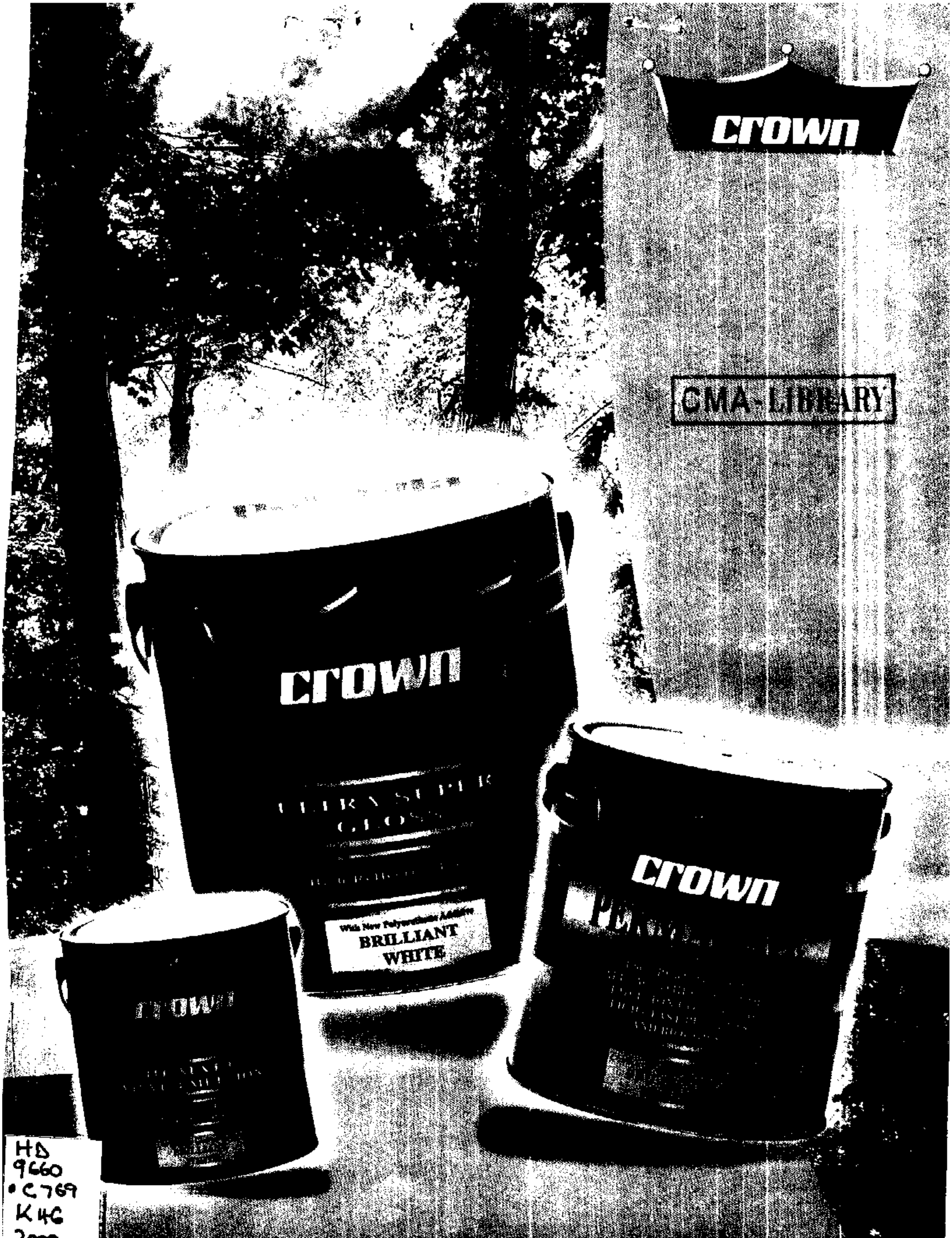

Report & Financial Statements

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of the Company will be held at the Crown Berger Factory, Mogadishu Road, Nairobi on 8th June 2004 at 3.00pm to conduct the following business:

ORDINARY BUSINESS

1 To table the proxies and confirm the presence of a quorum.

2 To read the notice convening the meeting.

3 To consider and, if approved, adopt the audited Balance Sheet and Accounts for the year ended 31st December 2003 together with the Directors' and Auditors' Reports thereon.

4 To declare a dividend:

To declare a final dividend of KShs. 1.50 per ordinary share for the financial year ended 31st December 2003 and approve the closure of the Register of Members from the close of business on 9th June 2004 to 16th June 2004.

5 To approve the Directors' remuneration.

6 To elect directors:

i) Mr. M Charania retires by rotation in accordance with Articles 101 of the Company's Articles of Association and being eligible, offers himself for re-election.
ii) Mr FGK Maina retires by rotation in accordance with Article 101 of the Company's Article of Association and being eligible, offers himself for re-election.

7 To authorise the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

8 To consider and, if thought fit, pass the following as an Ordinary Resolution:

"That, upon the recommendation of the Directors, and approval by the Capital Market Authority it is desirable to capitalize the sum of KShs. 10,785,000 being part of the amount standing to the credit of the Company's revenue reserve account at 31st December 2003 and that such sum be capitalized and accordingly the Directors be and they are hereby authorised and directed to appropriate the said sum to the holders of the ordinary shares in the capital of the Company registered at the close of business on 9th June 2004 and to apply such sum in paying up in full at par on behalf of such holders 2,157,000 ordinary shares of KShs. 5 each ranking pari passu in all respects with the existing issued ordinary shares of the Company save that they will not participate in any dividend declared in respect of the year ended 31st December 2003 and that such shares be credited, allotted and distributed as fully paid to and among the said holders in the proportion of one of the said ordinary shares for every ten ordinary shares then held, and so that the Directors shall have the full power to do such acts and things required to give effect to the said capitalization, allotment and distribution including the sale of any shares representing fractions for the benefit of shareholders."

BY ORDER OF THE BOARD

For CHUNGA ASSOCIATES
SECRETARIES

Date: 7 May 2004

P.O. Box 41968
00100 – NAIROBI

2007/0820

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, P.O. 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.

YEAR ENDED 31 DECEMBER 2003

PRINCIPAL PLACE OF BUSINESS

Mogadishu Road
P.O. Box 78084
Nairobi.

REGISTERED OFFICE

Mogadishu Road
P.O. Box 78084
Nairobi.

BANKERS

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

SOLICITORS

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

SECRETARY

Chunga Associates
P.O. Box 41968
00100 - Nairobi.

AUDITORS

Ernst & Young
Kenya Re Towers, Upperhill
P.O. Box 44286
00100 Nairobi GPO.

Chairman's Statement

It is my pleasure to present you the Annual Report and Financial Statement of your company for the year ended 31st December 2003. I sincerely wish to thank you all for your continued interest in your Company. This enhanced trading activity at the Stock Exchange during the year 2003.

OVERVIEW - 2003

With all the hopes and optimism generated after 2002 elections and new government having been sworn in, the year 2003 was not up to expectation for both Kenyan Public and Business Community as economic revival did not materialise inspite of having high expectation of an Economic Boom.

Once again, the GDP remained low at 1.4% against expected projection of 2.5% and economic activity registered no improvement.

SALES PERFORMANCE

The increase in sales volume was marginal and could be attributed to new products like Bodyfilla in Automotive range which was introduced in year 2003 and efforts by Sales force to combat competition fiercely. As mentioned earlier Kenyan economy was in doldrums and construction activities were low hence negligible increase in demand of our products in 2003.

QUALITY ASSURANCE CERTIFICATE ISO 9001-2000

Last year, reference was made to Crown quality and your company is definitely committed to keeping high standards of quality. In year 2003, consistent efforts were put in place so as to achieve Quality Assurance Certificate. You will be delighted to know that your company, CROWN-BERGER, was awarded ISO 9001-2000 Certificate in April 2004.

COMPUTERISED DISPENSING AND NEXA AUTOCOLOR

In Decorative Paints, the thrust on Computerised Dispensing is aggressively being carried out by spreading dispensing units to far corners throughout Kenya. Crown succeeded in getting distributorship of a well known company PPG (USA) Nexacolor, who are well known in dispensing Autocolour for Metallic, Pearl e.t.c. Your company has established Nexacolor Dispensing Units in Nairobi, Mombasa and Kisumu.

CROWN SOLO

In year 2003, the new product BODYFILLA which was introduced in both Duco and Viton brands was accepted very well by Automotive users and faired better than expected.

In year 2004, the Crown Product range is being revitalised by introducing CROWN SOLO range of products.

A new logo, substantive quality uplift via new technology will propel the Crown 'SOLO' range to be the brand winner, offering benefits to the professionals of the building industry and empowering all property owners.

Crown Solo now meets all International Standards, to claim to be environmentally friendly.

The launch slogan - IT'S SIMPLY MILES AHEAD, is the indicator that the range is innovative and is dedicated to provide technical leadership in setting standards in East Africa.

MANAGEMENT ACCOUNTABILITY AND CORPORATE GOVERNANCE

I am pleased to inform you that both Management Accountability and Corporate governance are definitely a prime concern and effective steps have been taken to adhere to CMA guidelines.

The audit committee consisting of our Directors, Mr. Mahesh Bhatt and Mr. Amish Gupta have done commendable work in reviewing the adequacy of internal controls. Its responsibilities includes the following:

i) Liaison with the external auditors
ii) Review of financial statements and ensuring their compliance with International Financial Reporting Standards
iii) Evaluation of Company's policies and internal financial reporting procedures
iv) Receiving and acting on internal audit and external auditors' recommendations.

BANK INTEREST - COMMERCIAL PAPER

Commercial Paper utilisation was definitely beneficial in past years. However, due to Treasury Bills low interest rates and lull in money market, Commercial Paper is less attractive.

It may be now fruitful to look into Bonds to hedge against the interest burden.

UNIBUILT 2003 LIMITED

Unibuilt was taken over with your approval in August 2003 and after carrying out necessary maintenance and change over, manufacturing commenced in October 2003. At the moment, only 60% capacity of the plant is being utilised.

In order to maximise the benefits of Unibuilt 2003, it is proposed that all can making machineries and equipment be moved to Likoni Road factory and existing premises at Unibuilt 2003 be put to other commercial use.

The financial transactions of Unibuilt 2003 have been incorporated in Crown-Berger Financial Statement.

CROWN-BERGER MOGADISHU ROAD

Construction to extend two warehouses to create extra space for manufacturing and warehousing is now complete.

Main administration block has been converted to a research and development, and training centre.

AMSCO are assisting towards training of chemists, painters, exterior decorators, garage owners among others.

CROWN-BERGER PERFORMANCE

Your company maintained good volume and registered a turnover of Ksh 1,157,585,000 (2002: Ksh 1,090,626,000) and profit before tax of Ksh 95,750,000 (2002: Ksh 93,412,000).

I am pleased to inform you that your Directors have recommended for your approval a dividend of 30% and a bonus issue at the rate of one bonus share for every ten shares held (i.e. 10%).

FUTURE OUTLOOK 2004

The future hangs on too many IF's - If political bickering stops, if government policies and services strengthens, if security improves, if foreign aid assistance arrives and if economy revives. In spite of adverse economic situation prevailing today, Kenyan Public and Business Community is still optimistic that the economy will improve. It is going to be a challenging 2004.

With that hope, the only way is to struggle hard to get total benefit from our market niche to retain Crown-Berger as Kenya's No: 1 Paint.

SPECIAL TRIBUTE

Lastly, I would like to pay tribute to Shareholders, Directors, Management and employees, who have put in extra efforts to make year 2003 a success under difficult conditions and hope that with their support year 2004 will also be a success.

Mhamud Charania
Chairman

Largest 10 Shareholders

ACCOUNT NUMBER	NAME (S) AND ADDRESS	NO. OF SHARES	%
0002402	CROWN PAINTS AND BUILDING PRODUCTS LIMITED P.O. BOX 78188, NAIROBI	10,814,695	50.14
00033207	BARCLAY HOLDINGS LIMITED 35 BARRACK ROAD P.O. BOX 1777 BELIZE CITY, BELIZE	2,940,000	13.63
0003176	PRADEEP PATANI P.O. BOX 44851 00100 NAIROBI	574,489	2.66
0000772	MULCHLAND NARSHI SHAH P.O. BOX 44851, NAIROBI	329,118	1.53
0003438	JAPHETH MULINGE MUKUMBU P.O. BOX 51259, NAIROBI	264,250	1.23
0001806	MAHENDRA DAHYABHAI PATEL P.O. BOX 178 00606 — SARIT CENTRE, NAIROBI	203,655	0.94
0001897	JOHN MURIUKI KIBUCHI P.O. BOX 20105 00200 NAIROBI	197,800	0.92
0003019	BHIMJI RAMJI HALAI P.O. BOX 6474 00300 RONALD NGALA, NAIROBI	190,975	0.89
0002270	MAHENDRA FULCHLAND GANDHI AND MRS MALVIKA MAHENDRA GHANDI P.O. BOX 90393, MOMBASA	182,672	0.85
0003324	HENRY NZIOKA IVUTI P.O. BOX 30 VIWANDANI, NAIROBI	138,500	0.64
Total number of shares		15,836,154	73.42
AND 1992 other shareholders		5,733,846	26.58
TOTAL		21,570,000	100.00

DISTRIBUTION OF SHAREHOLDERS

Shareholding	NO. Of Shares	No. Of Shareholders	% Shares Held
Less than 500	57,664	276	0.27
500 — 5,000	1,988,960	1,510	9.22
5,001 — 10,000	873,424	111	4.05
10,001 — 100,000	2,560,788	93	11.87
100,001 — 1,000,000	2,334,469	10	10.82
above 1,000,000	13,754,695	2	63.77
Total:	21,570,000	2,002	100.00

YEAR ENDED 31 DECEMBER 2003

The directors submit their report and the audited financial statements for the year ended 31 December 2003, which show the state of the group's affairs.

1 PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries are to manufacture and sell paints, adhesives, decorating sundries, PVA emulsion, alkyd resins and tins.

2 GROUP RESULTS

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

3 COMPANY RESULTS

The results of the company for the year are set out on page 15

4 DIVIDENDS

The directors recommend the payment of a dividend of KShs 32,355,000 (2002: KShs 32,355,000 - 30%), which represents 30% of the ordinary shares.

5 Bonus Issue

The directors recommended to the shareholders a bonus issue of shares at the rate of 1 (one) bonus share for every 10 (ten) shares held as at the close of business on 9 June, 2004. The bonus share will not qualify for the dividend in respect of the financial year ended 31 December 2003.

6 RESERVES

The reserves of the group and the company are set out on page 24.

7 DIRECTORS

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

M Charania	*Chairman*
F G K Maina	
M Bhatt	
P M Mwati	*(Alternate to M Bhatt)*
H H R J Charania	
C K V Rao	*(Alternate to H H R J Charania)*
A Gupta	

In accordance with Article 101 of the Articles of Association, Messrs M Charania and F G K Maina retire by rotation and being eligible offer themselves for re-election.

8 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
15 April 2004

Statement of Director's Responsibilities

ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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 the operating results of the Group and the Company for that year. It also requires the directors to ensure the Group and the Company keep 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.

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 Financial Reporting 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 in 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 Companies will not remain going concerns for at least the next twelve months from the date of this statement.

Mhamud Charania) **Chairman**

Patrick Mwati) **Director**

15 April 2004

Report of Independent Auditors

TO THE MEMBERS OF CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES

We have audited the financial statements on pages 10 to 31 which have been prepared on the basis of the accounting policies set out on pages 17 and 18. 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 affairs and of the operating results of the Group and the Company. 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 2003 and of the profit of the Group and the Company and of the cash flows of the Group for the year then ended and comply with International Financial Reporting Standards and the Companies Act.

ERNST & YOUNG

Certified Public Accountants
P.O. Box 44286
Nairobi

15 April 2004

Consolidated Balance Sheet

AS AT 31 DECEMBER 2003

	Note	2003 KShs'000	2002 KShs'000
ASSETS			
NON CURRENT ASSETS			
Property, plant & equipment	2	335,621	229,461
Goodwill	3	19,620	26,159
Prepaid leases on leasehold land	4	18,866	11,674
Royalties	6	563	1,126
		374,670	268,420
CURRENT ASSETS			
Stocks	7	297,835	285,671
Trade and other debtors	8	227,959	207,258
Amounts due from related companies	9	-	27,786
Tax recoverable	26	5,720	2,534
Short term investments	10	-	74,200
Bank balances and cash		22,139	7,382
		553,653	604,831
TOTAL ASSETS		928,323	873,251
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	107,850	107,850
Reserves	12	453,501	426,690
Proposed dividends	13	32,355	32,355
		593,706	566,895
NON CURRENT LIABILITIES			
Deferred tax	14	59,190	56,445
CURRENT LIABILITIES			
Bank overdraft	15	52,220	27,836
Commercial paper	16	58,492	48,062
Creditors and accruals	17	129,256	174,013
Amounts due to related companies (Loans) ST	9	35,459	-
		275,427	249,911
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		928,323	873,251

The financial statements were approved by the Board of Directors on 15 April 2004 and signed on its behalf by:

Mhamud Charania) **Chairman**

Patrick Mwati) **Director**

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 KShs'000	2002 KShs'000
SALES	18	1,157,585	1,090,626
COST OF SALES	19	(730,024)	(690,475)
GROSS PROFIT		427,561	400,151
OTHER INCOME	20	30,621	16,946
		458,182	417,097
EXPENSES:-			
Administration and establishment	21	184,499	185,184
Selling and distribution	22	110,845	76,426
Other charges and expenses	23	57,863	51,761
		353,207	313,371
PROFIT FROM CONTINUING OPERATING ACTIVITIES		104,975	103,726
NET FINANCE COSTS	24	(9,225)	(10,314)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	25	95,750	93,412
TAXATION	26	(36,584)	(37,970)
NET PROFIT FOR THE YEAR		59,166	55,442
		KShs	**KShs**
Earnings per share	27	2.74	2.57
		KShs'000	**KShs'000**
Dividends:			
Proposed for the year	13	32,355	32,355

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2003

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained profit KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 January 2002	107,850	80,174	113,085	235,818	10,785	547,712
Prior year adjustment (Note 29)	-	-	(19,874)	-	-	(19,874)
Restated balance	107,850	80,174	93,211	235,818	10,785	527,838
Decrease in revaluation surplus	-	-	(20,896)	-	-	(20,896)
Transfer of revaluation on disposed assets	-	-	(748)	748	-	-
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(10,156)	10,156	-	-
Deferred tax on transfer of excess depreciation	-	-	-	4,353	-	4,353
Deferred tax over-release (Note 29)	-	-	10,943	-	-	10,943
Net profit for the year	-	-	-	55,442	-	55,442
Dividends						
- Paid for 2001	-	-	-	-	(10,785)	(10,785)
- Proposed for 2002	-	-	-	(32,355)	32,355	-
At 31 December 2002	107,850	80,174	72,354	274,162	32,355	566,895
At 1 January 2003	107,850	80,174	61,411	274,162	32,355	555,952
Deferred tax over-release (Note 29)	-	-	10,943	-	-	10,943
Restated balance	107,850	80,174	72,354	274,162	32,355	566,895
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(9,051)	9,051	-	-
Net profit for the year	-	-	-	59,166	-	59,166
Dividends						
- Paid for 2002	-	-	-	-	(32,355)	(32,355)
- Proposed for 2003	-	-	-	(32,355)	32,355	-
At 31 December 2003	107,850	80,174	63,303	310,024	32,355	593,706

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 KShs'000	2002 KShs'000
Cash flows from operating activities			
Net profit before taxation		95,750	93,412
Adjustments for:-			
Amortisation of ICI royalties		563	563
Depreciation		21,830	18,925
Leasehold land amortisation		308	265
Amortisation of Goodwill		6,539	6,539
Foreign exchange loss		3,296	5,453
Interest expense		5,260	6,893
Gain on disposal of fixed assets		(350)	(865)
Operating profit before working capital changes		133,196	131,185
Trade and other debtors		(20,701)	(25,277)
Stocks		(12,164)	34,226
Trade creditors and accruals		(44,757)	13,495
Group companies		63,245	(2,245)
Cash generated from operations		118,819	151,384
Income taxes paid		(37,025)	(44,665)
Interest paid		(5,260)	(6,893)
Net cash from operating activities		76,534	99,826
Cash flows from investing activities			
Purchase of fixed assets		(126,380)	(10,015)
Purchase of leasehold land		(7,500)	-
Work-in-progress (Note 31)		(1,610)	-
Proceeds on sale of fixed assets		350	6,616
Disposal/(purchase) of treasury bills and commercial paper		74,200	(74,200)
Net cash used in investing activities		(60,940)	(77,599)
Cash flows from financing activities			
Loan repayments		-	(30,000)
Borrowings on commercial paper		10,430	13,902
Dividends paid on ordinary shares		(32,355)	(10,785)
Net cash used in financing activities		(21,925)	(26,883)
Net decrease in cash and cash equivalents		(6,331)	(4,656)
Cash and cash equivalents at the beginning of the year		(20,454)	(10,345)
Effect of exchange rate changes		(3,296)	(5,453)
Cash and cash equivalents at the end of the year	28	(30,081)	(20,454)

Company Balance Sheet

AS AT 31 DECEMBER 2003

	Note	2003 KShs'000	2002 KShs'000
ASSETS			
NON CURRENT ASSETS			
Fixed assets	2	224,525	226,248
Prepaid leases on leasehold land	4	11,409	11,674
Investment in subsidiary companies	5	92,378	82,378
		328,312	320,300
CURRENT ASSETS			
Stocks	7	263,210	264,972
Debtors and prepayments	8	181,125	186,293
Amounts due from related companies	9	135,513	34,927
Tax recoverable	26	704	1,826
Short term investments	10	-	74,200
Bank balances and cash		19,086	3,052
		599,638	565,270
TOTAL ASSETS		927,950	885,570
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	107,850	107,850
Reserves	12	438,132	403,858
Proposed dividends	13	32,355	32,355
		578,337	544,063
NON CURRENT LIABILITIES			
Deferred tax	14	49,096	56,624
CURRENT LIABILITIES			
Bank overdraft	15	52,220	27,836
Commercial paper	16	58,492	48,062
Creditors and accruals	17	126,580	167,066
Amounts due to related companies	9	63,225	41,919
		300,517	284,883
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		927,950	885,570

The financial statements were approved by the Board of Directors on 15 April 2004 and signed on its behalf by: -

Mhamud Charania) **Chairman**

Patrick Mwati) **Director**

Company Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 KShs'000	2002 KShs'000
SALES	18	1,028,278	980,251
COST OF SALES	19	(632,050)	(613,182)
GROSS PROFIT		396,228	367,069
OTHER INCOME	20	29,837	14,569
		426,065	381,638
EXPENSES: -			
Administration and establishment	21	173,398	178,558
Selling and distribution	22	104,016	68,490
Other charges and expenses	23	51,324	45,222
		328,738	292,270
PROFIT FROM CONTINUING OPERATING ACTIVITIES		97,327	89,368
Net finance costs	24	(8,966)	(9,815)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	25	88,361	79,553
TAXATION	26	(21,732)	(31,397)
NET PROFIT FOR THE YEAR		66,629	48,156
		KShs	**KShs**
Earnings per share	27	3.09	2.23
		KShs'000	**KShs'000**
Dividends:			
Proposed for the year	13	32,355	32,355

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2003

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained profit KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 January 2002	107,850	80,174	152,356	181,475	10,785	532,640
Prior year adjustment (Note 29)	-	-	(19,874)	-	-	(19,874)
Restated balance	107,850	80,174	132,482	181,475	10,785	512,766
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(9,051)	9,051	-	-
Deferred tax on transfer of excess depreciation	-	-	-	3,879	-	3,879
Decrease in revaluation surplus	-	-	(20,896)	-	-	(20,896)
Transfer of revaluation on disposed assets	-	-	(748)	748	-	-
Deferred tax over-release	-	-	10,943	-	-	10,943
Net profit for the year	-	-	-	48,156	-	48,156
Dividends						
- Paid for 2001	-	-	-	-	(10,785)	(10,785)
- Proposed for 2002	-	-	-	(32,355)	32,355	-
At 31 December 2002	107,850	80,174	112,730	210,954	32,355	544,063
At 1 January 2003	107,850	80,174	101,787	210,954	32,355	533,120
Deferred tax over-release (Note 29)	-	-	10,943	-	-	10,943
Restated balance	107,850	80,174	112,730	210,954	32,355	544,063
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(9,051)	9,051	-	-
Net profit for the year	-	-	-	66,629	-	66,629
Dividends						
- Paid for 2002	-	-	-	-	(32,355)	(32,355)
- Proposed for 2003	-	-	-	(32,355)	32,355	-
At 31 December 2003	107,850	80,174	103,679	254,279	32,355	578,337

FOR THE YEAR ENDED 31 DECEMBER 2003

1 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation.

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been 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 wholly owned subsidiaries Twiga Paints Limited and Unibuilt 2003 Limited after elimination of inter-company transactions.

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

c) Revenue recognition

Sales are recognized upon delivery of products and customer acceptance net of rebates, discounts and value added tax.

d) Property, plant, equipment and depreciation

Property, plant and equipment 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	12½%
Motor vehicles	20% and 25%
Computers	20%

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

e) Intangible assets

Intangible assets (goodwill, trade marks, brand names) are capitalized and amortized over their useful lives.

f) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises expenditure incurred in the normal course of business, including direct material costs, labour and production overheads. 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 transaction 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 local statute and are currently limited to KShs 200 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 profits 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.

l) Leases on leasehold land

Leases on leasehold land are classified as operating leases. The costs incurred to acquire the land are included in the financial statements as long-term prepayment and amortised on a straight-line basis over the lease period.

m) Held-to-maturity investments

Held-to-maturity investments are initially recognized at cost, being the fair value of the consideration given. After initial recognition, they are measured at amortised cost. Amortised cost is calculated by taking into account any discount over the period to maturity.

n) Dividends

Dividends are charged to reserves in the year to which they relate. Proposed dividends are disclosed as a separate component of equity until approved.

o) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary at the date of acquisition. Goodwill is amortised on a straight-line basis over its useful economic life up to a presumed maximum of 10 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortisation.

2 PROPERTY, PLANT AND EQUIPMENT

i) GROUP

	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures Fittings and equipment KShs'000	Work-in progress KShs'000	Total KShs'000
Cost or valuation						
At January 2003	155,574	139,320	36,370	56,025	-	387,289
Additions	37,500	82,490	4,825	1,565	1,610	127,990
Disposals	-	-	(1,344)	-	-	(1,344)
At 31 December 2003	193,074	221,810	39,851	57,590	1,610	513,935
Comprising:						
Valuation 1996	102,963	19,880	-	-	-	122,843
Cost	90,111	201,930	39,851	57,590	1,610	391,092
	193,074	221,810	39,851	57,590	1,610	513,935
Depreciation						
At 1 January 2003	18,844	57,946	35,059	45,979	-	157,828
Charge for the year	3,424	14,046	1,087	3,273	-	21,830
Eliminated on disposals	-	-	(1,344)	-	-	(1,344)
At 31 December 2003	22,268	71,992	34,802	49,252	-	178,314
Net Book Value						
At 31 December 2003	170,806	149,818	5,049	8,338	1,610	335,621
At 31 December 2002	136,730	81,374	1,311	10,046	-	229,461

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated items of property, plant and equipment with a cost of KShs 90,094,295 (2002: KShs 58,890,730) which are still in use. If depreciation had been charged during the year on the cost of these assets at a normal rate, it would have amounted to KShs 15,550,316 (2002: KShs 12,107,232).

2 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

ii) COMPANY

	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures Fittings & equipment KShs'000	Work-in progress KShs'000	Total KShs'000
Cost or valuation						
At 1 January 2003	155,574	126,563	34,654	50,550	-	367,341
Additions	-	11,647	1,400	833	1,610	15,490
Disposals	-	-	(1,344)	-	-	(1,344)
At 31 December 2003	155,574	138,210	34,710	51,383	1,610	381,487
Comprising:						
Valuation 1996	102,963	8,283	-	-	-	111,246
Cost	52,611	129,927	34,710	51,383	1,610	270,241
	155,574	138,210	34,710	51,383	1,610	381,487
Depreciation						
At 1 January 2003	18,844	48,378	33,343	40,528	-	141,093
Charge for the year	3,111	10,090	801	3,211	-	17,213
Eliminated on disposals	-	-	(1,344)	-	-	(1,344)
At 31 December 2003	21,955	58,468	32,800	43,739	-	156,962
Net Book Value						
At 31 December 2003	133,619	79,742	1,910	7,644	1,610	224,525
At 31 December 2002	136,730	78,185	1,311	10,022	-	226,248

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated items of property, plant and equipment with a cost of KShs 82,903,105 (2002: KShs 57,174,730) which are still in use. If depreciation had been charged during the year on the cost of these assets at a normal rate, it would have amounted to KShs 14,625,277 (2002: KShs 11,764,032).

2 PROPERTY, PLANT AND EQUIPMENT (Continued)

The assets other than fixtures, fittings and equipment and motor vehicles were revalued on 31 December 1996. The revaluation amounts have been incorporated in these financial statements. The basis of valuation were: -

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

The valuation was undertaken by independent professional valuers, Milligan & Company Limited. The revaluation surplus was credited to capital reserves.
The fixtures, fittings and equipment and motor vehicles are stated at cost.

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 installments 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 PREPAID LEASES ON LEASEHOLD LAND

	GROUP		COMPANY	
LEASEHOLD LAND	**2003**	**2002**	**2003**	**2002**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Cost				
At 1 January and December	13,000	13,000	13,000	13,000
Additions	7,500	-	-	-
	21,500	13,000	13,000	13,000
Amortisation				
At 1 January	1,326	1,061	1,326	1,061
Charge for the year	308	265	265	265
At 31 December	1,634	1,326	1,591	1,326
NET BOOK VALUE	18,866	11,674	11,409	11,674

The prepaid leases on leasehold land consists of three leases as follows:

i) Mogadishu Road factory - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2003 is 43 years.
ii) Likoni Road offices - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2003 is 43 years.
iii) Unibuilt 2003 Limited factory — amortised over the lease period of 72 years.

5 INVESTMENT IN SUBSIDIARIES

Details of investment	Country of incorporation	Activity	Percentage of equity interest	COMPANY 2003 KShs'000	COMPANY 2002 KShs'000
Twiga Paints Limited (1,375,000 ordinary shares of KShs 20 each)	Kenya	Manufacture of paints and decorative products	100%	82,378	82,378
Unibuilt 2003 Limited (10,000 ordinary shares of KShs 1,000 each)	Kenya	Manufacture of tins	100%	10,000	-
				92,378	82,378

6 ROYALTIES

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

7 STOCKS

	GROUP 2003 KShs'000	GROUP 2002 KShs'000	COMPANY 2003 KShs'000	COMPANY 2002 KShs'000
Finished goods	118,069	118,431	97,757	97,732
Raw materials	175,836	167,240	165,453	167,240
Spare parts	3,930	-	-	-
	297,835	285,671	263,210	264,972

8 DEBTORS

	GROUP 2003 KShs'000	GROUP 2002 KShs'000	COMPANY 2003 KShs'000	COMPANY 2002 KShs'000
Trade debtors	199,660	163,116	166,581	143,485
Other debtors	17,147	38,510	5,990	37,176
Prepayments	11,152	5,632	8,554	5,632
	227,959	207,258	181,125	186,293

9 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.

The following transactions were carried out with related party:

	GROUP		COMPANY	
	2003 KShs'000	2002 KShs'000	2003 KShs'000	2002 KShs'000
Services rendered				
Crown Paints & Building Products Limited				
(Management services - Note 23)	51,324	45,222	51,324	45,222
Outstanding balances arising from sale/purchase of goods/services:				
i) Receivable from related parties				
Twiga Paints Limited	-	-	-	7,141
Crown Paints and Building Products Limited	-	27,786	-	27,786
Unibuilt 2003 Limited	-	-	135,513	-
	-	27,786	135,513	34,927
ii) Payables to related parties:				
Crown Paints & Building Products Limited	35,459	-	35,459	-
Twiga Paints Limited	-	-	27,766	41,919
	35,459	-	63,225	41,919

10 SHORT TERM INVESTMENTS

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Commercial paper	-	39,269	-	39,269
Treasury bills	-	34,931	-	34,931
	-	74,200	-	74,200

The average maturity period is three months and the effective interest rate is 10.5%.

11 SHARE CAPITAL

Authorised:				
25,000,000 ordinary shares of KShs.5 each	125,000	125,000	125,000	125,000
Issued and fully paid:				
21,570,000 ordinary shares of KShs.5 each	107,850	107,850	107,850	107,850

12 RESERVES

Share premium	80,174	80,174	80,174	80,174
Revaluation reserve	63,303	72,354	103,679	112,730
Retained profit	310,024	274,162	254,279	210,954
	453,501	426,690	438,132	403,858

13 PROPOSED DIVIDENDS

Final	32,355	32,355	32,355	32,355
	KShs	KShs	KShs	KShs
Dividend per ordinary share	1.50	1.50	1.50	1.50

Dividend per share is calculated on dividends of KShs 32,355,000 (2002: KShs.32,355,000) and on the number of shares in issue at the respective balance sheet date.

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

14 DEFERRED TAX

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
The provision for deferred tax comprises:				
Accelerated tax on depreciation	46,011	20,865	20,500	21,044
Tax losses	(15,417)	-	-	-
Other timing differences	28,596	35,580	28,596	35,580
	59,190	56,445	49,096	56,624

15 BANK OVERDRAFT

The bank overdraft is secured by:

(i) Debenture of KShs. 525 million over the assets of the group supported by supplementary charge over LR 209/5792 and LR209/4275.

(ii) Cross guarantee from Twiga Paints Limited of KShs.100 million.

The weighted average interest rate on the overdraft at year-end was 15.75% (2002: 17.%).

16 COMMERCIAL PAPER

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year	58,492	48,062	58,492	48,062

The effective interest rate on the commercial paper is at Treasury Bills Interest rate plus 1.5%.

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
17 CREDITORS AND ACCRUALS				
Amounts falling due within one year				
Trade creditors	93,086	123,684	92,732	123,022
Other creditors	17,862	13,734	16,335	9,035
Accruals and deferred income	18,308	36,595	17,513	.35,009
	129,256	174,013	126,580	167,066

18 SALES

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Decorative Paints	966,832	954,580	935,066	904,981
Industrial Paints	26,920	25,981	2,874	5,056
V.R. Range	161,096	108,254	90,338	68,403
Tins	1,486	-	-	-
Others	1,251	1,811	-	1,811
	1,157,585	1,090,626	1,028,278	980,251

19 COST OF SALES

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Raw materials	648,863	608,622	565,378	545,501
Salaries and wages	30,284	35,569	28,752	32,589
Depreciation of plant and machinery	15,951	16,174	14,357	14,579
Machinery repairs and maintenance	5,967	6,108	5,967	6,108
Fuel, water and electricity	11,796	9,324	11,740	9,313
Others	17,163	14,678	5,856	5,092
	730,024	690,475	632,050	613,182

20 OTHER INCOME

Gain on disposal of fixed assets	350	865	350	865
Miscellaneous income	15,931	1,411	15,931	1,411
Bad debts recovered	14,340	14,670	13,556	12,293
	30,621	16,946	29,837	14,569

21 ADMINISTRATION AND ESTABLISHMENT EXPENSES

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Staff costs	78,673	70,696	71,368	65,239
Depreciation	5,880	2,752	2,858	2,204
Auditors' remuneration	2,650	2,100	2,000	1,775
Directors' emolument:				
As directors	5,000	4,500	5,000	4,500
As executives	5,863	5,370	5,863	5,370
Legal and professional fees	9,190	6,845	8,728	6,675
Loss on foreign exchange	3,296	5,453	3,296	5,453
Amortisation of leasehold land	308	265	265	265
Registration fees	3,624	-	-	-
Others	70,015	87,203	74,020	87,077
	184,499	185,184	173,398	178,558

22 SELLING AND DISTRIBUTION

Transport	6,238	7,493	6,054	7,349
Advertising and promotion	18,636	13,620	18,587	13,547
Provision for bad debts	47,097	28,621	41,743	25,723
Provision for obsolete stocks	5,791	-	5,791	-
Others	33,083	26,692	31,841	21,871
	110,845	76,426	104,106	68,490

23 OTHER CHARGES AND EXPENSES

Service fees	51,324	45,222	51,324	45,222
Amortisation of intangible assets	6,539	6,539	-	-
	57,863	51,761	51,324	45,222

24 NET FINANCE COSTS

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Bank charges	3,965	3,421	3,706	2,922
Interest on loan	1,502	2,202	1,502	2,202
Others	3,758	4,691	3,758	4,691
	9,225	10,314	8,966	9,815

25 PROFIT BEFORE TAXATION

The profit before taxation is stated after charging: -

Depreciation	21,830	18,925	17,213	16,783
Leasehold land amortisation	308	265	265	265
Directors emoluments:				
Fees	5,000	4,500	5,000	4,500
Executives	5,863	5,370	5,863	5,370
Auditors' remuneration	2,650	2,100	2,000	1,775
Interest payable	5,260	6,893	5,260	6,893
Exchange losses-	3,296	5,453	3,296	5,453
Pension scheme contributions	3,884	2,926	3,482	2,450
And after crediting:				
Interest income	3,423	1,411	3,423	1,411
Gain on disposal of fixed assets	350	865	350	865

26 TAXATION

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
BALANCE SHEET				
Balance brought forward	(2,534)	8,657	(1,826)	7,728
Charge for the year	33,003	32,928	28,424	26,218
Previous years under-provision	836	546	836	546
Payments during the year	(37,025)	(44,665)	(28,138)	(36,318)
	(5,720)	(2,534)	(704)	(1,826)
PROFIT AND LOSS ACCOUNT				
Current tax at 30 % on the taxable profit for the year	33,003	32,928	28,424	26,218
Previous years under- provision	836	546	836	546
Deferred tax	2,745	4,496	(7,528)	4,633
	36,584	37,970	21,732	31,397
Reconciliation of taxation expense to tax based on accounting profit.				
Accounting profit before tax	95,750	93,412	88,361	79,553
Tax applicable rate of 30%	28,725	28,024	26,508	23,866
Tax effects on items not deducted for tax	11,824	8,685	9,462	6,133
Originating and reversing temporary differences	(7,546)	(3,781)	(7,546)	(3,781)
	33,003	32,928	28,424	26,218

27 EARNINGS PER SHARE

a) Basic earnings per share is calculated on the profit after tax and on the average number of ordinary shares in issue during the year.

b) Diluted earnings per share is calculated on the profit after tax and on the average number of ordinary and bonus shares in issue.

c) The basic and diluted earnings per share are the same.

28 CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Bank balances and cash	22,139	7,382	19,086	3,052
Bank overdraft	(52,220)	(27,836)	(52,220)	(27,836)
	(30,081)	(20,454)	(33,134)	(24,784)

29 PRIOR YEAR ADJUSTMENT

Deferred tax liability	*10,943*	-	*10,943*	-
Prepaid leases on leasehold land	-	*(19,874)*	-	*(19,874)*
	10,943-	(19,874)	10,943	(19,874)

i) The adjustment in 2003 relates to the reversal of deffered tax over-released in previous years in respect of plastic machineries disposed off and deffered tax liability over released on leasehold land reclassified following adoption of IAS 17.

ii) The prior year adjustment in 2002 arose from full adoption of IAS 17 on leases resulting in transfer of leasehold land to long-term prepayments from properties and reversal of related revaluation surplus held in reserves.

30 *OTHER FACILITIES GRANTED BY THE BANKERS*

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Letters of credit	11,545	4,052	11,545	4,052
Guarantees given by bankers	2,340	2,790	2,340	2,790
	13,885	6,842	13,885	6,842

31 COMMITMENTS

	GROUP		COMPANY	
	2003	2002	2003	2002
	KShs'000	KShs'000	KShs'000	KShs'000
Capital commitments contracted for at year end	4,082	108,000	4,082	108,000
Capital commitment paid	(1,610)	-	(1,610)	-
Capital commitment not paid	2,472	108,000	2,472	108,000

The capital commitment is in respect of a factory building extension which is in progress. The previous year capital commitment related to a planned purchase of Unibuilt Limited (under receivership).

32 SEGMENT INFORMATION

Business segments

The company's main business is the sale of paints, which accounts for more than 90% of the total income. There is therefore no material distinct business segments to necessitate detailed disclosures.

33 EMPLOYEES

The average number of employees for the group during the year was 187 (2002: 149).

34 CURRENCY RISK

The group operates wholly within Kenya and its assets and liabilities are reported in the local currency. Although some of its transactions are in foreign currency, it held no significant foreign currency exposure as at 31 December 2003.

35 COMPARATIVES

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

36 INCORPORATION

The company is incorporated in Kenya under the Companies Act.

37 CURRENCY

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