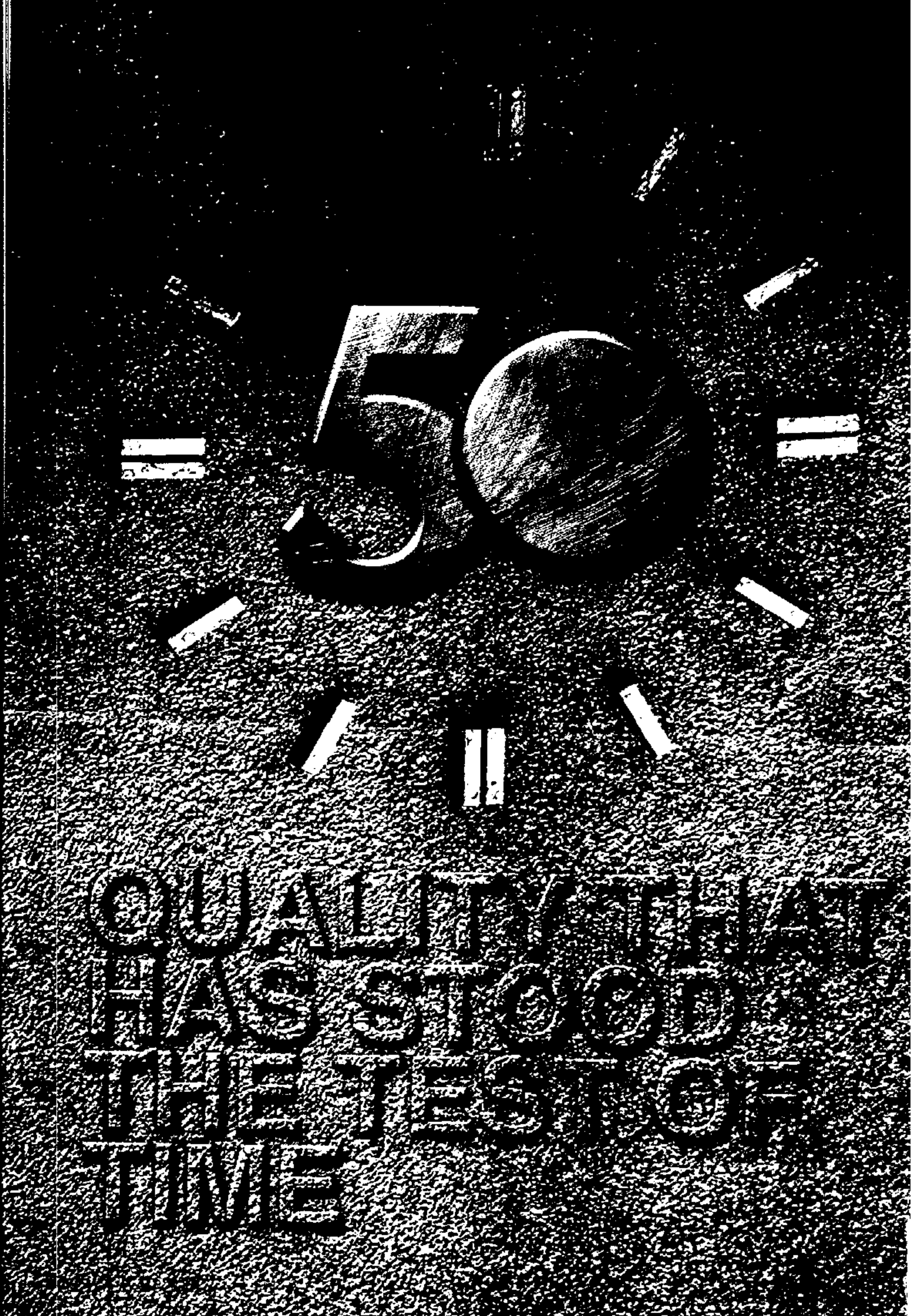

50


50
QUALITY THAT HAS STOOD THE TEST OF TIME

CONTENTS

CORPORATE INFORMATION

CROWN BERGER CELEBRATES 50 YEARS OF PAINT MANUFACTURE IN KENYA

LEFT: The CEO Mr Rakesh Rao expresses his pleasure to His Worsh[illegible] Mayor, Geoffrey Majiwa for an improvement to the cities environ[illegible]

RIGHT: The party is over...the Crown Berger Family, the Guest of Honour and the CEO cut the cake and wish for another 50 years.

50TH Anniversary
Celebrations - Pictorial

RIGHT: Rob Van Hoek of Seven Seas Technologies informs the Crown - Berger Chairman Mhamud Charania that if Holland played Cricket seriously they would win the Cricket World Cup and the 20/20

TOP: Crown Berger's 50th Anniversary Guest of Honour, Permanent Secretary in the Ministry of East African Community, Mr David Nalo explains to the Chairman Mhamud Charania, and Execu[illegible] Director Hussein Ramji, the latest coalition plans.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of the Company will be held at the Panafric Hotel, Kenyatta Avenue, Nairobi on **Thursday 25 June 2009 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 Annual Report and audited Financial Statements for the year ended 31 December 2008, together with the Directors' and Auditors' Reports thereon.

4. To declare a final dividend of KShs 1 per ordinary share for the financial year ended 31 December 2008, and approve the closure of the Register of Members on Friday 26 June 2009 for one day only.

5. To approve the Directors' remuneration.

6. To elect Directors:

   i). Mr FGK Maina 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 P Mwati who was appointed an additional Director on 10 July 2008, retires from office in accordance with Article 101 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.

BY ORDER OF THE BOARD

Conrad Nyukuri
Company Secretary

Date: 30 April 2009

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

This year has been the fourth consecutive year in which we have shown growth and success in Kenya. The global boom supported the growth of large and small economies alike, and given the normalized political situation, 2008 marked another year of steady performance for Crown Berger Group.

The 2008 financial year brought numerous achievements for the Crown Berger Group. Our turnover grew by 14% from Kshs 2.1 billion to Kshs 2.4 billion due to the continued focus on our local and regional markets; the expansion into new sectors and the rationalization of our product range. The impact of these activities has been an expected reduction in free cash flow due to investments in larger inventories; customer credit facilities and raw materials. In addition, other capacity building projects were undertaken to ensure Crown Berger Group could meet with expected growth in the current and future demand within Kenya and the East African Region.

Whereas the expectation of housing starts and commercial construction is significantly reduced given the global financial crisis, we believe that the actions taken in the past will assist Crown Berger Group through the difficult times ahead. For example, last year we undertook cost cutting exercises aimed at mitigating financial risk in the company. Prior to that, we undertook re-structuring exercises focused on balance sheet efficiencies and before that we reviewed operations with an aim to enhance our efficiencies. Changes in the global economy have significantly altered the way in which business is conducted globally. Although Kenya's distance to European, American and Asian markets has in effect protected our economy buffering us from the full impact of the crisis, the impact is already visible and we believe that the changes brought about by the recession will prevail for the next 2 3 years. Whereas the global downturn has signalled the beginning of a bear market, we are confronted with two strategic choices, namely continued strategies to maintain market share or strategies that aim to reduce exposure to risk. We believe that a mix of the two is required in order to protect our existing markets and our channels, whilst ensuring that we maintain a strong and healthy income.

Finally, on behalf of the Board of Directors and myself, I would like to convey our appreciation to our staff and management for their dedicated contributions to the success of Crown Berger Group.
I would also personally like to thank our clients for their custom and support of Crown Berger Group.

Mhamud Charania
30 April, 2009

MANAGING DIRECTOR'S STATEMENT

I am pleased to announce the financial results for the year 2008. Our group turnover has grown by 14 % during the year.

The Kenyan economy exhibited a recovery of 2% in year 2008 with exceptionally strong growth in the construction sector which has given strong support to improve the consumption of paints compared to last year.

The year 2008 was one of the most unstable years, wherein inflation went up by 26%. In addition to that, the Kenya shilling depreciated by 23% which made a tremendous impact on the bottom line of the financial results. Soaring inflation characterized in 2008 as a combination of factors including supply constraints of raw material due to the port crisis and disruptions of production of certain commodities, which played a big role in the increase of costs of raw materials in our industry. Elevated oil prices and power cost were exaggerated by the Energy Regulatory Authority approving significant increase in electricity cost. The Kenyan Government introduced new guidelines to improve health and working conditions for casual workers. This directive has also increased our administration and establishment expenses substantially .

2008 OVERVIEW

50 Years of Leadership and Quality

We were determined to celebrate our 50th Anniversary as a manufacturing company in Kenya, pictures of which are included in the main activity report.

'When the going gets tough, the tough get going', so we did achieve most of our strategic objectives. What we achieved was double digit growth.

Thermoline road marking was established as the East African leader, setting new and upgraded quality and safety standards. To add further value and prestige, we launched Crown Variations. This product is the latest in environmental protection as it is designed to last the lifetime of the building thus it saves resources and is truly maintenance free. From our own resources, we have provided decorative and automotive training seminars not only in the capital city of Nairobi, but also in Bungoma, Kakamega, Mombasa and Nakuru to mention a few. Our commitment has been truly national and fills a void as no governmental scheme, facility or fund is available. We have joined hands with NGO's to train members of Jua Kali artisan groups providing not only product usage training and knowledge but advising on estimating, tender submission and even advice on bank accounts.

This activity links directly to the packed Corporate Social Responsibility programme. Every effort has been made to ensure our corporate responsibility benefits the recipients and wherever possible, provides top-class public relations for Crown Berger so that we remain top of the mind. To date, we have supported KENWA and HIV oriented organizations by providing annual school fees for orphans, parallel with support to Ananda Marga to feed children at the mission. We have provided an external makeover for Khalsa School, improving the learning environment for the children of Nairobi West. We have assisted youth football for the less privileged and planted trees for the future.

I wish to assure you that, within budget constraints, we will maintain links and contribute to communities. It is part of our mission and enhances good governance within our core values.

Human Resource

During the period under review, the company has continued to maintain a strong human resource base with skilled and competent workforce. The company recognises that our staff plays a key role in delivering the business strategy. In this regard our employees' knowledge, skills and attitude are key to attainment of our businesses strategy.

The company has continued to undertake measures geared towards creating a harmonious working environment, enhanced industrial relations and staff welfare practices among others.

The company has established cordial relations amongst management and the union in order to enhance efficiency and maximize on productivity. This has been achieved through regular joint industrial council meetings. This has led to increased productivity.

A number of training programmes were undertaken during the year including those focusing on competence development, team building and HIV/AIDS awareness. We will continue with training programmes and focusing on the outcome of Training Needs Analysis.

MANAGING DIRECTOR'S STATEMENT (Continued)

In order to enhance staff productivity, the company has embraced a performance management system through Balance Score Card as a basis for rewarding staff and identifying areas of improvement. We are now implementing practices of KAIZEN to ensure that there is continuous improvement in our system and operation to sustain profitability.

In order to attract, retain and motivate employees, the company continues to undertake various welfare programmes. This will start on a modest scale and will be scaled up to the appropriate standards, with time, in the coming years.

Uganda

The economy of Uganda has shown remarkable growth of 6.9% and the Government is focusing on infrastructure projects as well as in the construction sector, hence we have registered over 50% revenue growth in 2008. We have made necessary investment in plant and machinery to enhance the production capacity to cater for the growing demand of the regional markets; Sudan, Rwanda and Congo.

Environment and Safety

100% of factory employees underwent medical examination with 0% failure with respect to occupational diseases. In keeping with our Company's commitment to promote safety at the workplace, we are focusing our efforts in Improving risk assessment capability in the plant, so as to further improve safety standards.

Our Company's efforts in the area of 'Waste Minimization' through waste reduction at source and resource conservation continue further. The plant reduced further waste generation by implementing vigorous training and a number of small projects (through Kaizen initiative) to cut out waste.

Rainwater harvesting schemes and groundwater recharging schemes along with effluent treatment are on priority work list for year 2009. On the whole, these steps will enable our Company to reduce further waste at the workplace. These steps are not only environmentally friendly but make sound economic sense.

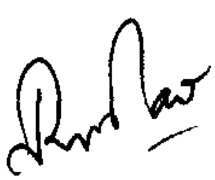
Future Outlook

Will we melt or not? The world has received a heavy dose of flu, Kenya is only suffering a mild cold. Let us be confident but prudent, if inflation can be halved and the world oil price is constant, construction investment can at least match reasonably.

The Kenyan economy is expected to recover moderately in 2009 .The continued public infrastructure investment will sustain profitability in the year 2009 if the economic global meltdown doesn't arrest Kenya and the Comesa region. Inflation is expected to decline significantly in the year 2009 to an average annual rate of 15.2% compared to 26% in 2008. On account of high base effect, a lower international oil price will Influence the cost of various building materials which will in turn positively contribute to strong growth in the construction sector.

Crown management will stretch out continuous improvement in waste management processes to maximize return to the stake holders.

I convey my thanks to the Directors, stakeholders and employees for their support in making 2008 another successful year.



Rakesh Rao
30 April, 2009

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 5 Directors, of whom 3 are executive. Mr. Rakesh Rao is Managing Director and Mr. Patrick Mwati is the Finance Director. 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.

The Directors are appointed by the shareholders on a three year term. They may stand for re-election. The current composition of the board is given on Page 12. The Board sets the objectives and policies that drive the Company's strategic vision, ensures compliance with statutory and regulatory requirements.

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 the 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 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 chaired by a Non Executive Director, receives reports from management and reviews performance against targets, ensures compliance and issues 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 12 to the financial statements. No arrangements exist whereby a Director could acquire Company shares on beneficial terms.

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 and environment regulations.

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

CORPORATE GOVERNANCE

TOP TEN LARGEST SHAREHOLDERS

Share	[redacted]	Total Shares	Percentage
1.	CROWN PAINTS AND BUILDING PRODUCTS LIMITED P O BOX 78188 NAIROBI	11,402,855	48.06
2	[redacted]	3,234,000	13.63
3.	[redacted]	1,430,514	6.03
4.	[redacted]	346,300	1.46
5.	[redacted]	224,020	0.94
6.	[redacted]	212,417	0.90
7.	[redacted]	200,939	0.85
8.	[redacted] P O BOX 20105 - 00200 NAIROBI	180,680	0.76
9.	VICTORIA FURNITURES LIMITED P O BOX 10827 – 00400 NAIROBI	106,700	0.45
10.	AHMED MIAN ABDUR RAHIM P O BOX 10005 00400 NAIROBI	106,362	0.44
TOTAL NO. OF SHARES		17,444,787	73.52%
AND 3,016 OTHER SHAREHOLDERS		6,282,213	26.48%
TOTAL		23,727,000	100.00%

CROWN - BERGER KENYA LIMITED SHARE REGISTER SHAREHOLDING ANALYSIS BY VOLUME AS AT 30.04.2009

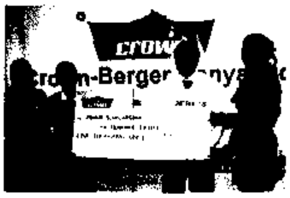
ANALYSIS BY VOLUME

VOLUME	[redacted]	% OF SHAREHOLDING	[redacted]
1 - 500	[redacted]	0.94%	[redacted]
501 - 5,000		9.38%	
5,001 - 10,000		3.92%	
10,001 - 100,000		11.81%	
100,001 - 1,000,000		6.23%	
1,000,001 - 9999999999	16,067,369	67.72%	3
TOTALS	**23,727,000**	**100.00%**	**3,026**

CORPORATE SOCIAL RESPONSIBILITIES

"The entire School Management Committee, Staff and pupils are happy to be associated with CROWN BERGER, Thanks a million, PARTNER."

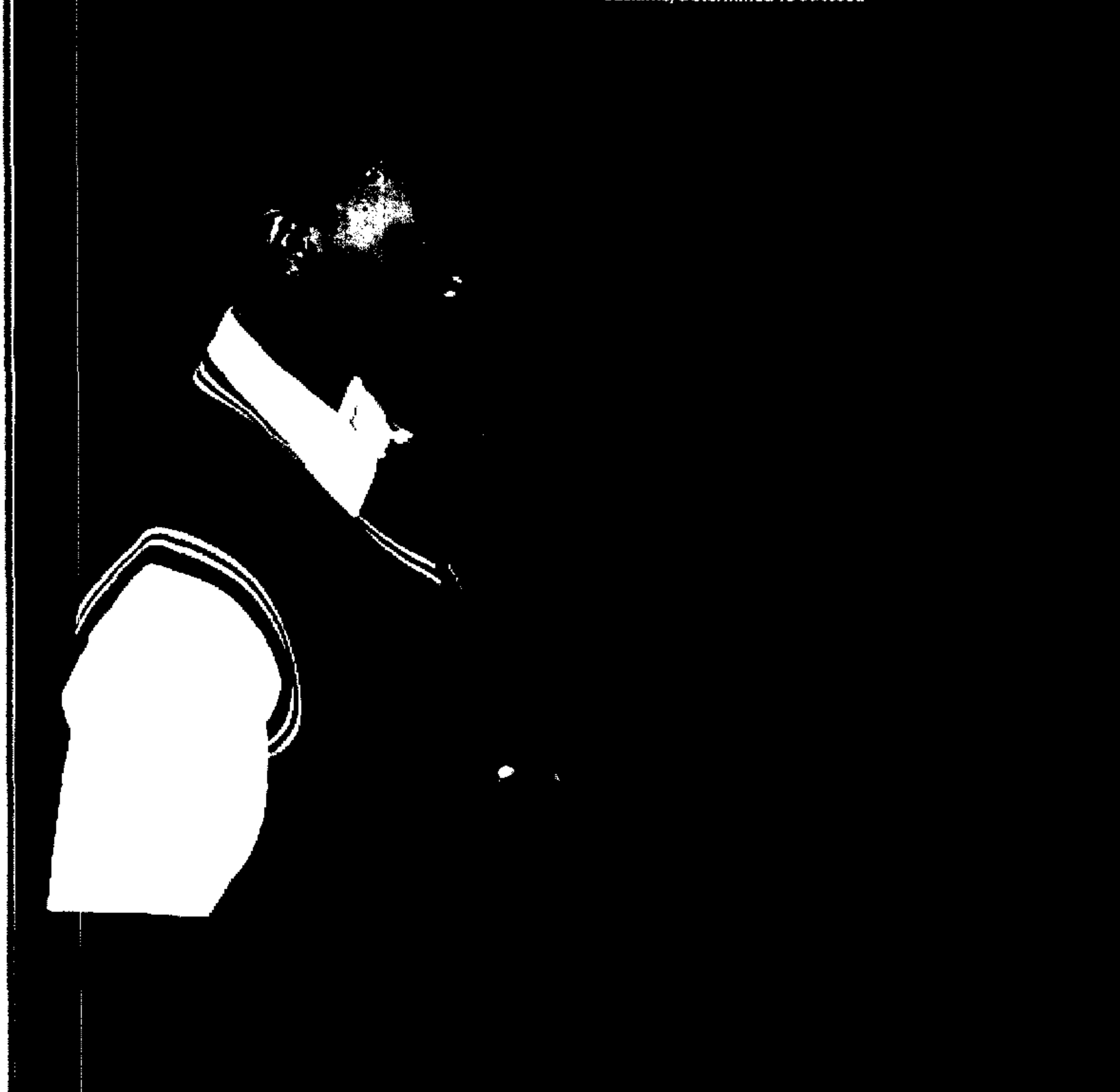
CORPORATE SOCIAL RESPONSIBILITIES (Continued)



KENWA whose mission is to improve the quality of lives of Women living with HIV/AIDS and their children as well, agreed to support Jackline.

She continues stu
Kahuhia Girls blov
grades and leavin
of watch me, am co
the top.

Jackline, Determined To Succeed



CORPORATE SOCIAL RESPONSIBILITIES (Continued)

Crown Berger Group Chief Executive Officer Rakesh Rao (left), Her Excellency Elisabeth Barbier, France Ambassador to Kenya (right), His Excellency Zhao Ming, China Ambassador to Kenya (far right) and participants (far left) at the Sadili youth camp during the 4th annual youth soccer league in Langata

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors submit their report and the audited financial statements for the year ended 31 December 2008, 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 and alkyd resins.
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 started manufacturing adhesives with effect from 1 May 2008.

2. Group Results

The results for the year are set out on page 16.

3. Company Results

The results for the year are set out on page 20.

4. Dividends

Subject to approval by shareholders, the Directors recommend the payment of a dividend of KShs 1 (2007: KShs 1) per share amounting to KShs 23,727,000 (2007: KShs 23,727,000).

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 39, note 15.

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	-	**Retired on 16 June 2008**
P.M. Mwati		
H.H.R.J. Charania		
F. O. Ogutu	-	**Resigned on 31 December 2008**

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

Conrad Nyukuri
Secretary

Date: 30 April 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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.

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

Managing Director

30 April 2009

Patrick Mwati

Finance Director

30 April 2009

FINANCIALS

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 15 to 50 which comprise the consolidated balance sheet as at 31 December 2008, 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 2008, 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 as to 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.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the state of financial affairs of the Group and of the company as at 31 December 2008 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 is in agreement with the books of account.

Ernst & Young
Certified Public Accountants
Nairobi

30 April 2009

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

FINANCIALS

	Note	[redacted]	2007 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	513,507	499,596
Work in progress	4	-	30,592
Intangible assets	5	[redacted]	-
Prepaid leases	6	[redacted]	10,349
Goodwill	7	[redacted]	13,497
		[redacted]	**554,034**
CURRENT ASSETS			
Inventories	10	[redacted]	470,771
Trade and other receivables	11	[redacted]	409,356
Amounts due from related parties	12(iii)	[redacted]	65,669
Tax recoverable	13	[redacted]	-
Bank balances and cash		[redacted]	26,080
		[redacted]	**971,876**
TOTAL ASSETS		[redacted]	**1,525,910**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	14	[redacted]	118,635
Reserves	15	[redacted]	671,507
Proposed dividends	16	[redacted]	23,727
		[redacted]	**813,869**
NON-CURRENT LIABILITIES			
Deferred tax	17	[redacted]	**102,678**
CURRENT LIABILITIES			
Bank overdraft	18	115,920	34,544
Loan	19	102,686	36,225
Commercial paper	20	359,171	139,102
Amounts due to related parties	12(iii)	53,164	240
Tax payable	13	-	190
Trade and other payables	21	399,386	399,062
		1,030,327	**609,363**
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**1,948,281**	**1,525,910**

The financial statements were approved by the Board of Directors on 30 April 2009 and signed on its behalf by:

Rakesh Rao
Managing Director

Patrick Mwati
Finance Director

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CONTINUING OPERATIONS	Note	[redacted]	2007 KShs'000
SALES	22	2,389,520	2,089,988
COST OF SALES	23	(1,558,838)	(1,336,786)
GROSS PROFIT		830,682	753,202
OTHER INCOME	24	[redacted]	47,926
		[redacted]	**801,128**
EXPENSES:-			
Administration and establishment	25	[redacted]	(346,385)
Selling and distribution	26	[redacted]	(227,230)
Other charges and expenses	27	[redacted]	(64,426)
Finance costs	28	[redacted]	(22,794)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	29	[redacted]	140,293
TAX	13	(47,004)	(63,624)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		[redacted]	76,669
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	30	[redacted]	(1,937)
PROFIT FOR THE YEAR		[redacted]	**74,732**
EARNINGS PER SHARE:		[redacted]	
Basic and diluted earnings per share			
Attributable to continuing operations	31	1.30	3.23
Attributable to discontinued operations	31	(0.10)	(0.08)
		1.20	**3.15**
DIVIDENDS:			
Proposed dividends for the year	16	**23,727**	**23,727**

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIALS

	[redacted]	Share premium	[redacted]	Retained earnings	[redacted]	Total equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2007	118,635	80,174	108,065	428,488	35,591	770,953
Transfer of excess depreciation on revaluation	[redacted]	-	[redacted]	8,504	[redacted]	-
Deferred tax	[redacted]	-	[redacted]	-	[redacted]	3,775
Profit for the year	[redacted]	-	[redacted]	74,732	[redacted]	74,732
Dividends						
- Paid for 2006	[redacted]	-	[redacted]	-	[redacted]	(35,591)
- Proposed for 2007	[redacted]	-	[redacted]	(23,727)	[redacted]	-
At 31 December 2007	[redacted]	**80,174**	[redacted]	**487,997**	[redacted]	**813,869**
At 1 January 2008	118,635	80,174	103,336	487,997	23,727	813,869
Transfer of excess depreciation on revaluation	[redacted]	-	[redacted]	8,504	[redacted]	-
Deferred tax	[redacted]	-	[redacted]		[redacted]	3,514
Profit for the year	[redacted]	-	[redacted]	28,296	[redacted]	28,296
Dividends						
- Paid for 2007	[redacted]	-	[redacted]		[redacted]	(23,727)
- Proposed for 2008	-	-	-	(23,727)	23,727	
At 31 December 2008	**118,635**	**80,174**	**98,346**	**501,070**	**23,727**	**821,952**

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

		[redacted]	2007 KShs'000
OPERATING ACTIVITIES			
Profit before tax			
Attributable to continuing operations		77,781	140,293
Attributable to discontinued operation	(note 30)	(2,481)	(1,937)
		[redacted]	**138,356**
Adjustments for:-			
Depreciation			56,301
Amortisation of intangible assets			-
Amortisation of prepaid leases on land			265
Foreign exchange loss (gain)			(21,378)
Interest expense			22,794
Gain on disposal of plant and equipment			(576)
Operating profit before working capital changes			**195,762**
Trade and other receivables			598
Inventories			101,047
Trade and other payables			7,083
Related parties			(20,083)
Cash flows (used in)/generated from operations			284,407
Income taxes paid			(54,619)
Interest paid			(22,794)
Net cash (used in)/generated from operating activities			**206,994**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment			(100,864)
Purchase of intangible assets			-
Work in progress			(15,287)
Proceeds on sale of plant and equipment			4,367
Investment in subsidiary			(1,000)
Net cash used in investing activities			**(112,784)**
FINANCING ACTIVITIES			
Loan proceeds			-
Borrowings /(payments)on commercial paper			(33,830)
Loan paid			(70,407)
Dividends paid on ordinary shares			(35,591)
Net cash generated/(used in) from financing activities		**262,803**	**(139,828)**
Net decrease in cash and cash equivalents		(41,971)	(45,618)
Cash and cash equivalents at the beginning of the year		(8,464)	15,776
Effect of exchange rate changes		(50,968)	21,378
Cash and cash equivalents at the end of the year	(note 32)	(101,403)	(8,464)

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2008

FINANCIALS

		[redacted]	**2007**
ASSETS	**Note**	[redacted]	**KShs'000**
NON CURRENT ASSETS			
Property, plant and equipment	3	470,738	457,362
Work-In-progress	4	-	30,592
Intangible assets	5	34,710	-
Prepaid leases	6	[redacted]	10,349
Investment In subsidiary companies	8	[redacted]	94,378
Deposit for shares	9	[redacted]	80,000
		[redacted]	**672,681**
CURRENT ASSETS			
Inventories	10	[redacted]	435,896
Trade and other receivables	11	[redacted]	348,528
Amounts due from related parties	12(iii)	[redacted]	184,320
Tax recoverable	13	[redacted]	242
Bank balances and cash		[redacted]	17,366
		[redacted]	**986,352**
TOTAL ASSETS		[redacted]	**1,659,033**
SHAREHOLDERS' FUNDS AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	14	[redacted]	118,635
Reserves	15	[redacted]	680,651
Proposed dividends	16	[redacted]	23,727
		[redacted]	**823,013**
NON CURRENT LIABILITIES			
Deferred tax	17	[redacted]	**102,678**
CURRENT LIABILITIES			
Bank overdraft	18	115,920	34,544
Loan	19	102,686	36,225
Commercial paper	20	359,171	139,102
Trade and other payables	21	370,257	386,252
Amounts due to related parties	12(iii)	190,007	137,219
		1,138,041	**733,342**
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		**2,100,571**	**1,659,033**

The financial statements were approved by the Board of Directors on 30 April 2009 and signed on its behalf by:

Rakesh Rao
Managing Director

Patrick Mwati
Finance Director

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	[redacted] KShs'000	2007 KShs'000
SALES	22	2,295,803	2,011,490
COST OF SALES	23	[redacted]	(1,257,324)
GROSS PROFIT			754,166
OTHER INCOME	24		57,514
			811,680
EXPENSES: -			
Administration and establishment	25		(313,897)
Selling and distribution	26	[redacted]	(227,230)
Other expenses	27	(6,789)	(64,426)
Finance costs	28	(44,302)	(18,838)
PROFIT BEFORE TAX	29	**110,732**	**187,289**
TAX	13	[redacted]	**(63,624)**
PROFIT FOR THE YEAR			**123,665**
Earnings per share	31		**5.21**

Dividends:		**KShs'000**	**KShs'000**
Proposed for the year	**16**	**23,727**	**23,727**

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIALS

	[redacted]	Share premium	[redacted]	Retained earnings	[redacted]	Total equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2007	**118,635**	**80,174**	**148,441**	**348,323**	**35,591**	**731,164**
Transfer of excess depreciation on revaluation	[redacted]	-	[redacted]	8,504	[redacted]	-
Deferred tax	[redacted]	-	[redacted]	-	[redacted]	3,775
Profit for the year	[redacted]	-	[redacted]	123,665	[redacted]	123,665
Dividends						
- Paid for 2006	[redacted]	-	[redacted]	-	[redacted]	(35,591)
- Proposed for 2007	[redacted]	-	[redacted]	(23,727)	[redacted]	-
At 31 December 2007	[redacted]	**80,174**	[redacted]	**456,765**	[redacted]	**823,013**
At 1 January 2008	[redacted]	**80,174**	[redacted]	**456,765**	[redacted]	**823,013**
Transfer of excess depreciation on revaluation	[redacted]	-	[redacted]	8,504	[redacted]	-
Deferred tax	[redacted]	-	[redacted]	-	[redacted]	3,514
Profit for the year	[redacted]	-	[redacted]	63,728	[redacted]	63,728
Dividends						
Paid for 2007	-	-	-	-	(23,727)	(23,727)
- Proposed for 2008	-	-	-	(23,727)	23,727	
At 31 December 2008	**118,635**	**80,174**	**138,722**	**505,270**	**23,727**	**866,528**

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

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 paragraphs (a & b) below:

a). Standards, Amendments and Interpretations Effective in 2008

The following standard amendment is mandatory from 1 July 2008 but is not relevant to the Group's operations.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets;
  The amendments allow entities to reclassify certain financial assets out of held-for-trading if they are no longer held for the purpose of being sold or repurchased in the near term.

» Financial assets that would be eligible for classification as loans and receivables (ie those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'Held-for-trading' to 'Loans and receivables', if the entity has the intention and the ability to hold them for the foreseeable future.

» Financial assets that are not eligible for classification as loans and receivables, may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held to maturity', only in rare circumstances. The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or 1 January 2008 but are not relevant to the Group's operations:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions - This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

- IFRIC 12, Service Concession Agreements -The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements.

- IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction -IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 1 Employee Benefits.

b). Standards, Amendments and Interpretations that have been issued and are not yet effective.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the Group's operations and which the Group has not early adopted:

- IFRIC 13, Customer Loyalty Programmes – The IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to award credits.

- IFRS 2 amendments - Share based payment vesting conditions and cancellations (effective from 1 January 2009); the IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled.

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

b). Standards, Amendments and Interpretations that have been issued and are not yet effective (continued)

- IFRS 3 revised -Business combinations and IAS 27 revised -Consolidated and Separate Financial Statements. The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to take such possibility.

- IFRS 8 - Operating segments (effective from 1 January 2009); the IASB issued IFRS 8 in November 2006. IFRS 8 replaces IAS 14 Segment Reporting upon its effective date.

- IAS 1 revised - Presentation of financial statements; the revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

- IAS 23 revised Borrowing costs (effective from 1 January 2009); the IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

- IAS 32 amendments - Presentation and IAS 1 presentation of financial statements; puttable Financial Instruments and Obligations Arising on Liquidation -These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features.

- IAS 39 amendment – Financial instruments: Recognition and measurement eligible hedged items; These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

- IFRIC 15 – Agreements for the construction of real estate IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18; and

- IFRIC 16 – Hedges of a net investment in a foreign operation (IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

The Directors anticipate that the adoption of these standards will have no material effect on the financial statements of the Group in the period of initial application, but additional disclosures will be required.

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

Improvements to IFRSs

In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has not yet adopted the following amendments which are effective mostly for the financial year beginning on or after 1 January 2009 with some exception and anticipates that these changes will have no material effect on the financial statements in the period of initial application.

- IFRS 7 Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.

- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- IAS 10 Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.

- IAS 16 Property, Plant and Equipment: Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

- IAS 18 Revenue: Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

- IAS 19 Employee Benefits: Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

- IAS 27 Consolidated and Separate Financial Statements: When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- IAS 29 Financial Reporting in Hyperinflationary Economies: Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

- IAS 34 Interim Financial Reporting: Earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

- IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

a). 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 judgement 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 2(c) and 2(d) 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.

b). Consolidation

The consolidated financial statements of the Group comprise the financial statements of the company and its Subsidiaries as at 31 December each year. The subsidiaries include Unibilt 2003 Limited, Twiga Paints Limited, and Crown Buildings and Products Limited(Uganda) all wholly owned by the company.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra group balances, income and expenses and unrealised gains and losses resulting from intra group transactions are eliminated in full.

c). 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, plant and equipment

Directors make estimates in determining the depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy for property, plant and equipment on page 32.

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.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d). 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:

Operating Lease Commitments–Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Discontinued Operations

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. For more details on the discontinued operation refer to Note 30.

Allowances 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.

Impairment of financial instruments

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

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

e). Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable. Income arising from operating leases on machinery is accounted for on a straight line basis over the lease terms. All other income earned by the Group is recognised as it accrues.

f). 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

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.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f). Taxation (continued)

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Un-recognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current income tax and deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

g). Property, plant, equipment and depreciation.

Equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Property, plant and equipment are measured at fair value less accumulated depreciation and impairment. Valuations are performed frequently enough to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.

All other assets are stated at cost.

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.

An annual transfer from the asset revaluation reserve to retained earnings is made.

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:

Building	2%
Plant and machinery	8% - 10%
Fixtures and fittings	12½%
Motor vehicles	20% - 25%
Computers and equipment	20%

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 assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

h). Work -in-progress

Work-in-progress represents costs incurred in acquisition/installation of an item of intangible assets which is not in use. Work-in-progress is not amortised until the assets are completed and brought into use.

i). Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i). Intangible assets (continued)

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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 the 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.

k). Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

l). Foreign currency transactions

Transactions during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated as at the dates of the initial transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m). Employees benefits

Defined contributions provident fund

The Group operates a defined contributions post-employment provident fund for eligible non-unionisable employees. The fund is funded by contributions from the employees and the Group. The assets of the fund are held and administered independently of the Group's assets. The Group's contributions to the fund are charged to the income statement so as to spread the cost over the service lives of employees.

Past service costs are recognised immediately in income, unless the changes to the provident fund are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

Statutory pension scheme

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.

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 recognised in the Group's balance sheet when the Group becomes a party to contractual provisions of the instrument.

Financial assets are recognised initially at fair value plus directly attributable transaction costs.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The subsequent measurement of financial assets and liabilities depends on their classification as follows:

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.

Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity. When the security is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate.

Available for sale financial instruments whose market value cannot be readily determined are recorded in the financial statements at cost.

Deposit for shares

Deposit for shares represent amount set aside for acquisition of shares pending allotment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n). Financial instruments (continued)

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.

Cash and cash equivalents

The Group considers all balances with less than 90 days maturity from the date of acquisition as cash. The cost of cash equivalent approximates the fair value due to the short term nature thereof.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as change in arrears or economic conditions that correlate with defaults.

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Derecognition of financial assets

i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n). Financial instruments (continued)

Derecognition of financial assets (continued)

i) Financial assets (continued)

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

ii) Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

o). Investment in subsidiaries

Investments in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to the income statement.

p). Dividends

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

q). Related parties

In the normal course of business, the Group has entered into transactions with related parties. The related party transactions are shown on page 37, note 12.

r). Provisions

Provisions are recognised 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 non financial 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 recognised in the income statement.

u). Cash and cash equivalents

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.

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

(i-a) GROUP – Year ended 31st December 2008

	Buildings	Plant and machinery	Motor vehicles	Fixtures, fittings and equipment	Total
	[redacted]	KShs'000	[redacted]	KShs'000	[redacted]
Cost or valuation					
At January 2008	[redacted]	293,157	[redacted]	190,833	[redacted]
Additions	[redacted]	17,814	[redacted]	37,945	[redacted]
Disposals	[redacted]	(2,111)	[redacted]	(78)	[redacted]
At 31 December 2008	[redacted]	**308,860**	[redacted]	**228,700**	[redacted]
Comprising:					
Valuation	[redacted]	42,146	[redacted]	-	[redacted]
Cost	[redacted]	266,714	[redacted]	228,700	[redacted]
	[redacted]	**308,860**	[redacted]	**228,700**	[redacted]
Accumulated depreciation	[redacted]		[redacted]		[redacted]
At 1 January 2008	[redacted]	132,815	[redacted]	92,018	[redacted]
Charge for the year	[redacted]	19,354	[redacted]	28,691	[redacted]
Eliminated on disposals	-	(213)	(6,967)	(13)	(7,193)
At 31 December 2008	**44,756**	**151,956**	**40,315**	**120,696**	**357,723**
Net Book Value					
At 31 December 2008	**214,743**	**156,904**	**33,856**	**108,004**	**513,507**

(i-b) GROUP – Year ended 31st December 2007

	Buildings	Plant and machinery	Motor vehicles	Fixtures, fittings and equipment	Total
	[redacted]	KShs'000	[redacted]	KShs'000	[redacted]
At January 2007	[redacted]	274,064	[redacted]	134,318	[redacted]
Additions	[redacted]	19,093	[redacted]	56,515	[redacted]
Disposals	[redacted]	-	[redacted]	-	[redacted]
At 31 December 2007	[redacted]	**293,157**	[redacted]	**190,833**	[redacted]
Comprising:					
Valuation	[redacted]	42,146	[redacted]	-	[redacted]
Cost	[redacted]	251,011	[redacted]	190,833	[redacted]
	[redacted]	**293,157**	[redacted]	**190,833**	[redacted]
Accumulated depreciation	[redacted]		[redacted]		[redacted]
At 1 January 2007	[redacted]	114,757	[redacted]	67,717	[redacted]
Charge for the year	[redacted]	18,058	[redacted]	24,301	[redacted]
Eliminated on disposals	[redacted]	-	[redacted]	-	[redacted]
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**

[redacted]

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(ii-a) COMPANY – Year ended 31st December 2008

	[redacted]	Plant and machinery	[redacted]	Fixtures, fittings and equipment	[redacted]
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation					
At 1 January 2008	[redacted]	226,631	[redacted]	181,387	[redacted]
Additions	[redacted]	13,308	[redacted]	33,581	[redacted]
Disposals	[redacted]	-	[redacted]	-	[redacted]
At 31 December 2008	[redacted]	**239,939**	[redacted]	**214,968**	[redacted]
Comprising:					
Valuation	[redacted]	51,921	[redacted]	-	[redacted]
Cost	[redacted]	188,018	[redacted]	214,968	[redacted]
	259,497	**239,939**	[redacted]	**214,968**	[redacted]
Accumulated depreciation					
At 1 January 2008	[redacted]	104,654	[redacted]	85,578	[redacted]
Charge for the year	[redacted]	14,720	[redacted]	27,804	[redacted]
Eliminated on disposals	[redacted]	-	[redacted]	-	[redacted]
At 31 December 2008	[redacted]	**119,374**	[redacted]	**113,382**	[redacted]
Net Book Value					
At 31 December 2008	**216,333**	**120,565**	**32,254**	**101,586**	**470,738**

(ii-b) COMPANY – Year ended 31st December 2007

	[redacted]	Plant and machinery	[redacted]	Fixtures, fittings and equipment	[redacted]
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation					
At 1 January 2007	[redacted]	217,909	[redacted]	127,896	[redacted]
Additions	[redacted]	8,722	[redacted]	53,491	[redacted]
Disposals	[redacted]	-	[redacted]	-	[redacted]
At 31 December 2007	[redacted]	**226,631**	[redacted]	**181,387**	[redacted]
Comprising:					
Valuation	162,344	51,921	[redacted]	-	214,265
Cost	[redacted]	174,710	[redacted]	181,387	[redacted]
	[redacted]	**226,631**	[redacted]	**181,387**	[redacted]
Accumulated depreciation					
At 1 January 2007	[redacted]	90,321	[redacted]	61,896	[redacted]
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**

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)
(ii-b) COMPANY – Year ended 31st December 2007 (continued)

The assets other than fixtures, fittings and equipment and motor vehicles were revalued on 31 March 2006. The revaluation amounts were 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 reserve while the revaluation deficit was charged to the income statement as an exceptional item.
The fixtures, fittings and equipment and motor vehicles are stated at cost.

4. WORK-IN-PROGRESS

	GROUP		COMPANY	
	[redacted]	2007 KShs'000	[redacted]	2007 KShs'000
Cost				
At 1 January	30,592	15,305	30,592	15,305
Additions	-	15,287	-	15,287
Transfer to intangible assets (note 5)	(30,592)	-	(30,592)	-
At 31 December	[redacted]	**30,592**	[redacted]	**30,592**

5. INTANGIBLE ASSETS

	GROUP		COMPANY	
Cost	[redacted]		[redacted]	
At 1 January		-		-
Additions		-		-
Transfer from work in progress (note 4)		-		-
At 31 December		-		-
Amortisation				
At 1 January		-		-
Charge for the year		-		-
At 31 December		-		-
NET BOOK VALUE		-		-

6. PREPAID LEASES

	GROUP		COMPANY	
Cost	[redacted]		[redacted]	
At 1 January and December		13,000		13,000
Amortisation				
At 1 January	2,651	2,386	2,651	2,386
Charge for the year	265	265	265	265
At 31 December	**2,916**	**2,651**	**2,916**	**2,651**
Net Book Value	**10,084**	**10,349**	**10,084**	**10,349**

6. PREPAID LEASES (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 2008 is 38years.
ii). Likoni Road offices - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2008 is 38 years.

7. GOODWILL

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

8. INVESTMENT IN SUBSIDIARIES

			COMPANY	
Details of Investment	**Country of Incorporation**	**Activity**	**KShs'000**	**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
[illegible]	Kenya	[illegible]	[illegible]	[illegible]
Crown Buildings and Products Limited (Uganda) (5,000 ordinary shares of KShs 400 each)	Uganda	Selling of auto paints and decorative products	2,000	1,000
			94,378	**93,378**
Reversal of impairment			-	1,000
			94,378	**94,378**

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.

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008 (Continued)

9. DEPOSIT FOR SHARES

	COMPANY	
	[redacted]	2007
		KShs'000
Crown Buildings and Products Limited		80,000
Unibilt 2003 Limited		-
	204,028	**80,000**

This relates to deposit made in Crown Buildings and Products Limited (Uganda) and amounts due from Unibilt 2003 Limited capitalised but pending allotment of shares.

10. INVENTORIES

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
Finished goods	[redacted]	234,108	[redacted]	202,233
Raw materials		145,527		142,527
Goods in transit		91,136		91,136
		470,771		**435,896**

11. TRADE AND OTHER RECEIVABLES

Trade receivables	[redacted]	372,948	[redacted]	326,558
Other receivables	65,410	32,709	48,208	18,471
Prepayments	24,134	3,699	23,445	3,499
	581,966	**409,356**	**486,638**	**348,528**

As at 31 December 2008, trade receivables at initial value of KShs 56,102,000 (2007: KShs 61,651,000) were impaired and fully provided for. See below for the movements in the provision of impairment of receivables.

	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'000
At beginning		102,994		85,571
Charge for the year	18,139	39,454	18,139	39,454
Used during the year (write off)	[redacted]	(24,349)	[redacted]	(21,832)
Unused amounts reversed (recoveries)		(56,448)		(56,134)
	56,102	**61,651**	**55,557**	**47,059**

11. TRADE AND OTHER RECEIVABLES (continued)

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
		KShs'000		KShs'000
Ageing analysis				
Less than 30 days(neither past due nor impaired)		137,692		95,325
31 to 60 days		100,617		99,896
61 days to 90 days		44,498		44,498
Over 90 days		151,793		133,898
		434,600		373,617
Impaired		(61,652)		(47,059)
Due but not impaired	**492,422**	**372,948**	**414,985**	**326,558**

Trade receivables are non-interest bearing.

12. 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	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
(i). Sale and services rendered:	[redacted]		[redacted]	
Unibilt 2003 Limited		-		36,437
Crown Buildings and Products Limited (Uganda)		-		19,547
Services rendered				
Crown Paints and Building Products Limited (Management services- note 27)		64,426		64,426
Daxian Limited		-		-
(ii). Interest on related company balances				
Unibilt 2003 Limited	-	-	10,271	10,953

(iii). Outstanding balances arising from sale and services rendered:

	GROUP		COMPANY	
	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'000
Receivables from related parties:				
Crown Paints and Building Products Limited		65,669		65,669
Crown Building and Products Limited (Uganda)		-		22,359
Unibilt 2003 Limited		-		96,292
	156,834	**65,669**	**211,361**	**184,320**

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008 (Continued)

12. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
Payables to related parties:purchases				
Crown Paints and Building Products Limited	[redacted]	240	[redacted]	-
Twiga Paints Limited	[redacted]	-	[redacted]	137,219
Daxian Limited	[redacted]	-	[redacted]	-
	[redacted]	**240**	[redacted]	**137,219**
(iv). Key management personnel compensation	[redacted]		[redacted]	
Remuneration	[redacted]	23,043	[redacted]	21,707
Retirement benefits	[redacted]	2,630	[redacted]	2,452
	37,377	**25,673**	**35,750**	**24,159**

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

13. TAXATION

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	[redacted]	KShs'000	[redacted]	KShs'000
BALANCE SHEET				
Balance brought forward	190	9,873	(242)	8,392
Charge for the year	43,853	38,548	43,853	38,548
Under-provision in previous year	[redacted]	6,388	[redacted]	6,388
Payments during the year	[redacted]	(54,619)	[redacted]	(53,570)
Tax payable/(recoverable)	[redacted]	**190**	[redacted]	**(242)**
INCOME STATEMENT	[redacted]		[redacted]	
Current tax at 30 % on the taxable profit for the year	[redacted]	38,548	[redacted]	38,548
Under-provision in previous year	[redacted]	6,388	[redacted]	6,388
Deferred tax	[redacted]	18,688	[redacted]	18,688
	[redacted]	**63,624**	[redacted]	**63,624**
Reconciliation of taxation expense to tax based on accounting profit	[redacted]		[redacted]	
Accounting profit before tax	[redacted]	140,293	[redacted]	187,289
Tax at applicable rate of 30%	[redacted]	42,088	[redacted]	56,187
Tax effects on items not deducted for tax	[redacted]	(10,882)	[redacted]	(22,524)
Originating and reversing temporary differences	14,815	7,342	4,543	4,885
Deferred tax (credit)/charge	(3,162)	18,688	(3,162)	18,688
Under-provision in previous year	6,313	6,388	6,313	6,388
	47,004	**63,624**	**47,004**	**63,624**

[redacted]

14. SHARE CAPITAL	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
Authorised:				
25,000,000 ordinary shares of KShs.5 each	[redacted]	125,000	[redacted]	125,000
Issued and fully paid:				
23,727,000 (2007: 23,727,000) ordinary shares of KShs.5 each	[redacted]	118,635	[redacted]	118,635
15. RESERVES				
Share premium	[redacted]	80,174	[redacted]	80,174
Revaluation reserve	[redacted]	103,336	[redacted]	143,712
Retained earnings	501,070	487,997	505,270	456,765
	679,590	**671,507**	**724,166**	**680,651**

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

16. PROPOSED DIVIDENDS	GROUP		COMPANY	
	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'000
Final	[redacted]	23,727	[redacted]	23,727
	[redacted]	KShs	[redacted]	KShs
Dividend per ordinary share	1.00	1.00	1.00	1.00

Dividend per share is calculated on dividends of KShs 23,727,000 (2007: KShs 23,727,000) 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.

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2008 (Continued)

17. DEFERRED TAX LIABILITY

Movements in deferred tax during the year were as follows:

[redacted]				
Unrealised exchange gain	3,346	(3,253)	-	93
Unrealised exchange loss	-	(4,027)	-	(4,027)
[redacted]				
	102,678	(3,162)	(3,514)	96,002

[redacted]				
Unrealised exchange gain	1,540	1,806	-	3,346
Unrealised exchange loss	(1,860)	1,860	-	-
[redacted]				
	87,765	19,688	(3,775)	102,678

18. 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% (2007: 16.5%).

19. LOANS

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year	[redacted]	36,225	[redacted]	36,225

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% (2007: 9.93%).

20. COMMERCIAL PAPER

	GROUP		COMPANY	
	[redacted]	2007 KShs'000	[redacted]	2007 KShs'000
Amounts falling due within one year	[redacted]	**139,102**	[redacted]	**139,102**

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

21. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	[redacted]	2007 KShs'000	[redacted]	2007 KShs'000
Amounts falling due within one year				
Trade payables	378,888	347,074	352,626	337,813
Other payables	1,968	18,772	923	16,458
Accruals	18,530	33,216	16,708	31,981
	[redacted]	**399,062**	[redacted]	**386,252**

22. SALES

	GROUP		COMPANY	
Decorative paints	[redacted]	1,724,740	[redacted]	1,713,619
Industrial paints	[redacted]	41,975	[redacted]	41,975
V.R. range	[redacted]	255,896	[redacted]	255,896
Tins	[redacted]	62,031	[redacted]	-
Others	[redacted]	5,346	[redacted]	-
	[redacted]	**2,089,988**	[redacted]	**2,011,490**

23. COST OF SALES

	GROUP		COMPANY	
Raw materials	[redacted]	1,208,851	[redacted]	1,148,362
Salaries and wages	[redacted]	52,832	[redacted]	41,625
Depreciation on plant and machinery	[redacted]	38,313	[redacted]	35,396
Machinery repairs and maintenance	[redacted]	14,492	[redacted]	12,769
Fuel, water and electricity	[redacted]	20,064	[redacted]	16,938
Others	[redacted]	2,234	[redacted]	2,234
	[redacted]	**1,336,786**	[redacted]	**1,257,324**

24. OTHER INCOME

	GROUP		COMPANY	
Gain on disposal of plant and equipment	318	576	318	534
Interest income	742	-	11,013	10,953
Miscellaneous income	33,811	5,603	29,215	3,865
Foreign exchange gain	-	21,378	-	20,793
Operating lease income	4,740	4,740	4,740	4,740
Reversal of impairment loss on investment	-	-	-	1,000
Bad debts recovered	6,837	15,629	6,837	15,629
	46,448	**47,926**	**52,123**	**57,514**

FINANCIALS

CROWN-BERGER KENYA LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (Continued)

25. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
Staff costs	[redacted]	159,264	[redacted]	156,779
Depreciation		17,988		14,763
Auditors' remuneration		3,885		3,200
Directors' emoluments:				
As Directors		6,152		6,152
As Executives		12,355		12,355
Legal and professional fees		12,216		10,815
Amortisation of prepaid leases on land		265		265
Amortisation of intangible assets		-		-
Insurance		13,976		13,416
Foreign exchange loss		-		-
Office expenses		26,228		28,498
Consultancy fees		17,720		17,720
Computer costs		10,706		10,706
Trade licences		11,866		11,866
Maintenance, subscriptions and donations		12,477		12,477
Bank charges	8,313	8,617	7,844	8,297
Others	29,887	32,670	22,588	6,588
	503,599	**346,385**	**462,748**	**313,897**

26. SELLING AND DISTRIBUTION

	[redacted]		[redacted]	
Transport	[redacted]	46,945	[redacted]	46,945
Advertising and promotion		91,388		91,388
Allowance for impairment losses		39,454		39,454
Depot expenses		48,499		48,499
Others		944		944
	244,694	**227,230**	**230,251**	**227,230**

27. OTHER CHARGES AND EXPENSES

Service fees	[redacted]	64,426	[redacted]	64,426

28. FINANCE COSTS

	[redacted]		[redacted]	
Interest on loan and overdraft	[redacted]	9,345	[redacted]	5,389
Others		13,449		13,449
	[redacted]	**22,794**	[redacted]	**18,838**

29. PROFIT BEFORE TAX

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
The profit before tax is stated after charging: -				
Depreciation	[redacted]	56,301	[redacted]	50,178
Amortisation of prepaid leases on land	[redacted]	265	[redacted]	265
Amortisation of intangible assets	[redacted]	-	[redacted]	-
Directors emoluments:	[redacted]		[redacted]	
As Directors	[redacted]	6,152	[redacted]	6,152
As Executives	18,426	12,355	18,426	12,355
Auditors' remuneration	4,904	3,885	3,500	3,200
Interest payable	[redacted]	22,794	[redacted]	18,838
Foreign exchange losses	[redacted]	-	[redacted]	-
Pension scheme contributions	[redacted]	2,805	[redacted]	2,805
And after crediting: -	[redacted]		[redacted]	
Interest income	-	-	11,296	10,953
Foreign exchange gain	-	21,378	-	20,793
Gain on disposal of property, plant and equipment	318	576	318	534

30. 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:

	[redacted]	2007
	KShs'000	KShs'000
TURNOVER	[redacted]	-
Cost Of Sales	[redacted]	
Gross profit	[redacted]	-
OTHER INCOME	[redacted]	314
Total income	[redacted]	**314**
EXPENSES		
Administrative and establishment	2,474	2,233
Finance costs	[redacted]	18
	[redacted]	**2,251**
Loss from discontinued operations before tax	[redacted]	(1,937)
Tax	[redacted]	-
Loss from discontinued operation after tax	(2,481)	(1,937)

30. DISCONTINUED OPERATIONS (continued)

b). The assets and liabilities of Twiga Paints Limited as at 31 December 2008 are as follows:

	[redacted]	2007
ASSETS	**KShs'000**	**KShs'000**
CURRENT ASSETS		
Receivables and prepayments	[redacted]	2,091
Due from related company		137,560
Cash and bank balances		14
		139,665
CURRENT LIABILITIES		
Tax payable	[redacted]	(1,481)
Payables		(768)
		(2,249)
Net assets directly associated with discontinued operation	**134,694**	**137,416**

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

CASH FLOWS FROM OPERATING ACTIVITIES

	[redacted]	2007
ASSETS	**KShs'000**	**KShs'000**
Loss before tax	(2,481)	(1,937)
Adjustments for: -		
Gain on disposal of property, plant and equipment	[redacted]	-
Operating loss before working capital changes		(1,937)
Decrease / (increase) in amounts due from parent company		(783)
Decrease in trade and other receivables		3,374
Increase / (decrease) in trade payables and accruals		(657)
Cash flows generated from / (used in) operations		(3)
Income taxes paid	-	-
Net cash flows generated from / (used in) operating activities	[redacted]	(3)
Net increase / (decrease) in cash and cash equivalents		(3)
Cash and cash equivalents at the beginning of the year		17
Cash and cash equivalents at the end of the year	133	14

d). Earnings per share

Basic and diluted, from discontinued operation	(1.80)	(1.41)

31. EARNINGS PER SHARE

	GROUP		COMPANY	
	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'000
Net profit attributable to ordinary shareholders	[redacted]	74,732	[redacted]	123,665
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 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.

32. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'000
Bank balances and cash	[redacted]	26,080	[redacted]	17,366
Bank overdraft	[redacted]	(34,544)	[redacted]	(34,544)
	(101,403)	**(8,464)**	**(105,313)**	**(17,178)**

33. OTHER FACILITIES GRANTED BY THE BANKERS

	GROUP		COMPANY	
	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'000
Letters of credit	[redacted]	54,652	[redacted]	54,652
Guarantees given by bankers	[redacted]	3,228	[redacted]	3,228
	48,617	**57,880**	**48,617**	**57,880**

34. OPERATING LEASE COMMITMENTS

AS LESSEE:

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

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
		KShs'000		KShs'000
Within 1 year	[redacted]	124	[redacted]	124
Within 5 years		620		620
More than 5 years		4,216		4,216
	4,836	**4,960**	**4,836**	**4,960**

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

AS LESSOR:

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

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
		KShs'000		KShs'000
Within 1 year	[redacted]	6,956	[redacted]	4,701
Within 5 years		40,592		31,567
	49,079	**47,548**	**38,731**	**36,268**

35. 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. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The Group's exposure to the risks associated with changes in interest rates is minimal as its borrowings are pegged to interest rates that were agreed in advance and do not change regularly.

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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The balances in foreign currencies were as follows:

	GROUP		COMPANY	
	[redacted]	2007	[redacted]	2007
	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies	[redacted]		[redacted]	
Trade and other receivables		3,494		-
Amounts due from related companies		-		22,359
Foreign currency assets		**3,494**		**22,359**
Liabilities in foreign currencies				
Payables	(237,246)	(191,896)	(237,246)	(190,854)
Net foreign currency liability position	**(237,246)**	**(188,402)**	**(237,246)**	**(168,495)**

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

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	
	2008	2007	2008	2007
	[redacted]	KShs'000	[redacted]	KShs'00
Increase in US$ by 8% (2007-7%)	[redacted]	**(13,188)**	[redacted]	**(11,795)**
Decrease in US$ by 8% (2007-7%)	[redacted]	**13,188**	[redacted]	**11,795**

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 11 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Year ended 31 December 2008	[redacted]	Less than 3 months	[redacted]	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Bank overdraft	[redacted]	7,332	[redacted]	115,920
Interest bearing loan	[redacted]	86,832	[redacted]	102,686
Commercial paper	[redacted]	239,171	[redacted]	359,171
Trade and other payables	[redacted]	125,454	[redacted]	453,906
Amounts due to related party	[redacted]	430	[redacted]	53,164
	[redacted]	**459,219**	[redacted]	**1,084,847**

Year ended 31 December 2007	[redacted]	Less than 3 months	[redacted]	Total
	[redacted]	KShs'000	[redacted]	KShs'000
Bank overdraft	[redacted]	-	[redacted]	34,544
Interest bearing loan	[redacted]	-	[redacted]	36,225
Commercial paper	[redacted]	-	[redacted]	139,102
Trade and other payables	644	50,549	347,869	399,062
Amounts due to related party	240	-	-	240
	884	**50,549**	**557,740**	**609,173**

Capital risk management

Capital includes equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, healthy capital ratios, 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 in order to support its business and maximise shareholder value. 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.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 20% and 35%.

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

36. SEGMENT INFORMATION (continued)

a). Business Segments

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

Segment information is as presented below.

31 December 2008	Continuing operations Paints KShs'000	Adhesives KShs'000	Elimination KShs'000	Consolidated KShs'000	Discontinued operation Paints KShs'000	Total operations KShs'000
Assets and Liabilities						
Segment assets	2,129,126	64,080	(381,901)	1,811,305	136,976	1,948,281
Investment	94,378	-	(94,378)	-	-	-
Total assets	2,223,504	64,080	(476,279)	1,811,305	136,976	1,948,281
Segment liabilities	1,313,349	126,096	(315,398)	1,124,047	2,282	1,126,329
Other segment information						
Capital Expenditure:						
- tangible fixed assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
- Intangible fixed assets	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Depreciation and amortisation of leasehold land	59,756	4,822	-	64,578	-	64,578
Amortisation of intangible assets	7,226	-	-	7,226	-	7,226
Service fees	6,789	-	-	6,789	-	6,789
Revenue						
Sales to external customers	2,370,872	18,648	-	2,389,520	-	2,389,520
Inter segment sales	41,313	22,245	[illegible]	-	-	-
Other income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inter segment other income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Results						
Operating results	88,889	(11,108)	-	77,781	(2,481)	75,300
Profit /(loss) before tax	88,889	(11,108)	-	77,781	(2,481)	75,300
Income tax expense	(47,004)	-	-	(47,004)	-	(47,004)
Profit / (loss) after tax	41,885	(11,108)	-	30,777	(2,481)	28,296

b). Geographical Segments

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

37. EMPLOYEES

The average number of employees for the Group during the year was 264 (2007: 224).

38. COMPARATIVES

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

39. INCORPORATION

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

To:

The Registrar

Custody & Registrar Services Limited

P.O. Box 8484

00100 - NAIROBI

PROXY FORM

CROWN-BERGER KENYA LIMITED

I / We ______________ ______________ _____ of _______ ______________ __________

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

________ ______________ ______________ ______________ ______________ _______

of ______________ ______________ ______________ ______________ __________

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty Second Annual General Meeting of the Company to be held on 25 June 2009 and at any adjournment thereof.

Signed/Sealed this ________ ______________ day of ____________ ______________ 2009

_______ ______________ ______________

____________ ______________ __________

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.*