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Crown Berger Kenya Ltd

Contents

2. paid Industry and Trade

Corporate Information

Principal Place of Business
Mogadishu Road
P.O. Box 78084 - 00507
Nairobi.

Secretary
Fiona Fox
P.O. Box 41968 - 00100
Nairobi.

Registered Office
LR No. 209/5792
Mogadishu Road
P.O. Box 78084 - 00507
Nairobi.

Registrars
Custody and Registrar Services Ltd
P.O. Box 8484 - 00100
Nairobi.

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

Bankers
Barclays Bank of Kenya Ltd
P.O. Box 18060 - 00100
Nairobi.

Solicitors
Kairu Mbuthia & Partners Advocates
Old Mutual Building
Kimathi Street
P.O. Box 6574 - 00100
Nairobi.

Notice of the Annual General Meeting

Crown-Berger Kenya Limited

Notice is hereby given that the 51st Annual General Meeting of the Company will be held at the Panafric Hotel, Kenyatta Avenue, Nairobi on Monday 16 June 2008 at 11.00 am. to conduct the following business:

1. To read the notice convening the meeting.
2. To table the proxies and confirm the presence of a quorum.
3. To consider and, if approved, adopt the audited Annual Report and Financial Statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.
4. To declare a dividend:

   To declare a final dividend of KShs 1.00 per ordinary share for the financial year ended 31 December 2007, and approve the closure of the Register of Members on Tuesday 17 June 2008 for one day only.
5. To approve the Directors' remuneration.
6. To elect directors:
   i) Mr M Bhatt retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible, offers himself for re-election.
   ii) Mr HHRJ Charania retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible, offers himself for re-election.
7. To authorise the Directors to fix the remuneration of the Auditors, Ernst & Young.

Special Business

8. To consider and, if thought fit, pass the following as a Special Resolution:-

   That Article 117 of the Company's Articles of Association be amended by deleting the words "with the signature of the Secretary only" and substituting thereof the words "with the signature of two Directors".

BY ORDER OF THE BOARD

Fiona C Fox

SECRETARY

Date: 28 April 2008

PO Box 41968 - 00100, Nairobi, (K)

NB: In accordance with section 136 (2) of the Kenyan 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 Registrar, Custody & Registrar Services Limited, PO Box 8484, 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.

Chairman's Statement

I am delighted to report that the results for the year ended 31 December 2007 show continued growth and success in Kenya. The robustness of the Kenyan economy is evident, as we experienced a record third consecutive year of growth within the country. In contrast, political uncertainty has impacted through the reduction in housing starts and a reduction in commercial construction. Measures have been taken to address these potential hazards through a stronger focus on the regional export market and a continued focus on cost control.

The 2007 financial year brought numerous achievements for the Crown Berger Group. Our turnover grew by 24% from Kshs 1.69 billion to Kshs 2.09 billion due to the continued focus on our local and regional markets; the expansion into new sectors and the rationalization of our product range. A focus on cost control and asset utilization has brought with it a corresponding increase in profit before tax of 75% (a growth from Kshs 80 million to Kshs 140 million) and 20% increase in earnings per share from continuing operations (Kshs 3.23 from Kshs 2.69 in 2006). The overall earnings per share increased from Kshs. 3.03 to Kshs. 3.15 after the effect of discontinued operations. The impact of these activities has been an expected reduction in free cash flow due to investments in new equipments and in the Ugandan subsidiary. In addition, other capacity building projects were undertaken to ensure that your company could meet with expected growth in the current and future demand within Kenya and the East African region.

Continued investment and focus into new market segments and quality product lines have been the catalyst for our continued growth through leadership. For example, our investment in a European style and quality paint; namely Smooth Velvet, is expected to have a strong national and regional penetration. In addition, our locally produced paints continue to pass stringent testing by local and international authorities, illustrating our focus on quality.

I am also happy to announce that International ratings agency, Global Credit Rating Company (GCR), has accorded Crown Berger Kenya Limited a first time ratings of A2 and BBB+ in the short and long term respectively. The ratings reflect that the company has a high certainty of meeting its obligations on time as its liquidity factors and company fundamentals are sound. Moreover, the long term rating provides an indication that the company has adequate protection factors considered sufficient for prudent investments.

Changes in local and global markets have had a considerable impact on our sector and it is expected that these factors shall continue to challenge the incumbents and new entrants in the future. Among these challenges are the new low quality and low cost products; an increase in raw material prices and rising energy costs. Whereas we believe that new entrants shall be able to penetrate the low cost market and gain traction, we do not see them having an impact on our market segment. In contrast, raw materials costs and rising energy prices shall contribute to the overall cost of our products and we shall counter these increases through the development of new products that offer the same quality at a lower cost.

It is on these grounds that the Board and the management of Crown Berger developed new strategies to ensure continued profitability of the Crown Berger Group product range.

The Board of Directors recommend a first and final dividend of Kshs 1.00 per share. The total dividend amount to Kshs 23.7 million which represents 31.7% of the company's net after tax profit for the year. Subject to approval by the shareholders at the Annual General Meeting on 16 June 2008, the dividend will be paid on 16 July 2008 to holders of ordinary shares registered on 17 June 2008.

Finally, on behalf of the Board of Directors and myself, I would like to convey our gratitude to the dedicated hard work of our staff for their excellent efforts and support throughout the year. I wish to thank our customers for their support and patronage. I also thank you the Shareholders for your continued support.

Mhamud Charania

28 April 2008

Managing Director's Statement

I am delighted to announce the trading results for the year 2007. Our group turnover has grown by 24% during the year. Kenya's GDP grew by 5.8% and inflation remained fairly stable, which was a major factor in influencing another profitable year. Interest rates remained stable and the Kenya Shilling appreciated against other currencies and thereby providing a partial cushion on the cost of raw materials that have been on the rise over the past few years.
As part of our strategy to remain the No.1 quality brand in East Africa, we have planned our long term strategy to be the strongest regional paint player and to take continuous advantage of our strong and strategic location in the East African region, with Nairobi as the Hub.

2007 Overview

The year 2007 contained various achievements. In Sales and marketing, which is to our success we sought to remain focused on top priority goals.
Various new products that were launched in the year 2006 namely; Thermoline Road Marking Paints, Ruff 'N' Tuff exterior paints and Marine paints contributed significantly to improving our sales performance in 2007. The major launch in decorative paints was the launch of 'Smooth Velvet' for the architectural sector which had a major success in the Kenyan market in the year 2007. The product brought advanced recipes to the Kenyan market; smooth velvet received resounding approval with architects, interior designers, applied by contractors and is suitable for commercial and residential users.
Our marketing strategy of launching new products continuously has been acknowledged by the Marketing Society of Kenya (MSK) who have awarded us the 2nd runners up in the best new product launch category, for Ruff 'N' Tuff brand, following the previous year's award also from MSK for the most improved brand.
We have also completed our ISO 9001 certification for our commercial process, an exercise that sought to improve our distribution and customer service in the market.
Our production team has continuously stretched out to meet the growing demand by the paint market without any major investment.

Financial Achievements

I am also happy to announce that International ratings agency Global Credit Rating Company (GCR) has accorded Crown Berger Kenya Limited a first time ratings of A2 and BBB– (triple B plus) in the short and long term respectively. The ratings reflect that the company has a high certainty of meeting its obligations as its liquidity factors and company fundamentals are sound. Moreover, the long term rating provides an indication that the company has adequate protection factors considered sufficient for prudent investments.
2007 was a year in which your company continued to execute its strategy to focus the business on higher growth, higher margin segments and emerging markets.

In the financial year ended 31 December 2007, the company achieved record production, record sales and record profits. Turnover has grown from Kshs 1.69 billion to Kshs 2.09 billion registering a 24% growth over the last year. Net profit before tax has grown from Kshs 80 million to Kshs 140 million registering a 75% growth over the last year.
The improved performance in the year has translated into an increase in the group's earnings per share to Kshs 3.15 compared to Kshs 3.03 in 2006.
On process innovation, we have successfully implemented the principle of supply chain management which has kept our inventory under tight control thus optimizing on our resource utilization and improving our cash flow.

Information Technology

We wish to report that we are operational on SAP from January 2008. This system includes an enterprise resources planning application that is expected to play a major role in business processes and strengthening of internal controls, as well as supporting the expansion of business opportunities. To improve our services further, a wide area network (WAN), and communications project has commenced to integrate all locations to the online system.

Human Resource

We have implemented an open style of management with a flat structure that enables faster decision making and easy accessibility of the senior leadership team at any given time.
It is our conviction that our staff are the most important assets and to meet the company's objectives of retaining highly competent, motivated and professional staff, we have continued to focus on sharpening their professional skills through continuous performance management, training and self development programmes.

Uganda Operation

Our sales volume in Uganda has continued to improve by registering excellent growth over last year. Hence we commenced production in Kampala after a successful launch of the Regal Brand and established a No.2 brand within two years of operation. The resulting volumes and revenue has now established a breakeven in terms of operational cost for 2007. As exports have now commenced to Rwanda, Burundi, Eastern Congo and Sudan, the future prospects are positive for strong growth and profitability. Additional marketing resources have been made available to the Ugandan management, and they will join hands with Kenya in the introduction of new products.

Corporate Social Responsibility

Our role in the society is very important to us and we continuously seek to meet the highest levels of sound business ethics. Corporate responsibility is embedded in the daily business activities of our employees. We made important progress in social and environmental areas. I take great personal pride in the fact that Crown and its employees helped raise funds for the following major activities carried out in the year.

1) We provide support to Ananda Marga , a mission that feeds HIV affected children at the centre.
2) Selected and provided top students in Kenya National Women Association (KENWA) with school fees, for furthering their secondary education.
3) We extended our support to rejuvenate hockey in the country and sponsor the East African pre-qualifying Olympics tournament. We also sponsored cricket under 13 tournaments to nurture young talent to support the National Cricket team.
4) We planted 500 trees in Langata area in an effort to make Nairobi green and to support environmental programmes in the city.

Environment, Health and Safety

We have carried out flame proof electrification for the whole of the resin plant, to mitigate against fire risks at our plant. During the National Environment Management Authority (NEMA) audit, there were no non conformance observations in our factory as we take environmental issues very seriously. Besides we have a green belt developed around the factory in support of efforts against global warming.

Major challenges for the coming year

The oil prices have reached record levels globally, propelled by long term demand pushes and supply constraints which indicate that oil prices are likely to remain high. Players in the oil market say that prospects of oil prices levelling below 100$ is unlikely in the long term which will make construction materials more and more expensive. The recent increase of construction material cost may contribute to slowing down the pace of the construction sector, which was growing at a fast rate over the last five years and hence may jeopardize growth rate of paint and allied industries.

The industry has become more competitive in terms of advertising and marketing. The company has initiated strategy change that will entail an increase in marketing activities to maintain its position as the premium paint brand in Kenya as well as in the region.

Kenya started 2008 with a political crisis consequently slowing down economic growth. Therefore, to sustain double digit growth will be a major challenge.

Future strategy and outlook

The Crown Management Team will intensify efforts to be more consistent in profitable revenue growth through an accumulation of winning ideas and acceptance of change.

I express my very sincere thanks to employees, and management staff for contributing their best efforts for making significantly improved financial results for 2007. I also would like to take this opportunity to express my appreciation to my fellow directors for their continuous support and encouragement during the year.

Rakesh Rao
28 April 2008

Corporate Governance

1. Introduction

Crown Berger Kenya Ltd is committed to the highest standards of governance by establishing a number of management and social responsibility principles in addition to the standards of Corporate Governance introduced by Capital Market Authority. The Board of Directors governs the company in a way that maximizes shareholder value and is in the best interest of the society.

2. The Board of Directors

The Board comprises of 7 directors, of whom 3 are executives. Mr. Rakesh Rao is the Managing Director, Mr. Patrick Mwati is the Finance Director and Mr. Hussein Charania is an Executive Director. The non-executive directors are considered to be independent of management influence and do not engage in any business or interest that could impair their participation in the management of the company.

All directors are required to submit themselves for re election every three years. The Managing Director's performance is measured continuously. Any impending resignation of directors and the underlying circumstances are disclosed in the annual report.

The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues. The Board meets at least 4 times a year with additional meetings held as and when the need arises.

Whilst the day to day running of the business of the company is delegated to the Managing Director, the Board is responsible for establishing and maintaining the company's system of internal controls so that its objectives for growth in profitability and shareholder value are realized.

All directors receive formal information on their role, duties, responsibilities and obligations as well as Board practices and procedures on first appointment. Subsequently they are kept informed of corporate governance, changing corporate environment, business/commercial risks and other matters that are of interest in the execution of their role.

3. Board Meetings

The Board of Directors meets every quarter to monitor the company's financial performance, plan strategy and review performance. Specific reviews are also undertaken of management performance, operational issues and future planning as and when needed.

4. Board Committees

There are two main committees that meet regularly under the terms of reference set by the Board.

a) Audit Committee

The audit committee which is chaired by a non-executive director and with attendance by invitation of the Managing Director and other key personnel reviews the effectiveness of internal controls and discusses the audit reports.

b) Finance Committee

This committee is also chaired by a non-executive director, meets at least 4 times in a year to review performance against targets, ensure compliance and to issue guidelines where necessary.

The Board appoints other committees as and when required.

5. Communication with shareholders

The company is committed to:

- ensuring that shareholders and financial market are provided with full and timely information about its performance.
- compliance with regulations and obligations contained in the Nairobi Stock Exchange's Listing Rules and the Capital Markets Authority Act.

This is usually done through the distribution of the company's annual report and the release of notices in the national press of its half yearly and annual results.

6. Directors' emoluments and loans

The aggregate amount of emoluments paid to directors for services rendered is disclosed in note 28 to the financial statements. No arrangements exist whereby a director could acquire company's shares on beneficial terms.

There were no directors' loans at any time during the year.

7. Corporate Social Responsibility

Crown Berger Kenya Ltd is committed to the environment and in our policies, a deliberate effort is made to its enhancement. To this end, we have been certified compliant with NEMA's policy for safety, health & environment regulations.

The company is also fully aware of its social responsibility and regularly contributes to public improvement projects, and in particular to sports related activities.

8. List of 10 largest shareholders as at 28 April 2008

Rank	Name(s) and address	No. of shares	%
1	CROWN PAINTS AND BUILDING PRODUCTS LIMITED P.O. BOX 78188, NAIROBI	11,402,855	48.06%
2	BARCLAY HOLDINGS LIMITED 35 BARRACK ROAD P.O. BOX 1777 BELIZE CITY, BELIZE	3,234,000	13.63%
3	PAUL WANDERI NDUNGU P.O. BOX 75528, NAIROBI	1,430,514	6.03%
4	AMIN MOHAMED PREMJI P.O. BOX 42909 - 00100, NAIROBI	475,727	2.01%
5	CHAMPKLAL RAMJI SHAH P.O BOX 83034 - 80100 MOMBASA	273,900	1.15%
6	KANAKSINH KARSANDAS BABLA & SANDIP K BABLA P.O BOX 80631 -80100 MOMBASA	254,100	1.07%
7	MAHENDRA DAHYABHAI PATEL P.O. BOX 178 - 00606, NAIROBI	224,020	0.94%
8	MAHENDRA FULCHLAND GANDHI AND MRS MALVIKA MAHENDRA GANDHI P.O. BOX 90393, MOMBASA	200,939	0.85%
9	MULCHLAND NARSHI SHAH P.O. BOX 39735 00623, NAIROBI	197,917	0.83%
10	JOHN MURIUKI KIBUCHI P.O. BOX 20105 - 00200, NAIROBI	180,680	0.76%
	Total number of shares	**17,874,652**	**75.33%**
	and 2,642 other shareholders	**5,852,348**	**24.67%**
	TOTAL	**23,727,000**	**100.00%**

Analysis by volume

Volume	No. of shareholders	No. of shares	Percentage of shareholding
1 - 500	1,030	198,123	0.84%
501 - 5,000	1,385	1,891,409	7.97%
5,001 - 10,000	135	960,439	4.05%
10,001 - 100,000	89	2,306,981	9.72%
100,001 - 1,000,000	10	2,302,679	9.70%
1,000,001 and above	3	16,067,369	67.72%
TOTALS	**2,652**	**23,727,000**	**100.00%**

Report of the Directors

For the year ended 31 December 2007

The directors submit their report and the audited financial statements for the year ended 31 December 2007, 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.

The operations of Twiga Paints Limited, one of the subsidiaries, were from 1 July 2006 taken over by Crown-Berger Kenya Limited, the parent company. Consequently, Twiga Paints Limited became a dormant company. Unibilt 2003 Limited, a subsidiary of Crown-Berger Kenya Limited, leased its operations to Metal Cans and Closures Kenya Limited with effect from 1 May 2007.

2. Group results

The results for the year are set out on page 15.

3. Company results

The results for the year are set out on page 19.

4. Dividends

Subject to approval by shareholders, the directors recommend the payment of a dividend of Kshs 1.00 (2006: Kshs 1.50) per share amounting to Kshs 23,727,000 (2006: Kshs 35,590,500).

5. Financial statements

At the date of this report, the directors were not aware of any circumstances, which would have rendered the values attributed to assets and liabilities in the financial statements of the group misleading.

6. Reserves

The reserves of the group and the company are set out on page 33, Note 13.

7. Directors

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

M. Charania	Chairman
R.K. Rao	Managing Director
F.G.K. Maina	
M. Bhatt	
P.M. Mwati	(Alternate to M. Bhatt)
H.H.R.J Charania	
F. O. Ogutu	

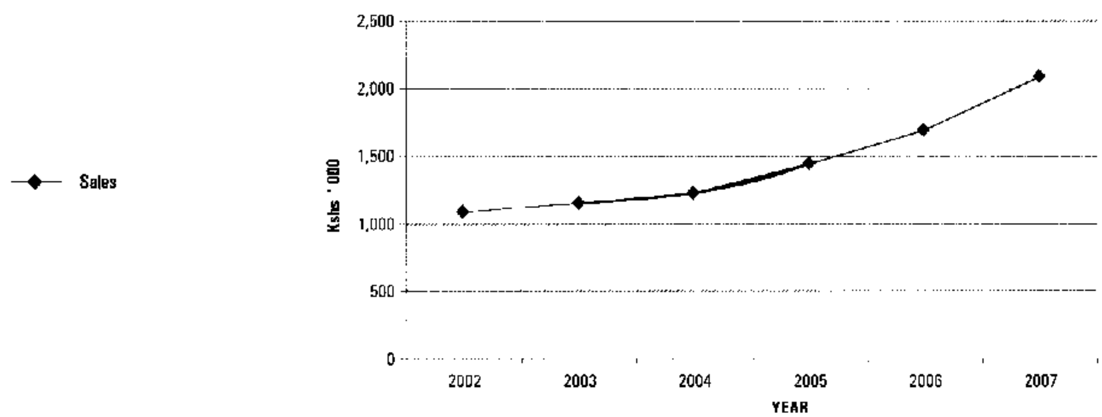
8. Auditors

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

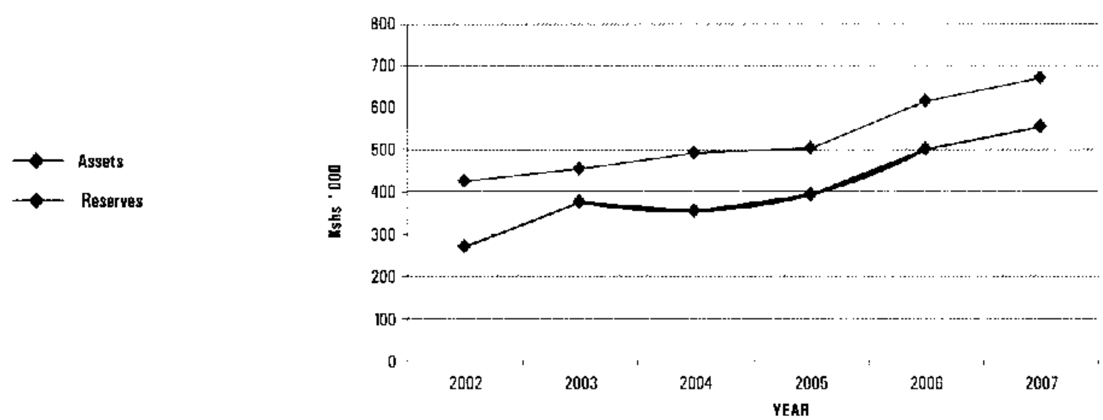
By Order of the Board

Fiona Fox
Secretary
28 April 2008

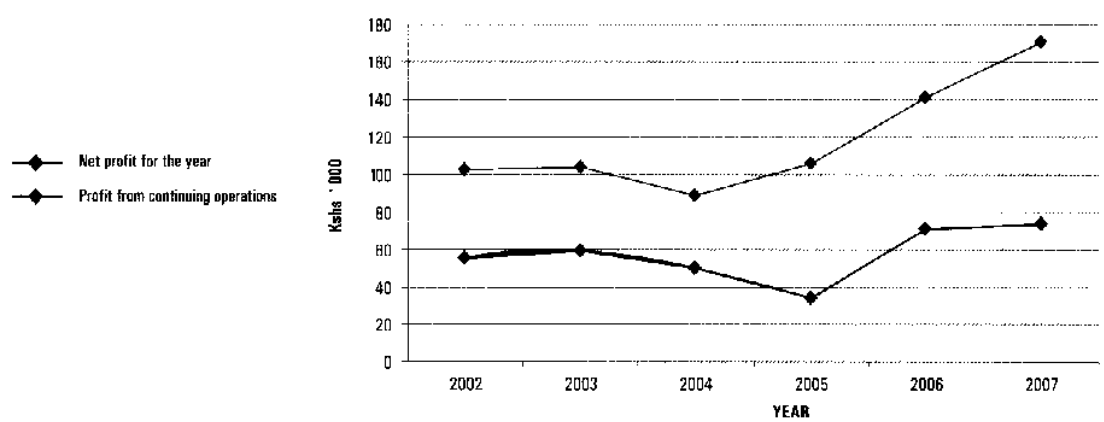
CONSOLIDATED SALES



CONSOLIDATED ASSETS AND RESERVES



CONSOLIDATED NET PROFIT



Statement of Directors' Responsibilities on the Group's Financial Statements

The Kenyan 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 in the manner required by the Kenyan 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 control.

The directors resolved that the operations of Unibilt 2003 Limited be leased out with effect from 1 May 2007. The manufacture of adhesives will be transferred from Crown-Berger Kenya Limited to Unibilt 2003 Limited with effect from 1 May 2008.

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

Rakesh Rao
Director
28 April 2008

Patrick Mwati
Director
28 April 2008

Report of the Independent Auditors

To the Members of Crown-Berger Kenya Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crown-Berger Kenya Limited (the company) and its subsidiaries (together, the group), as set out on pages 14 to 44 which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the company as at 31 December 2007, the income statement and statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of the Independent Auditors (continued)

To the Members of Crown-Berger Kenya Limited

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the group and the company as at 31 December 2007 and of the profit and cash flows of the group and the company for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report On Other Legal Requirements

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and,

iii) The company's balance sheet and income statement are in agreement with the books of account.

Ernst & Young

Ernst & Young

Certified Public Accountants

Nairobi

29 April 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 KShs'000	2006 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	499,596	458,824
Work-in-progress	3	30,592	15,305
Prepaid leases on land	4	10,349	10,614
Goodwill	5	13,497	-
Inter-company loans	10(ii)	-	15,833
		554,034	500,576
CURRENT ASSETS			
Inventories	8	470,771	571,818
Trade and other receivables	9	409,356	409,954
Amounts due from related parties	10(iii)	65,669	29,513
Bank balances and cash		26,080	22,880
		971,876	1,034,165
TOTAL ASSETS		1,525,910	1,534,741
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	118,635	118,635
Reserves	13	671,507	616,727
Proposed dividends	14	23,727	35,591
		813,869	770,953
NON CURRENT LIABILITIES			
Deferred tax	15	102,678	78,978
Loan	17	-	37,500
		102,678	116,478
CURRENT LIABILITIES			
Bank overdraft	16	34,544	7,104
Loan	17	36,225	69,132
Commercial paper	18	139,102	172,932
Amounts due to related parties	10(iii)	240	-
Tax payable	11	190	9,873
Trade and other payables	19	399,062	388,269
		609,363	647,310
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		1,525,910	1,534,741

The financial statements were approved by the Board of Directors on 28 April 2008 and signed on its behalf by:

Rakesh Rao
Director

Patrick Mwati
Director

Consolidated Income Statement

For the Year Ended 31 December 2007

	Note	2007 KShs'000	2006 KShs'000
CONTINUING OPERATIONS			
SALES	20	2,089,988	1,689,630
COST OF SALES	21	(1,339,023)	(1,084,372)
GROSS PROFIT		750,965	605,258
OTHER INCOME	22	47,926	24,981
		798,891	**630,239**
EXPENSES:			
Administration and establishment	23	341,320	265,774
Selling and distribution	24	221,441	163,792
Other charges and expenses	25	64,426	58,843
Deficit on revaluation	26	-	21,371
		627,187	**509,780**
PROFIT FROM CONTINUING OPERATIONS		171,704	120,459
NET FINANCE COSTS	27	(31,411)	(40,109)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION	28	140,293	80,350
TAXATION	11	(63,624)	(16,578)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		76,669	63,772
(LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	29	(1,937)	8,160
PROFIT FOR THE YEAR		**74,732**	**71,932**
Earnings per share		KShs	KShs
Attributable to continuing operations	30	3.23	2.69
Attributable to discontinued operations	30	(0.08)	0.34
		3.15	**3.03**
		KShs'000	KShs'000
Proposed dividends for the year	14	**23,727**	**35,591**

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2007

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained profits KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 January 2006	118,635	80,174	45,201	378,932	23,727	646,669
Revaluation surplus	-	-	103,021	-	-	103,021
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(13,215)	13,215	-	-
Deferred tax			(26,942)			(26,942)
Profit for the year	-	-	-	71,932		71,932
Dividends						
Paid for 2005	-	-	-	-	(23,727)	(23,727)
- Proposed for 2006	-	-	-	(35,591)	35,591	-
At 31 December 2006	**118,635**	**80,174**	**108,065**	**428,488**	**35,591**	**770,953**
At 1 January 2007	*118,635*	*80,174*	*108,065*	*428,488*	*35,591*	*770,953*
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(8,504)	8,504	-	-
Deferred tax		-	3,775	-	-	3,775
Profit for the year	-	-	-	74,732	-	74,732
Dividends						-
- Paid for 2006	-		-	-	(35,591)	(35,591)
- Proposed for 2007	-	-		(23,727)	23,727	-
At 31 December 2007	**118,635**	**80,174**	**103,336**	**487,997**	**23,727**	**813,869**

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007

	2007 KShs'000	2006 KShs'000
OPERATING ACTIVITIES		
Profit before taxation		
Attributable to continuing operations	140,293	80,350
Attributable to discontinued operation (note 29)	(1,937)	12,618
	138,356	**92,968**
Adjustments for:-		
Depreciation	56,301	40,281
Amortisation of prepaid leases on land	265	265
Deficit on revaluation		21,371
Impairment loss on investment	-	1,000
Foreign exchange gain	(21,378)	(929)
Interest expense	22,794	32,299
Gain on disposal of plant and equipment	(576)	(17,308)
Operating profit before working capital changes	195,762	169,947
Trade and other receivables	598	(124,524)
Inventories	101,047	(35,791)
Trade and other payables	7,083	184,820
Related parties	(20,083)	(17,879)
Cash flows generated from operations	284,407	176,573
Income taxes paid	(54,619)	(9,974)
Interest paid	(22,794)	(32,299)
Net cash from operating activities	**206,994**	**134,300**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(100,864)	(80,228)
Work-in progress	(15,287)	(15,305)
Proceeds on sale of plant and equipment	4,367	6,765
Investment in subsidiary	(1,000)	(1,000)
Net cash used in investing activities	**(112,784)**	**(89,768)**
FINANCING ACTIVITIES		
Loan proceeds		107,476
(Payments)/borrowings on commercial paper	(33,830)	30,006
Loan paid	(70,407)	(20,000)
Dividends paid on ordinary shares	(35,591)	(23,727)
Net cash (used in)/from financing activities	(139,828)	93,755
Net (decrease)/increase in cash and cash equivalents	(45,618)	138,287
Cash and cash equivalents at the beginning of the year	15,776	(123,440)
Effect of exchange rate changes	21,378	929
Cash and cash equivalents at the end of the year (note 31)	**(8,464)**	**15,776**

Company Balance Sheet

For The Year Ended 31 December 2007

ASSETS	Note	2007 KShs'000	2006 KShs'000
NON CURRENT ASSETS			
Property, plant and equipment	2	457,362	426,340
Work-in-progress	3	30,592	15,305
Prepaid leases on land	4	10,349	10,614
Investment in subsidiary companies	6	94,378	92,378
Deposit for shares	7	80,000	-
Inter-company loans	10(ii)	-	15,833
		672,681	**560,470**
CURRENT ASSETS			
Inventories	8	435,896	508,509
Trade and other receivables	9	348,528	289,029
Amounts due from related parties	10(iii)	184,320	187,298
Tax recoverable	11	242	-
Bank balances and cash		17,366	22,271
		986,352	**1,007,107**
TOTAL ASSETS		**1,659,033**	**1,567,577**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	118,635	118,635
Reserves	13	680,651	576,938
Proposed dividends	14	23,727	35,591
		823,013	***731,164***
NON CURRENT LIABILITES			
Deferred tax	15	**102,678**	**87,765**
CURRENT LIABILITIES			
Bank overdraft	16	34,544	6,505
Loan	17	36,225	56,632
Commercial paper	18	139,102	172,932
Trade and other payables	19	386,252	367,410
Amounts due to related parties	10(iii)	137,219	136,777
Tax payable	11	-	8,392
		733,342	**748,648**
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**1,659,033**	**1,567,577**

The financial statements were approved by the Board of Directors on 28 April 2008 and signed on its behalf by:

Rakesh Rao
Director

Patrick Mwati
Director

Company Income Statement

For the Year Ended 31 December 2007

	Note	2007 KShs'000	2006 KShs'000
SALES	20	2,011,490	1,630,086
COST OF SALES	21	(1,259,561)	(1,051,445)
GROSS PROFIT		751,929	578,641
OTHER INCOME	22	57,514	33,033
		809,443	**611,674**
EXPENSES: -			
Administration and establishment	23	309,152	240,456
Selling and distribution	24	221,441	163,792
Other expenses	25	64,426	58,843
		595,019	**463,091**
PROFIT FROM CONTINUING OPERATIONS		214,424	148,583
NET FINANCE COSTS	27	(27,135)	(39,783)
PROFIT BEFORE TAXATION	28	187,289	108,800
TAXATION	11	(63,624)	(40,196)
PROFIT FOR THE YEAR		**123,665**	**68,604**
		KShs	**KShs**
Earnings per share	**30**	**5.21**	**2.89**
Dividends:		**KShs'000**	**KShs'000**
Proposed for the year	**14**	**23,727**	**35,591**

Company Statement of Changes in Equity

For The Year Ended 31 December 2007

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained profits KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 January 2006	118,635	80,174	85,577	302,095	23,727	610,208
Revaluation surplus	-	-	103,021	-	-	103,021
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(13,215)	13,215		
Deferred tax	-	-	(26,942)	-	-	(26,942)
Profit for the year	-	-	-	68,604	-	68,604
Dividends						
- Paid for 2005					(23,727)	(23,727)
- Proposed for 2006	-	-	-	(35,591)	35,591	
At 31 December 2006	**118,635**	**80,174**	**148,441**	**348,323**	**35,591**	**731,164**
At 1 January 2007	118,635	80,174	148,441	348,323	35,591	731,164
Transfer of excess depreciation on revaluation net of related deferred tax	-	-	(8,504)	8,504	-	-
Deferred tax	-	-	3,775	-	-	3,775
Profit for the year	-	-	-	123,665	-	123,665
Dividends						
- Paid for 2006					(35,591)	(35,591)
- Proposed for 2007	-	-	-	(23,727)	23,727	-
At 31 December 2007	**118,635**	**80,174**	**143,712**	**456,765**	**23,727**	**823,013**

Notes to the Financial Statements

For the Year Ended 31 December 2007

1. Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year except as stated in paragraph (a) below:

a) Adoption of new and revised International Financial Reporting Standards (IFRS)

In 2007, new and revised standards and interpretations became effective for the first time and have been adopted by the group where relevant to its operations. This only resulted in changes in presentation and disclosures as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where necessary.

IAS 1 Presentation of Financial Statements

This amendment requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are shown in note 34.

The following amendment to an existing standard and new standard and interpretations will be mandatory for the group's accounting periods beginning on or after 1 January 2008, but which the group has not early adopted:

IFRIC 11 – Group and Treasury Share Transactions – from 1 March 2007
IFRIC 12 – Service Concession Arrangements – from 1 January 2008
IFRS 8 – Operating segments – from 1 January 2009
IAS 23 – Borrowing costs (revised) – from 1 January 2009.

b) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings rounded to the nearest thousand (KShs' 000).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires directors to exercise judgment in the process of applying the group's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from those estimates. Accounting policies 1(d) and 1(e) below on 'critical accounting estimates and assumptions' and 'critical accounting judgements' highlight the areas that involve a higher level of judgement, or where the estimates or assumptions used are significant to the financial statements.

c) 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, Unibilt 2003 Limited and Crown Buildings and Products Limited (Uganda) after elimination of inter-company transactions. Investments in subsidiary companies are carried out at cost. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

1. Significant Accounting Policies (continued)

d) Critical accounting estimates and assumptions

In the process of applying the group's accounting policies, directors make certain estimates and assumptions about future events. In practice, the estimated and assumed results would differ from the actual results. Such estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Property and equipment

Directors make estimates in determining the depreciation rates for property and equipment. The rates used are set out in the accounting policy for property and equipment.

These estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the prevailing circumstances.

Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

e) Critical accounting judgements

In the process of applying the group's accounting policies, directors make certain judgements, that are continuously assessed based on prior experience and other determinants, including expectations of future events that, under the circumstances are deemed to be reasonable as described below:

Provisions for obsolete inventories

Directors review the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, directors make judgement as to whether the inventory item can be used as an input in production or is in saleable condition.

Provisions for doubtful debts

The group reviews its debtors' portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable.

f) Revenue recognition.

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

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

All other income earned by the group is recognized as it accrues.

g) Taxation

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

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

1. Significant Accounting Policies (continued)

h) Property, plant. equipment and depreciation

Property, plant and equipment are stated at cost or at professionally revalued amounts less accumulated depreciation and any accumulated impairment.

Property, plant and equipment are revalued at periodic intervals, usually after every ten years.

Increases in the carrying amount arising on revaluations are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the income statement.

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 and fittings	12½%
Motor vehicles	20% and 25%
Computers and equipment	20%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

The carrying values of the property, plant and equipment are assessed annually and adjusted for impairment where it is considered necessary.

i) Intangible assets

Intangible assets (goodwill, trade marks, and brand names) are capitalized and amortized over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

j) Inventories

Inventories 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 inventory 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 inventories.

k) Leases on land

Leases on 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 remaining lease period.

l) 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 income statement.

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

1. Significant Accounting Policies (continued)

m) Employees benefits

Defined benefit pension scheme

The group operates a defined benefits post employment pension scheme for eligible non-unionisable employees. The scheme is funded by contributions from the employees and the group. The assets of the scheme are held and administered independently of the group's assets. The group's contributions to the scheme are charged to the income statement so as to spread the cost over the service lives of employees. The defined benefit obligation is calculated every three years by independent actuaries using the projected credit unit method. Past service costs are recognized immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortized on a straight line basis over the vesting period.

Defined contribution provident fund

The group 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.

Crown Buildings & Products Limited (Uganda) contributes 10% of the employees' gross salary to the National Social Security Fund (NSSF) as defined by the National Social Security Act.

The group's contributions to the above schemes are charged to the income statement in the year to which they relate.

Employees' entitlements

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

n) Financial instruments

Financial assets and liabilities are recognized in the group's balance sheet when the group becomes a party to contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An estimate is made of doubtful receivables based on review of all outstanding amounts at year end. Bad debts are written off after all efforts of recovery have been exhausted.

Trade payables

Trade payables are stated at their nominal value.

Borrowings

Interest bearing loans, overdrafts and commercial papers are recorded at the proceeds received, net of direct costs. Finance charges, including premium payable on settlement or redemption, are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

o) 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.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

1. Significant Accounting Policies (continued)

p) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the group's share of the net assets of the acquired business or associated undertaking at the date of acquisition.

Goodwill is tested annually for impairment as well as when there are indications of impairment.

q) Related parties

In the normal course of business, the group has entered into transactions with related parties. The related party transactions are at commercial terms.

r) Provisions

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

s) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

t) Impairment of assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement.

u) Cash and cash equivalent

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition net of outstanding bank overdrafts.

v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other segments.

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

2. Property, Plant and Equipment

(i-a) Group – Year ended 31 December 2007

	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures, fittings and equipment KShs'000	Total KShs'000
Cost or valuation					
At January 2007	247,096	274,064	55,202	134,318	710,680
Additions	10,631	19,093	14,625	56,515	100,864
Disposals	-	-	(11,345)	-	(11,345)
At 31 December 2007	**257,727**	**293,157**	**58,482**	**190,833**	**800,199**
Comprising:					
Valuation	124,845	42,146	-	-	166,991
Cost	132,882	251,011	58,482	190,833	633,208
	257,727	**293,157**	**58,482**	**190,833**	**800,199**
Depreciation					
At 1 January 2007	34,515	114,757	34,867	67,717	251,856
Charge for the year	5,057	18,058	8,885	24,301	56,301
Eliminated on disposals	-	-	(7,554)	-	(7,554)
At 31 December 2007	**39,572**	**132,815**	**36,198**	**92,018**	**300,603**
Net Book Value					
At 31 December 2007	**218,155**	**160,342**	**22,284**	**98,815**	**499,596**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

2. Property, Plant and Equipment (continued)

(i-b) Group – Year ended 31 December 2006

	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures, fittings and equipment KShs'000	Total KShs'000
Cost or valuation					
At 1 January 2006	196,297	223,582	51,135	98,044	569,058
Revaluation surplus	59,382	22,267	-	-	81,649
Additions	7,194	28,215	8,533	36,286	80,228
Reclassifications	21,723	-	-	-	21,723
Disposals	(37,500)	-	(4,466)	(12)	(41,978)
At 31 December 2006	**247,096**	**274,064**	**55,202**	**134,318**	**710,680**
Comprising:					
Valuation	124,845	42,146	-	-	166,991
Cost	122,251	231,918	55,202	134,318	543,689
	247,096	**274,064**	**55,202**	**134,318**	**710,680**
Depreciation					
At 1 January 2006	31,583	98,254	29,883	55,849	215,569
Charge for the year	4,745	16,503	7,153	11,880	40,281
Eliminated on disposals	(1,813)	-	(2,169)	(12)	(3,994)
At 31 December 2006	**34,515**	**114,757**	**34,867**	**67,717**	**251,856**
Net Book Value					
At 31 December 2006	**212,581**	**159,307**	**20,335**	**66,601**	**458,824**

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 128,954,627(2006: KShs 127,793,038) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 17,535,185 (2006: KShs 16,506,242).

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

2. Property, Plant and Equipment (continued)

(ii-a) Company Year ended 31 December 2007

	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures, fittings and equipment KShs'000	Total KShs'000
Cost or valuation					
At 1 January 2007	247,094	217,909	49,577	127,896	642,476
Additions	10,631	8,722	11,739	53,491	84,583
Disposals	-		(10,845)	-	(10,845)
At 31 December 2007	**257,725**	**226,631**	**50,471**	**181,387**	**716,214**
Comprising:					
Valuation	162,344	51,921	-		214,265
Cost	95,381	174,710	50,471	181,387	501,949
	257,725	**226,631**	**50,471**	**181,387**	**716,214**
Depreciation					
At 1 January 2007	32,923	90,321	30,996	61,896	216,136
Charge for the year	5,057	14,333	7,106	23,682	50,178
Eliminated on disposals	-	-	(7,462)	-	(7,462)
At 31 December 2007	**37,980**	**104,654**	**30,640**	**85,578**	**258,852**
Net Book Value					
At 31 December 2007	**219,745**	**121,977**	**19,831**	**95,809**	**457,362**

(ii-b) Company – Year ended 31 December 2006

	Leasehold buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures, fittings and equipment KShs'000	Total KShs'000
Cost or valuation					
At 1 January 2006	158,796	155,729	46,280	91,736	452,541
Revaluation surplus	59,382	43,639	-	-	103,021
Additions	7,193	18,541	7,762	36,172	69,668
Reclassifications	21,723	-	-	-	21,723
Disposals		-	(4,465)	(12)	(4,477)
At 31 December 2006	**247,094**	**217,909**	**49,577**	**127,896**	**642,476**
Comprising:					
Valuation	162,344	51,921	-	-	214,265
Cost	84,750	165,988	49,577	127,896	428,211
	247,094	**217,909**	**49,577**	**127,896**	**642,476**
Depreciation					
At 1 January 2006	28,178	76,972	26,798	50,139	182,087
Charge for the year	4,745	13,349	6,367	11,769	36,230
Eliminated on disposals	-	-	(2,169)	(12)	(2,181)
At 31 December 2006	**32,923**	**90,321**	**30,996**	**61,896**	**216,136**
Net Book Value					
At 31 December 2006	**214,171**	**127,588**	**18,581**	**66,000**	**426,340**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

2. Property, Plant and Equipment (continued)

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 123,479,627 (2006: KShs 108,130,148) which are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates, it would have amounted to KShs 16,850,787 (2006: KShs 15,089,867).

The assets other than fixtures, fittings and equipment and motor vehicles were revalued on 31 March 2006. The revaluation amounts have been incorporated in these financial statements.

The basis of valuation was:

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

The valuation was undertaken by independent professional valuers, Kiragu & Mwangi Limited. The revaluation surplus was credited to capital reserves while the revaluation deficit has been charged to the income statement as an exceptional item.

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

3.Work-in-Progress

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Cost				
At 1 January	15,305	21,723	15,305	21,723
Additions	15,287	15,305	15,287	15,305
Transfer to property, plant and equipment	-	(21,723)	-	(21,723)
At 31 December	**30,592**	**15,305**	**30,592**	**15,305**

This relates to total costs incurred in implementing the new SAP software.

4. Prepaid Leases on Land

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Cost				
At 1 January and December	13,000	20,500	13,000	13,000
Disposal	-	(7,500)		-
At 31 December	**13,000**	**13,000**	**13,000**	**13,000**
Amortisation				
At 1 January	2,386	2,372	2,386	2,121
Charge for the year	265	265	265	265
Release on disposal	-	(251)	-	-
At 31 December	**2,651**	**2,386**	**2,651**	**2,386**
Net book value	**10,349**	**10,614**	**10,349**	**10,614**

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

4. Prepaid Leases on Land (continued)

The prepaid leases on land consist 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 2007 is 39 years.
ii) Likoni Road offices - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2007 is 39 years.
iii) Unibilt 2003 Limited factory - amortised over the lease period of 72 years. The unexpired lease period as at 31 December 2007 is 67 years.

5. Goodwill

The goodwill was recognized on full acquisition of Crown Buildings and Products Limited (Uganda).

6. Investment in Subsidiaries

			COMPANY	
Details of investment	**Country of incorporation**	**Activity**	**2007 KShs'000**	**2006 KShs'000**
Twiga Paints Limited (1,375,000 ordinary shares of KShs 20 each)	Kenya	Selling of auto paints and decorative products	82,378	82,378
Unibilt 2003 Limited (10,000 ordinary shares of KShs 1,000 each)	Kenya	Manufacture of tins	10,000	10,000
Crown Buildings and Products Limited (Uganda) (5,000 ordinary shares of KShs 400 each)	Uganda	Selling of auto paints and decorative products	1,000	1,000
			93,378	93,378
Reversal of impairment / (impairment)			1,000	(1,000)
			94,378	**92,378**

Crown Berger Kenya Limited owns 100% of Twiga Paints Limited, Unibilt 2003 Limited and Crown Buildings and Products Limited (Uganda). On 19 July 2007, Crown Berger Kenya Limited acquired an additional 50% of Crown Buildings and Products Limited (Uganda) making it a wholly owned subsidiary.

7. Deposit for Shares

This relates to deposit made in Crown Buildings and Products Limited (Uganda) pending allotment of shares.

8. Inventories

	GROUP		COMPANY	
	2007 KShs'000	**2006 KShs'000**	**2007 KShs'000**	**2006 KShs'000**
Finished goods	234,108	225,042	202,233	221,969
Raw materials	145,527	263,194	142,527	286,540
Goods in transit	91,136	79,525	91,136	-
Others	-	4,057	-	-
	470,771	**571,818**	**435,896**	**508,509**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

9. Trade and Other Receivables

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	372,948	310,599	326,558	260,264
Other receivables	32,709	82,774	18,471	12,184
Prepayments	3,699	16,581	3,499	16,581
	409,356	**409,954**	**348,528**	**289,029**
Ageing analysis				
Less than 30 days	137,692	126,861	95,325	123,095
31 to 60 days	100,617	87,759	99,896	81,621
61 days to 90 days	44,498	35,418	44,498	29,197
Over 90 days	151,793	157,714	133,898	111,941
	434,600	407,752	373,617	345,854
Impaired	(61,652)	(97,153)	(47,059)	(85,590)
Due but not impaired	**372,948**	**310,599**	**326,558**	**260,264**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

10. Related Parties and Related Party Transactions

The company is controlled by Crown Paints and Building Products Limited (incorporated in Kenya) which owns 62% of the company's shares. The remaining 38% of the shares are widely held. The ultimate parent company of the group is Barclay Holding Limited incorporated in Belize Off-Shore Centre. Twiga Paints Limited, Unibilt 2003 Limited and Crown Buildings and Products Limited (Uganda) are wholly owned subsidiaries of the company.

The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
(i) Sale/purchase of goods/services rendered:				
Twiga Paints Limited	-	-		29,706
Unibilt 2003 Limited	-	-	36,437	104,896
Crown Buildings and Products Limited (Uganda)	-	-	19,547	-
Services rendered				
Crown Paints and Building Products Limited (Management services- note 25)	64,426	58,843	64,426	58,843
(ii) Loan to related company				
Crown Buildings and Products Limited (Uganda)	-	15,833	-	15,833

(iii) Outstanding balances arising from sale/purchase of goods/services:

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Receivables from related parties:				
Crown Paints and Building Products Limited	65,669	5,075	65,669	5,075
Crown Building and Products Limited (Uganda)		24,438	22,359	24,438
Unibilt 2003 Limited	-	-	96,292	157,785
	65,669	**29,513**	**184,320**	**187,298**
Payables to related parties:				
Crown Paints and Building Products Limited	240	-	-	-
Twiga Paints Limited	-	-	137,219	136,777
	240	**-**	**137,219**	**136,777**
(iv) Key management personnel compensation				
Remuneration	23,043	22,884	21,707	17,708
Retirement benefits	2,630	2,324	2,452	2,179
	25,673	**25,208**	**24,159**	**19,887**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

11. Taxation

	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
BALANCE SHEET				
Balance brought forward	9,873	(21,093)	8,392	(22,011)
Charge for the year	38,548	40,940	38,548	36,482
Under-provision in previous year	6,388	-	6,388	-
Payments during the year	(54,619)	(9,974)	(53,570)	(6,079)
Tax payable / (recoverable)	**190**	**9,873**	**(242)**	**8,392**
INCOME STATEMENT				
Current tax at 30 % on the taxable profit for the year	38,548	36,481	38,548	36,481
Under-provision in previous year	6,388	-	6,388	-
Deferred tax	18,688	(19,903)	18,688	3,715
	63,624	**16,578**	**63,624**	**40,196**

Reconciliation of taxation expense to tax based on accounting profit.

	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
Accounting profit before tax	140,293	80,350	187,289	109,800
Tax at applicable rate of 30%	42,088	24,105	56,187	32,939
Tax effects on items not deducted for tax	(4,494)	2,757	(16,136)	2,458
Originating and reversing temporary differences	7,342	9,619	4,885	1,084
	44,936	**36,481**	**44,936**	**36,481**

12. Share Capital

	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
Authorised:				
25,000,000 ordinary shares of KShs.5 each	125,000	125,000	125,000	125,000
Issued and fully paid:				
23,727,000 (2006: 23,727,000) ordinary shares of KShs.5 each	118,635	118,635	118,635	118,635

13. Reserves

	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
Share premium	80,174	80,174	80,174	80,174
Revaluation reserve	103,336	108,065	143,712	148,441
Retained profits	487,997	428,488	456,765	348,323
	671,507	**616,727**	**680,651**	**576,938**

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

14. Proposed Dividends

	GROUP		COMPANY	
	2007 KShs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
Final	23,727	35,591	23,727	35,591
Dividend per ordinary share	KShs 1.00	KShs 1.50	KShs 1.00	KShs 1.50

Dividend per share is calculated on dividends of KShs 23,727,000 (2006: 35,590,500) and on the number of shares in issue at the respective balance sheet dates. Payment of the dividends is subject to withholding tax at the rate of 5% for residents and 10% for non residents.

15. Deferred Tax

	GROUP		COMPANY	
	2007 KShs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
The provision for deferred tax comprises:				
Accelerated tax on depreciation	53,047	49,058	53,047	43,388
Tax losses	-	(14,457)	-	-
Other timing differences	48,841	52,296	48,841	52,296
General provision	790	(7,919)	790	(7,919)
	102,678	**78,978**	**102,678**	**87,765**

16. Bank Overdraft

The bank overdraft facility from Barclays Bank Kenya Limited is to the extent of KShs. 100 million and is secured by debenture of KShs. 525 million over the assets of the group supported by a supplementary charge over LR 209/5792 and LR 209/4275.
The weighted average interest rate on the overdraft at year-end was 16.25% (2006: 16.5%).

17. Loan

	GROUP		COMPANY	
	2007 KShs'000	2006 KShs'000	2007 KShs'000	2006 KShs'000
Amounts falling due within one year	36,225	69,132	36,225	56,632
Amounts falling due after one year	-	37,500	-	-
	36,225	**106,632**	**36,225**	**56,632**

The loan facility from Barclays Bank Kenya Limited is secured by debenture of KShs. 525 million over the assets of the group supported by a supplementary charge over LR 209/5792 and LR 209/4275.
The weighted average interest rate on the loan at year-end was 7.35% (2006: 9.93%)

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

18. Commercial Paper

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year	139,102	172,932	139,102	172,932

The interest rate on the commercial paper is at treasury bills interest rate plus 1.5%.

19. Trade and Other Payables

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year				
Trade payables	347,074	357,940	337,813	341,555
Other payables	18,772	13,080	16,458	9,722
Accruals	33,216	17,249	31,981	16,133
	399,062	**388,269**	**386,252**	**367,410**

20. Sales

Decorative paints	1,724,740	1,468,538	1,713,619	1,494,817
Industrial paints	41,975	17,827	41,975	17,827
V.R. range	255,896	117,442	255,896	117,442
Tins	62,031	76,303	-	-
Others	5,346	9,520	-	-
	2,089,988	**1,689,630**	**2,011,490**	**1,630,086**

21. Cost of Sales

Raw materials	1,192,778	943,027	1,132,289	947,114
Salaries and wages	52,730	58,982	41,523	39,101
Depreciation on plant and machinery	38,313	27,825	35,396	24,560
Machinery repairs and maintenance	14,491	13,409	12,768	7,061
Fuel, water and electricity	35,590	34,897	32,464	27,443
Others	5,121	6,232	5,121	6,166
	1,339,023	**1,084,372**	**1,259,561**	**1,051,445**

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

22. Other Income

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Gain on disposal of plant and equipment	576	14,205	534	641
Interest income	-	-	10,953	20,097
Miscellaneous income	5,603	1,394	3,865	3,842
Foreign exchange gain	21,378	929	20,793	-
Operating lease income	4,740	-	4,740	-
Reversal of impairment loss on investment	-		1,000	-
Bad debts recovered	15,629	8,453	15,629	8,453
	47,926	**24,981**	**57,514**	**33,033**

23. Administration and Establishment Expenses

Staff costs	166,587	118,650	164,102	115,896
Depreciation	17,718	12,456	14,763	11,405
Auditors' remuneration	3,885	3,500	3,200	2,600
Directors' emoluments:				
As directors	6,152	5,500	6,152	5,500
As executives	12,355	13,353	12,355	13,353
Legal and professional fees	12,696	19,911	11,295	11,164
Amortisation of prepaid leases on land	265	265	265	265
Insurance	14,602	19,117	14,042	16,355
Foreign exchange loss	-		-	2,610
Office expenses	26,228	22,857	28,498	22,287
Consultancy fees	18,314	9,989	18,314	9,989
Impairment loss on investment	-	1,000		1,000
Computer costs	10,706	4,573	10,706	4,573
Trade licences	11,866	13,641	11,866	13,641
Maintenance, subscriptions and donations	13,366	7,889	13,366	7,889
Others	26,580	13,073	228	1,929
	341,320	**265,774**	**309,152**	**240,456**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

24. Selling and Distribution

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Transport	20,821	14,911	20,821	14,911
Advertising and promotion	101,123	54,152	101,123	54,152
Provision for bad debts	39,454	40,139	39,454	40,139
Provision for obsolete stocks	-	13,236	-	13,236
Depot expenses	35,219	25,360	35,219	25,360
Others	24,824	15,994	24,824	15,994
	221,441	**163,792**	**221,441**	**163,792**

25. Other Charges and Expenses

Service fees	**64,426**	**58,843**	**64,426**	**58,843**

26. Deficit on Revaluation

Deficit on revaluation	-	**21,371**	-	-

The deficit arose from the revaluation of plant and machinery in Unibilt 2003 limited, a wholly owned subsidiary.

27. Net Finance Costs

Bank charges	8,617	7,810	8,297	7,508
Interest on loan and overdraft	9,345	15,534	5,389	15,534
Others	13,449	16,765	13,449	16,741
	31,411	**40,109**	**27,135**	**39,783**

28. Profit Before Taxation

The profit before taxation is stated after charging:

Depreciation	56,301	40,281	50,178	36,230
Amortisation of prepaid leases on land	265	265	265	265
Directors emoluments:				
As directors	6,152	5,500	6,152	5,500
As executives	12,355	13,353	12,355	13,353
Auditors' remuneration	3,885	3,500	3,200	2,600
Interest payable	22,794	32,299	18,838	32,275
Foreign exchange losses	-	-	-	2,610
Pension scheme contributions	2,805	2,970	2,805	2,706

And after crediting: -

Interest income	-	-	10,953	20,097
Foreign exchange gain	21,378	929	20,793	-
Gain on disposal of property, plant and equipment	576	14,205	534	641

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

29. Discontinued Operations

On 1 July 2006, the operations of Twiga Paints Limited, a wholly owned subsidiary, were transferred to Crown-Berger Kenya Limited, the parent company. Consequently, the subsidiary became a dormant company. The company was manufacturing and selling paints and ancillary products for decorative, vehicle refinish and industrial market. The paints were manufactured under license from Imperial Chemical Industries PLC, UK until 31 December 2005.

a) The results of Twiga Paints Limited for the year are presented below.

	2007 KShs'000	2006 KShs'000
TURNOVER	-	68,796
COST OF SALES	-	(48,576)
Gross profit	-	20,220
OTHER INCOME	314	5,152
Total income	314	25,372
EXPENSES		
Administrative and establishment	2,233	7,142
Selling and distribution	-	4,901
Finance costs	18	711
	2,251	12,754
(Loss)/profit from discontinued operations before taxation	(1,937)	12,618
Taxation		(4,458)
(Loss)/profit from discontinued operations after taxation	**(1,937)**	**8,160**

b) The assets and liabilities of Twiga Paints Limited as at 31 December 2007 are as follows:

	2007 KShs'000	2006 KShs'000
ASSETS		
CURRENT ASSETS		
Receivables and prepayments	2,091	5,464
Due from related company	137,560	136,777
Cash and bank balances	14	17
	139,665	**142,256**
CURRENT LIABILITIES		
Tax payable	(1,481)	(1,481)
Payables	(768)	(1,665)
	(2,249)	(3,146)
Net assets directly associated with discontinued operation	**137,416**	**139,112**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

29. Discontinued Operations (continued)

c) Net cash from Twiga Paints Limited are as follows:

CASH FLOWS FROM OPERATING ACTIVITIES	2007 KShs'000	2006 KShs'000
(Loss)/profit before taxation	(1,937)	12,618
Adjustments for: -		
Gain on disposal of property, plant and equipment		(3,103)
Operating (loss)/profit before working capital changes	(1,937)	9,515
Increase in amounts due from parent company	(783)	(67,741)
Decrease in trade and other debtors	3,374	29,440
Decrease in stocks	-	28,358
Decrease in trade creditors and accruals	(657)	(1,898)
Cash flows used in operations	(3)	(2,326)
Income taxes paid	-	(3,896)
Net cash flows used in operating activities	(3)	(6,222)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	3,103
Net cash flows from investing activities		3,103
Net decrease in cash and cash equivalents	(3)	(3,119)
Cash and cash equivalents at the beginning of the year	17	3,136
Cash and cash equivalents at the end of the year	**14**	**17**

d) Earnings/(loss) per share

Basic and diluted, from discontinued operation	**(1.41)**	**5.93**

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

30. Earnings Per Share	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
Net profit attributable to ordinary shareholders	74,732	71,932	123,665	68,604
Weighted average number of ordinary shares in '000'	23,727	23,727	23,727	23,727

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

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

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

31. Cash and Cash Equivalents

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

	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
Bank balances and cash	26,080	22,880	17,366	22,271
Bank overdraft	(34,544)	(7,104)	(34,544)	(6,505)
	(8,464)	**15,776**	**(17,178)**	**15,766**

32. Other Facilities Granted by the Bankers

	GROUP 2007	GROUP 2006	COMPANY 2007	COMPANY 2006
Letters of credit	54,652	44,317	54,652	44,317
Guarantees given by bankers	3,228	2,871	3,228	2,871
	57,880	**47,188**	**57,880**	**47,188**

33. Operating Lease Commitments

As lessee:

The total future minimum lease payments due to third parties under non-cancellable operating leases are as follows:

	GROUP 2007 KShs'000	GROUP 2006 KShs'000	COMPANY 2007 KShs'000	COMPANY 2006 KShs'000
Within 1 year	124	124	124	124
Within 5 years	620	620	620	620
More than 5 years	4,216	4,340	4,216	4,340
	4,960	**5,084**	**4,960**	**5,084**

Lease commitments relate to lease rentals for L.R No. 209/5792 and L.R No. 209/4275.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

33. Operating Lease Commitments (continued)

As lessor.

The total future minimum rental receivables from third parties under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Within 1 year	6,956	-	4,701	-
Within 5 years	40,592	-	31,567	-
	47,548	**-**	**36,268**	**-**

34. Financial Risk Management Objectives and Policies

The group's principal financial liabilities comprise bank loans and overdrafts, commercial papers and trade payables. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

The group's exposure to the risk of changes in market interest rates relates primarily to the group's loan, bank overdraft and commercial paper.

Foreign currency risk

The group's main operations are concentrated in Kenya and its assets and liabilities are reported in the local currency. It has transactions in foreign currency which are mainly denominated in US Dollars.

The balances in foreign currencies were as follows:

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies				
Trade and other receivables	3,494	6,883	-	117
Amounts due from related companies	-	18,666	22,359	18,666
Foreign currency assets	3,494	25,549	22,359	18,783
Liabilities in foreign currencies				
Payables	(191,896)	(183,274)	(190,854)	(183,274)
Net foreign currency liability position	**(188,402)**	**(157,725)**	**(168,495)**	**(164,491)**

The group makes sales in other countries in the respective foreign currency. It is thus exposed to movements in foreign currency exchange rates.

Notes to the Financial Statements (continued)

For The Year Ended 31 December 2007

34. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the group's and the company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	GROUP		COMPANY	
	2007	2006	2007	2006
	KShs'000	KShs'000	KShs'000	KShs'000
Increase in US$ by 7% (2006-5%)	*(13,188)*	*(7,886)*	*(11,795)*	*(8,224)*
Decrease in US$ by 7% (2006 5%)	13,188	7,886	11,795	8,224

Credit risk

The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The credit controller assesses the credit quality of each customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. Utilisation of credit limits is regularly monitored. Refer to note 9 for the maximum exposure to the group and company.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management includes maintaining sufficient cash. Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flow.

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The group's capital requirements are currently met through internally generated funds from operations. To maintain capital structure, the group may adjust dividend payment to shareholders.

35. Segment Information

The primary segment reporting format is determined to be business segments as the group's risks and rates of returns are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The paints segment manufactures and sells paints, adhesives, decorating sundries, PVA emulsion and alkyd resins producer.

The tins segment manufactures and sells metal and plastic items. The segment supplies tins (packaging materials) to the paints segment. Its sales to the paints segment comprise 55% of its turnover and 11% of the group's turnover.

The discontinued operation, Twiga Paints Limited, prior to its discontinuance, manufactured and sold paints and ancillary products for decorative, vehicle refinish and industrial market.

Transfer prices between the business segments are set on commercial terms in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated on consolidation.

a) Business Segments

The group is currently organised in two divisions, paint and tins. These divisions are the basis on which the group reports its primary segment information.

Segment information is as presented on the next page.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

35. Segment Information (continued)

a) Business Segments (continued)

31 December 2007	Continuing operations Paints KShs '000	Tins KShs '000	Elimination KShs '000	Consolidated KShs '000	Discontinued operation Paints KShs '000	Total operations KShs '000
Revenue						
Sales to external customers	2,023,445	66,543		2,089,988		2,089,988
Inter segment sales	423	31,925	(32,348)	-	-	
Other income	47,926		-	47,926	-	47,926
Inter segment other income	10,136	-	(10,136)	-	-	-
	2,081,930	**98,468**	**(42,484)**	**2,137,914**	**-**	**2,137,914**
Results						
Operating results	184,254	(43,961)	-	140,293	(1,937)	138,356
Profit /(loss) before taxation	184,254	(43,961)	-	140,293	(1,937)	138,356
Income tax expense	(63,624)	-	-	(63,624)	-	(63,624)
Profit / (loss) after taxation	**120,630**	**(43,961)**	**-**	**76,669**	**(1,937)**	**74,732**
31 December 2007						
Assets and Liabilities						
Segment assets	1,675,355	48,326	(337,435)	1,386,246	139,664	1,525,910
Investment	94,378	-	(94,378)		-	-
Total assets	1,769,733	48,326	(431,813)	1,386,246	139,664	1,525,910
Segment liabilities	98,254	99,232	-	970,767	2,289	979,256
Other segment information						
Capital expenditure - tangible fixed assets	98,254	2,610		100,864	-	100,864
Capital expenditure - work-in-progress	30,592	-	-	30,592	-	30,592
Depreciation and amortisation of leasehold land	52,636	3,665		56,301	-	56,301
Service fees	64,426	-	-	64,426	-	64,426

b) Geographical Segments

The major part of the group's business is within Kenya.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2007

37. Staff Retirement Defined Benefit Scheme

Contributions to the company staff retirement benefit scheme are determined by the rules of the scheme and totaled KShs 3,400,647 (2006 – KShs 2,470,617) in the year.

An actuarial valuation was last carried out as at 31 December 2004 by Aon Consulting and Actuarial Services. The valuation revealed a surplus of KShs 10,535,000, representing a funding level of 137.7%. This is above the 80% minimum funding level allowed by the Retirement Benefit Authority.

Valuation assumptions:

Valuation interest rate	10% p.a.
Salary escalation rate	8% p.a.
Pension increase rate	3% p.a.
Proportion of investment return credited to members' balances	70%

38. Post Balance Sheet Event

Unibilt 2003 Limited is a wholly owned subsidiary which manufactures metal items. The company will start manufacturing adhesives from 1 May 2008 under licence from Crown Berger Kenya Limited.

39. Employees

The average number of employees for the group during the year was 224 (2006: 202).

40. Comparatives

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

41. Incorporation

The company is incorporated in Kenya under the Kenyan Companies Act.

PROXY FORM

The Registrar, Custody & Registrar Services Limited,
PO Box 8484 - 00100, Nairobi.

CROWN-BERGER KENYA LIMITED

I/We ____
____

of ____

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

____
____

of ____

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty First Annual General Meeting of the Company to be held on 16 June 2008 and at any adjournment thereof.

______________________ ______________________

Signed/Sealed Date

____

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

FOLD 2

stamp

Crown Berger Kenya Ltd,
The Registrar,
Custody & Registrar Services Limited,
PO Box 8484 - 00100
Nairobi.

FOLD 1

FOLD 3