| Loss on disposal of fixed assets              | 182              | -                | 182              | -                |
| Loss on foreign exchange                      | 1,301            | 2,300            | 1,301            | 2,300            |
| Others                                        | 54,365           | 40,689           | 54,343           | 40,336           |
|                                               | <u>155,833</u>   | <u>144,115</u>   | <u>146,322</u>   | <u>135,979</u>   |
|                                               |                  |                  |                  |                  |
| 21. SELLING AND DISTRIBUTION                  |                  |                  |                  |                  |
|                                               | 2001<br>KShs'000 | 2000<br>KShs'000 | 2001<br>KShs'000 | 2000<br>KShs'000 |
| Provision for obsolete stock                  | -                | 2,272            | -                | 2,272            |
| Transport                                     | 9,818            | 11,158           | 9,660            | 11,053           |
| Advertising and promotion                     | 9,990            | 6,460            | 9,935            | 6,448            |
| Provision for bad debts                       | 37,329           | 31,793           | 32,327           | 29,409           |
| Others                                        | 18,900           | 14,660           | 15,805           | 12,506           |
|                                               | <u>76,037</u>    | <u>66,343</u>    | <u>67,727</u>    | <u>61,688</u>    |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

|                                                                   | GROUP    |          | COMPANY  |          |
|-------------------------------------------------------------------|----------|----------|----------|----------|
|                                                                   | 2001     | 2000     | 2001     | 2000     |
|                                                                   | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| <b>22. OTHER CHARGES AND EXPENSES</b>                             |          |          |          |          |
| Service fees                                                      | 43,065   | 40,915   | 43,065   | 40,915   |
| Amortisation of intangible asset                                  | 6,539    | 6,539    | -        | -        |
|                                                                   | 49,604   | 47,454   | 43,065   | 40,915   |
| <b>23. NET FINANCE COSTS</b>                                      |          |          |          |          |
| Bank charges                                                      | 4,793    | 5,200    | 4,163    | 4,788    |
| Interest on loan                                                  | 10,256   | 3,700    | 10,256   | 3,700    |
| Others                                                            | 13,390   | 23,508   | 13,390   | 23,508   |
|                                                                   | 28,439   | 32,408   | 27,809   | 31,996   |
| <b>24. PROFIT BEFORE TAXATION</b>                                 |          |          |          |          |
| The profit before taxation is stated after charging:              |          |          |          |          |
| Depreciation                                                      | 26,050   | 26,854   | 23,908   | 24,712   |
| Directors emoluments:                                             |          |          |          |          |
| Fees                                                              | 3,750    | 3,750    | 3,750    | 3,750    |
| Auditors' remuneration                                            | 2,000    | 1,450    | 1,700    | 1,500    |
| Interest expense                                                  | 23,646   | 27,208   | 23,646   | 27,208   |
| Pension scheme contributions                                      | 3,418    | 3,298    | 2,893    | 2,813    |
| Loss on disposal of fixed assets                                  | 182      | -        | 182      | -        |
| Exchange losses                                                   | 1,301    | 2,300    | 1,301    | 2,300    |
| And after crediting:-                                             |          |          |          |          |
| Interest income                                                   | 693      | -        | 693      | -        |
| Gain on disposal of fixed assets                                  | 76       | 1,762    | -        | 1,652    |
| <b>25. TAXATION</b>                                               |          |          |          |          |
| <b>BALANCE SHEET</b>                                              |          |          |          |          |
| Balance brought forward                                           | (12,786) | 18,781   | (10,574) | 17,946   |
| Charge for the year                                               | 30,004   | 20,556   | 25,273   | 17,359   |
| Payments during the year                                          | (8,561)  | (52,123) | (6,971)  | (45,879) |
|                                                                   | 8,657    | (12,786) | 7,728    | (10,574) |
| <b>PROFIT AND LOSS ACCOUNT</b>                                    |          |          |          |          |
| Current tax at 30 % (2000:30%) on the taxable profit for the year | 30,004   | 20,556   | 25,273   | 17,359   |
| Deferred tax                                                      | 5,300    | 627      | 5,433    | 755      |
|                                                                   | 35,304   | 21,183   | 30,706   | 18,114   |

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2001

## 25. TAXATION

Reconciliation of taxation expense to tax based on accounting profit.

|                                                 | GROUP    |          | COMPANY  |          |
|-------------------------------------------------|----------|----------|----------|----------|
|                                                 | 2001     | 2000     | 2001     | 2000     |
|                                                 | KShs'000 | KShs'000 | KShs'000 | KShs'000 |
| Accounting profit before tax                    | 58,514   | 40,663   | 53,626   | 38,568   |
| Amortization of intangible asset                | 6,539    | 6,539    | -        | -        |
|                                                 | 65,053   | 47,202   | 53,626   | 38,568   |
| Tax applicable rate of 30% (2000:- 30%)         | 19,516   | 14,160   | 16,088   | 11,570   |
| Tax effects on items not deducted for tax       | 13,364   | 5,709    | 12,061   | 5,034    |
| Originating and reversing temporary differences | (2,876)  | 687      | (2,876)  | 755      |
|                                                 | 30,004   | 20,556   | 25,273   | 17,359   |

## 26. BASIC AND DILUTED EARNINGS PER SHARE

- Basic earnings per share is calculated on the profit after tax and on the average number of ordinary shares in issue during the year.
- Diluted earnings per share is calculated on the profit after tax and on the average number of ordinary and bonus shares in issue.
- The basic and diluted earnings per share are the same.

## 27. PRIOR YEAR ADJUSTMENT

The company changed its policy on treatment of dividends to comply with IAS 10 and 37, in restating the results for 1999, the dividend is charged to the equity in the period in which it is declared. Proposed dividends are shown as a separate component of equity until declared.

## 28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

|                        | GROUP    |           | COMPANY  |           |
|------------------------|----------|-----------|----------|-----------|
|                        | 2001     | 2000      | 2001     | 2000      |
|                        | KShs'000 | KShs'000  | KShs'000 | KShs'000  |
| Bank balances and cash | 22,654   | 9,438     | 18,438   | 4,893     |
| Bank borrowings        | (32,999) | (131,217) | (32,999) | (131,217) |
|                        | (10,345) | (121,779) | (14,561) | (126,324) |

## 29. CONTINGENT LIABILITIES

|                             |   |        |   |        |
|-----------------------------|---|--------|---|--------|
| Bills discounted            | - | 35,105 | - | 35,105 |
| Guarantees given by bankers | - | 46,701 | - | 46,701 |
|                             | - | 81,806 | - | 81,806 |

## 30. EMPLOYEES

The average number of employees for the Group during the year was 189 (2000:273).

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

FOR THE YEAR ENDED 31 DECEMBER 2001

### **31. CURRENCY RISK**

The company operates wholly within Kenya and its assets and liabilities are reported in the local currency. Although it transacts with the minority shareholders it held no significant foreign currency exposure as at 31 December 2001.

### **32. COMPARATIVES**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **33. INCORPORATION**

The company is incorporated in Kenya under the Companies Act.

### **34. CURRENCY**

These financial statements are presented in Kenya Shillings (KShs.)

## PROXY FORM

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 forty-fifth Annual General Meeting of the Company to be held on Tuesday 4 June 2002 and at any adjournment thereof.

Signed/Sealed this \_\_\_\_\_ day of \_\_\_\_\_ 2002

### 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 the Secretaries not less than 48 hours before the time for holding the meeting or adjourned meeting.

Chunga Associates  
Rahimtulla Tower  
Upper Hill Road  
PO Box 41968  
00100 - NAIROBI

Fold 2

STAMP

The Company Secretary  
Chunga Associates  
P.O.Box 41968  
00100-Nairobi

Fold 1

Fold 3