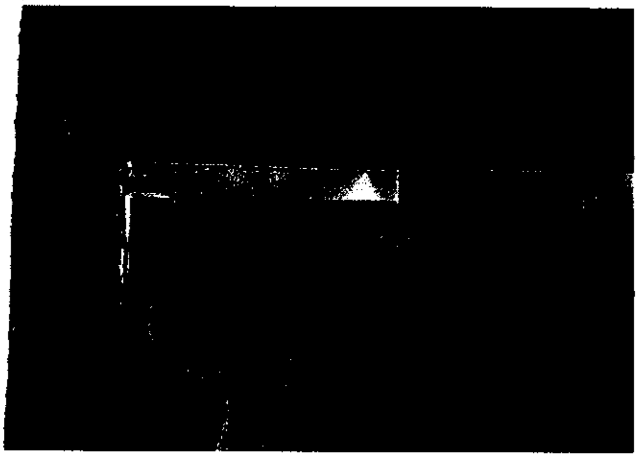
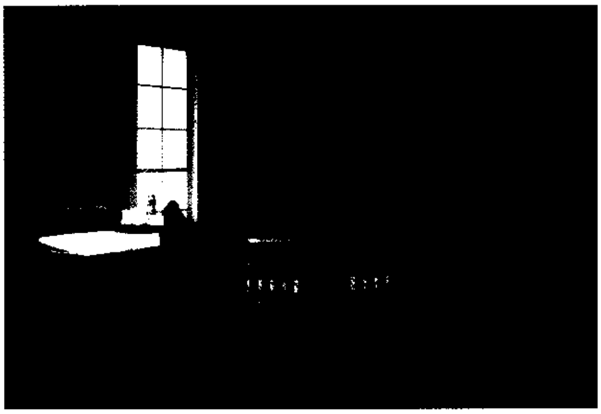




Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 53rd Annual General Meeting of the Company will be held at the Panafric Hotel, Kenyatta Avenue, Nairobi on Monday, 7 June 2010 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 Financial Statements for the year ended 31 December 2009 together with the Directors' and Auditors' Reports thereon.

4. To declare a final dividend of KShs 1.25 per ordinary share for the financial year ended 31 December 2009, and approve the closure of the Register of Members on Tuesday, 8 June 2010 for one day only.

5 To approve the Directors' remuneration.

6 To elect Directors:
   i) Mr R Rao retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible, offers himself for re-election.

7 To authorise the Directors to fix the remuneration of the Auditors, Ernst & Young.

BY ORDER OF THE BOARD

Conrad Nyukuri
Company Secretary

28 April 2010

NB: In accordance with section 136 (2) of the Companies Act (Cap. 486) every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member. Proxy forms should be returned to The 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.

Corporate Information

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

Secretary
Conrad Nyukuri
P.O. Box 41968 - 00100
Nairobi

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

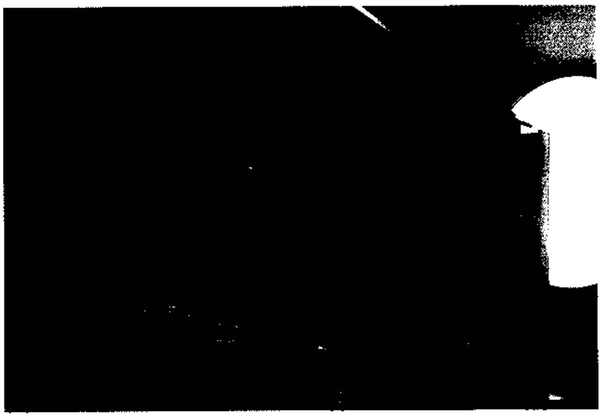
Registrars
Custody and Registrar Services Ltd
Bruce House, 6th Floor
Standard Street
P.O. Box 8484 - 00100
Nairobi

Bankers
Barclays Bank of Kenya Ltd
P.O. Box 30120 - 00100
Nairobi

Kenya Commercial Bank Ltd
Mashariki Branch
P.O. Box 311 - 00507 Viwandani
Nairobi

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

Solicitors
Kairu Mbuthia & Kiingati Advocates,
Paresia Center, Ngong Road,
Opposite Uchumi Hyper,
P.O. Box 6574-00100,
Nairobi.



Managing Director's Statement

I am pleased to announce that for the financial year 2009 profits after tax rose by 180%.

This result was against a background of a sluggish first half Kenyan economy which faced unfavorable weather conditions, higher food and fuel costs.

The world's financial crunch, gave rise to the domestic credit market being cautious and hence raising the cost of finance. One positive effect of the global credit crunch was the stabilizing of key raw material prices, and whilst the 3rd and 4th quarters showed some upward movement, generally trading was stable as all industries and service providers conserved cash.

Overall, our own activities provided a 6% sales growth.

Sales and Marketing

Crown has now been the brand leader for some twenty five years .To strengthen that position we took dual action, firstly to secure growth in the short to medium term, secondly to invest for the future.

At this time the Kenyan paint market is changing its dynamics as new products and technology changes are introduced.

We are the leaders in this concept of change using change to innovate, rapidly improve and provide products, which are environment friendly.

A revolutionary Wood Protection system was introduced during 2009, which slashes the cost of protecting and decorating new timbers, whilst providing long term capability to protect. The products and services we provide require to be focused at the consumer and user levels. Operation 'Transformation' produced a classy informative TV commercial which generally has won acclaim from the pundits, the press, our customers and even our competitors!

Testing of the water began with a showroom type operation on Mombasa Road which provides a one stop of information on colours and specification including remedial treatments. We now have to expand this helpline oriented concept in 2010.

One sector of our business which lacked impetus during 2009 was Automotive, where throughout the year demand was lower than 2008.

With a view to 2010 we did launch in September a promotional scheme to reward those customers who could sustain business levels higher than 2009.

Their rewards for a seven month long promotion allowed us and them to stabilize and strengthen our joint links which provide the strongest base for both of us to grow. Our commitment to train painters from all sectors was met, and our longer term plans have the ingredients to flourish.

Finance

Due to stringent financial planning, the Management succeeded in arresting a major element which contributed to lower income in FY 2008 i.e. Exchange Loss. There was no loss on this account during current year under review.

Better cash management is also reflected by significant reduction in liabilities of the group on account of Commercial Papers to the tune of 83 Million Kenya Shillings, Bills Refinancing to the extent of 60 Million Kenya Shillings and utilization of Overdraft facilities only to the tune of 25 million Kenya shilling which were 115 Million in the year 2008.

The group ended the year with a positive cash balance of 39 Million as against negative balance of 101 Million at the end of the Financial Year 2008.

The group continued to receive higher liquidity and maintenance of lower inventory levels without effecting its demand and supply position. The Inventory level at the end of 2009 was lower by 99 Million as compared with the previous year's figures.

The Gross Profit peaked 36%. Similarly Net Profit Margin also improved at 5% of the turnover. This is reflected by Higher Return on Investments resulting in higher net worth for the shareholders.

Human capital

During the period under review, the company has continued to maintain a strong human resource base with skilled and competent work force. The company recognizes 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 business strategy. The company has continued to undertake measures geared towards creating a harmonious working environment, enhanced industrial and staff welfare practices among others.

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

In order to enhance staff productivity the company has embraced a performance management system through Balanced Score Card as a basis for rewarding staff and identifying areas of improvement. During the period the company began promoting Kaizen Principles. Kaizen is time tested and proven approach to building competences within organizations and involves eliminating process related waste also known as MUDA. In order to attract, retain and motivate employees, the company continues to undertake various welfare programs.

Chairman's Statement

I am delighted to report that earning per share for the shareholders of the company increased from 1.20 Kenya shilling per share during 2008 to 3.64 Kenya shilling per share during 2009, reflecting an increase of 180% during the 2009 financial year, buoyed by stable trading and raw materials costs. We have solidified our position as brand leader in Kenya—a position we have held for 25 years—by investing in innovation, management incentives and customer promotions. Our multi-faceted strategic planning has proven effective despite power shortages, drought and other challenges.

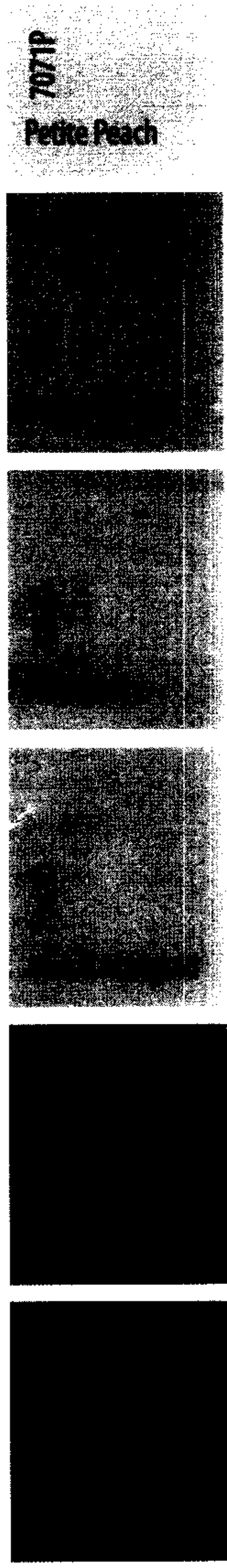
Market innovations partly explain our success. We introduced a wood protection system, a cutting-edge advertising campaign, a showroom operation on Mombasa Road and a promotional scheme. At the same time, we improved our cash management practices resulting in a positive cash balance for the year. Our people make all the difference at Crown Berger; we are positive and capable and this is reflected in the realisation of our overall business strategy. Various welfare and training programmes are contributing to attracting, retaining and motivating our employees.

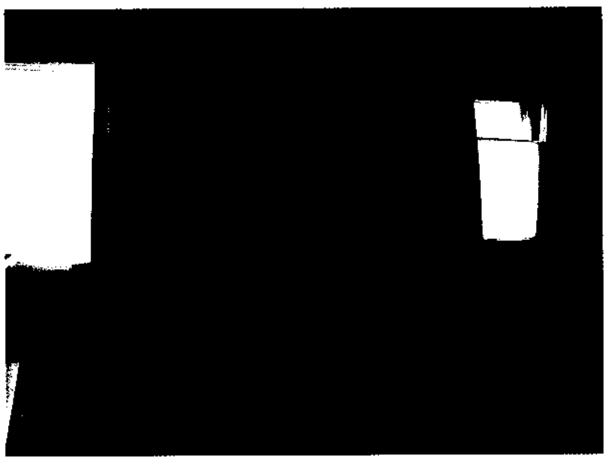
Safety continues to be a priority across the business. Kaizen principles and ISO 9001-2000 are contributing to a safer, waste-free environment. Our world-class effluent treatment plan is the only solvent recovery and effluent treatment plant in East Africa. Meanwhile, our investment in SAP Business One has improved information and communications management.

Our operations struggled somewhat in Uganda during the year, with sluggish growth attributed to exchange rate volatility, slowing export growth and a decline in foreign capital inflows. However, regional exports to Rwanda, Burundi, Southern Sudan and DRC are helping to improve prospects for the coming year as construction and infrastructure development escalates in those countries.

The outlook for the future at Crown Berger is bright. Regional economies are on track, with lower inflation, stable raw materials costs and a booming building and construction sector all contributing to growth prospects.
I would like to extend special thanks to the people who make Crown Berger a success: our people and our customers. Thank you for a rewarding year, and I look forward to the year ahead.

Mhamud Charania
28 April 2010





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 Drector, 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 markets 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 25 to the financial statements. No arrangements exist whereby a Director could acquire Company shares on beneficial terms.

Manufacturing

Production enhanced their capacity by launching world class program Kaizen to improve process and cut down on wasteful expenses. As customer's demand and expectations are increasing, CBKL team is able to deliver as per growing demand to improve customer services and satisfaction.

CBKL continued to focus on improving work place safety and the safety capabilities across all its facilities. During the year, all the facilities (Factory & Depots) were audited and certified by the SGS for ISO 9001-2000.

We have completed 14000 hours of accident free working. The Company undertook waste minimization initiatives in its efforts to conserve resources and protect the environment. This resulted in reduction in specific generation of effluents and solid waste. Also, specific water consumption was further reduced during the year 2009.

World Class Effluent treatment plant was installed and commenced, capable to handle 15000 litres of effluent per day. With this, CBKL is the only Paint Company in East Africa to have a solvent recovery plant and effluent treatment plant.

ICT

The company made significant improvements in the management of information and communication systems in the year 2009.

The SAP system - Crown Berger became the largest SAP Business One user in Africa and the Middle East with 165 user licenses and was nominated by SAP Germany as a world case study in the successful implementation of the system. As a precursor to the nomination, the company was invited to give a presentation about the success story at Crown Berger in the SAP World Tour in the last quarter of 2009.

To increase effectiveness in communications amongst employees and our business partners, the company deployed an open-source (zero cost) internal mail server that has made it possible to have all employees that have access to computers acquire company e-mail addresses while at the same time reduced the cost of hosting electronic mail boxes considerably.

Uganda

Uganda's growth slowed down to 5.5% from 8.5% due to the global financial crisis in the year 2009.

The effects of the crisis are starting to be felt in lower export growth, a decline in foreign capital inflows, depreciation of the shilling as well as lower tax revenue collections. The deceleration in growth could be more pronounced if the global recession turns out to be deeper than anticipated. Depreciation of the Uganda shilling against US$ from 1700 to 2000 Ush made significant impact on Raw Material costs which caused shrinkage of the profit margin in the year 2009. An appropriate strategy is being worked out to increase sale of premium brand in the country through regular training session with users.

UNRO has approved the newly launched Thermo Line Road Marking Paint on all infrastructure project and CBPL has been awarded contract to supply paints to all contractors in Kampala.

Our sales has shown significant growth of 34% over year 2008 as we are able to export to Rwanda, Burundi, Southern Sudan and Congo. All these countries are focusing on infrastructure development hence CBPL is looking for great opportunity to take benefit of a growing construction sector in the coming years.

Future outlook

Kenyan economy has shown a significant improvement in the last quarter of year 2009 and is likely to show a faster recovery in 2010 at 3 to 4% compared to 1.7% in 2009. Lower inflation and stable raw material prices will keep the raw material price increase under control, hence offering competitive prices to the consumers.

Continuous focus on infrastructural development saw an increase of 8.3% by the building and construction sector. This will support paint consumption in the year 2010. Opening of a regional market through COMESA will be an added advantage to do business across the borders more freely.

Crown Berger will continue to review business processes, robust cost control measures including review and streamlining business processes to give maximum returns to shareholders in 2010.

I convey my heart full thanks to my fellow Directors, Employees and Stakeholders for their continuous support in the year 2009.

Rakesh Rao
28 April 2010

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.

Top ten largest shareholders

Share Holder	Name & Address	Total Shares	Percentage
2402	CROWN PAINTS AND BUILDING PRODUCTS LIMITED P.O. BOX 78188 NAIROBI	11,402,855	48.06
3207	BARCLAY HOLDINGS LIMITED 35 BARRACK ROAD P.O. BOX 1777 BELIZE CITY BELIZE	3,234,000	13.63
(7135955)	LANSBURY LIMITED P.O. BOX 48020 NAIROBI 00100	995,800	4.20
(604)	PAUL WANDERI NDUNGU P.O. BOX 75528 NAIROBI	780,514	3.29
(3316980)	KANAKSINH KARSANDAS & SANDIP KANAKSINH BABLA P.O. BOX 80631 MOMBASA 80100	346,300	1.46
(88986)	MAHENDRA DAHYABHAI PATEL P.O. BOX 178 NAIROBI 00606	224,020	0.94
(11240)	MULCHAND NARSHI SHAH P.O. BOX 39735 PARKLANDS 00623	212,417	0.90
2270	MAHENDRA FULCHAND GANDHI & MRS MALVIKA MAHENDRA GANDHI P.O. BOX 90393 MOMBASA	200,939	0.85
(280780)	JOHN MURIUKI KIBUCHI P.O. BOX 20105 - 00200 NAIROBI	180,680	0.76
(207179)	VICTORIA FURNITURES LIMITED P.O. BOX 10827 NAIROBI 00400	106,700	0.45

Total Holders	10
Total Shares	17,684,225
Remaining Shares of company	6,042,775
Remaining Holders	2967
Grand Total of Holders	2977
Pending CDS Upload	0
Total Shares without CDS Pending Shares	23,727,000

Crown - Berger Kenya Limited Share Register Shareholding Analysis by volume as at 30.04.2009

Corporate Social Responsibilities

Mr Rao (CEO) presents a trophy to the KANBIS team captain Rajesh Varsani.

Crown Berger sponsors festival friendship games

East Africa's leading paint maker Crown Berger last year donated Ksh. 200,000 towards the Youth Cricket Association. The sponsorship of the festival of friendship games aimed at bringing together through sport and cultural events, Kenya's youth of all walks and background.

Crown Berger Chief Executive Officer Rakesh Rao, while presenting the cheque to the Association said young people have the potential to grow and such games were important for child growth and development. "Festival of friendship aims at building bridges and promotes pluralism", he said.

Crown Berger sponsors a number of activities as way of giving back to the society and promoting its corporate social responsibilities in the region.

The annual event embraces cultural differences by celebrating cultural as well as religious heritages, encouraging communal brilliance, creating inter-religious cooperation and enhancing inter-community understanding.

"Crown Berger sponsors a number of activities as way of giving back to the society and promoting its corporate social responsibilities in the region."

Winners of the Friendship Cup Cricket Matches, proudly display their trophies with Mr Rao (CEO, far right).

Crown Berger going green

Crown Berger in conjunction with Makini Schools have initiated a tree planting project aimed at protecting Kenya's forests as well as maintaining the ecosystem to sustain the country's environment.

The initiative dubbed 'adopt a tree' seeks to inform and educate children on the importance of protecting forests to counter the adverse effects of climate change by implementing environmentally sustainable practices and encourage the country to do the same.

The event saw over two thousand pupils attending the plant a tree event along the Nairobi River that flows through the school compound. The campaign targets to plant an estimated 5000 trees annually.

Under the programme, each pupil will track the tree's growth by ensuring it is well maintained through constant watering and pruning.

"We the children of the earth are concerned about the increase and magnitude of global warming and the resulting ecological, health, economic and social ramifications", read part of a pledge recited by the children.

Nairobi Central Business District Association (NCBDA) Chairman Timothy Muriuki who presided over the occasion last June, said efforts to reclaim deforested areas of Nairobi were ongoing.

"We must engage concerted efforts aimed at ensuring there are enough trees to meet the needs of the society especially those who rely on wood for cooking", he added.

During the occasion Crown Berger also re-launched two wood protection products to boost its paint making technology. Woodcare 365 and wood guard not only raise the paint quality by up to 40%, but are also cost-effective and reduce the material cost by 30% per application.

Meanwhile Crown Berger has partnered with Green Africa Foundation a local Kenyan Non-governmental organization, to plant a tree for every litre of paint purchased by dealers and immediately specified by architects.

Green Africa Foundation Executive Director John Kioli said Kenya needed to embrace ecological and environmental conservation practices with a particular focus to arid and semi arid lands of Kenya where poverty is most prevalent. He warned the country was in danger of the adverse effects of global warming and called upon the government to implement policies that safeguard the environment.

Mr Rao (CEO) is assisted by Debra Chelimo, a pupil at Makini School, to plant a seedling along the Nairobi river which passes through the school.

NCBDA Chairman Mr. Timothy Muriuki hands over a seedling to one of the pupils.

A shining light... it is not about your background but what you have within.

Head of Science Dept Mrs Esther Mbogo - James Kithome and Jane Ndirangu in the physics laboratory.

Do you remember what you wanted to become when you grew up? Maybe you are among the few who have or are on their way to their childhood dreams.

For many the common refrain to this question is one of either, a Nurse, Police Officer, an Engineer, a Manager or even a Pilot, as it is for one James Kithome.

Well just like you once did, James envisions an illustrious career in the skies. Nothing unique you may say, however what is inimitable is that despite the odds in his life he is well on the way to achieving his lifelong dream.

"From as young as I can remember I used to see the planes in the sky and always dreamt of being a pilot. This is my greatest motivation and one day help by giving back to society", he says.

On this lovely Monday afternoon in March, I sat across this ambitious School captain, and saw the determination in his eyes, to make every success out of life. Today he was about to sit his Kiswahili end of term exam.

This opportunity was courtesy of Crown Berger Limited that has paid his School fees since he started form one in Lelboinet High School, Kajiado District. Crown Berger's sponsorship support also caters for his food and other school needs.

James who celebrated his 18th birthday this past February, is an orphan whose parents succumbed to the HIV/ Aids scourge. He is among a team of twenty six students benefitting through the Kenya Network of Women with Aids (KENWA) education sponsorship programme.

"My education, paid for by Crown Berger has been good, the payments have always been on time and I would like to thank them".

Speaking to James, one notices his zeal for life and a desire for greatness. He readily admits to harboring political ambitions too with a heavy agenda on his mind.
"The issue of poverty I feel has been spoken about for so long, I intend to ensure a reduction of the current inequality in the country once I get to parliament one day soon", He explained at length.

An 'A' student, James takes his role as School Captain at Wahundura High School with utmost responsibility knowing very well that the 360 school population looks up to him for conduct and direction.

According to School Principal Irungu Nduati, James is exceptionally focused, hardworking and never afraid to lead from the front. "He will be one of the best School Captains in the School's history", he said.

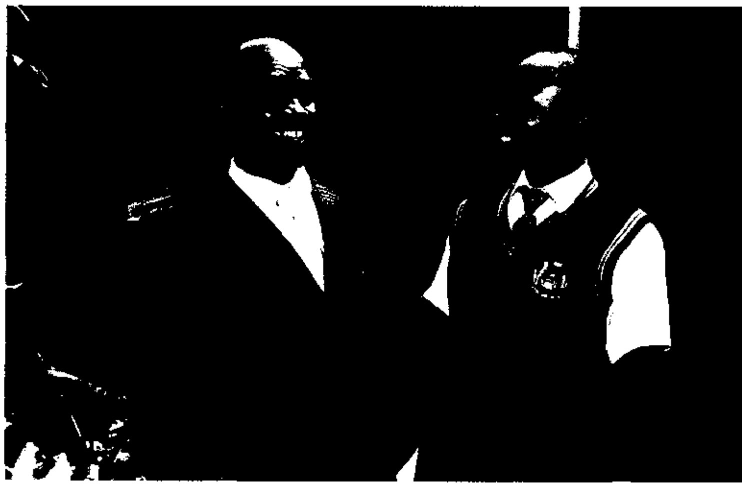
Among his other fetes include being the court manager of the school's basketball team. Noticing his relatively short stature I ask just how he contributes to the game known for players with above average height.

"This is not an issue for me because I believe it is what you bring to the court that matters and I bring leadership and mentorship where I organize practice sessions and manage the daily game sessions.
His word of advice to other less fortunate is not to build their lives on a culture of despair nor background since it is not wealth that determines a person but the brains one possess.

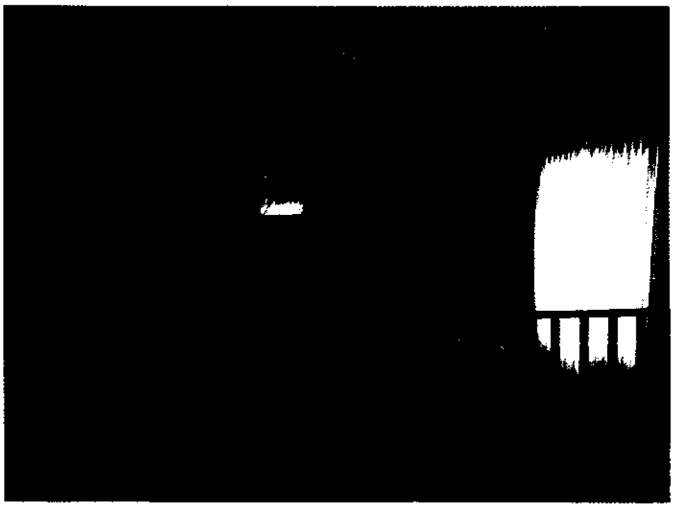
The boy who enjoys eating chicken and watching movies is upbeat about life sharing wisdom that truly puts him a cut above many of his peers.

Indeed this is a shining light that promises to illuminate Kenya's economic and political spheres in the near future. Courtesy of Crown Berger, I advise you watch this space indeed.

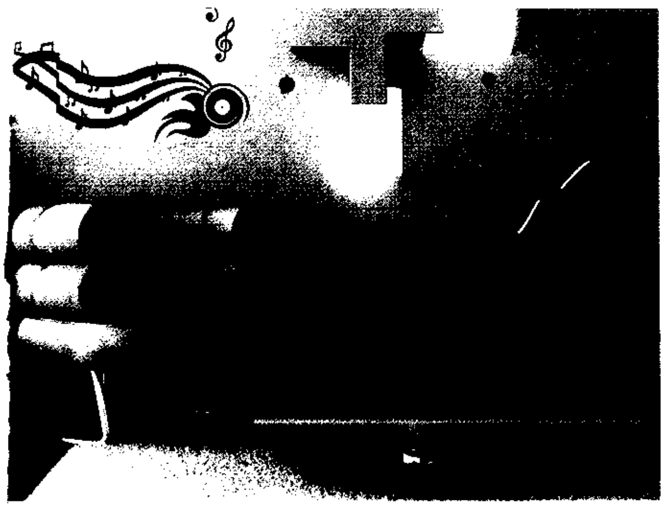
"My education, paid for by Crown Berger has been good, the payments have always been on time and I would like to thank them".



Wahundura High School Principal Irungu Nduati with School Captain James Kithome outside the admin block.



Financial Statements 2009



Report of the Directors
For the Year ended 31 December 2009

The Directors submit their report and the audited financial statements for the year ended 31 December 2009, 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. The company was dissolved in November 2009.

Crown Berger Allied Industries Limited (Formerly Unibilt 2003) is involved in the manufacture of adhesives.

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 1.25 (2008: KShs 1) per share amounting to KShs 29,659,000 (2008: 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 41, note 14.

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
P.M. Mwati
H.H.R.J. Charania

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

28 April 2010

Report of the Independent Auditors to the Members of Crown-Berger Kenya Limited and Subsidiaries

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 53 which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the statement of financial position of the company as at 31 December 2009, the statement of comprehensive income 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 judgment, 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 2009 and of the financial performance 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 statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young
Certified Public Accountants
Nairobi
28 April 2010

Statement of Directors' Responsibilities On the Group's Financial Statements
For the year ended 31 December 2009

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

28 April 2010

Patrick Mwati
Finance Director

28 April 2010

Consolidated Statement of Financial Position
As at 31 December 2009

	Note	2009 KShs'000	2008 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	496,648	513,507
Intangible asset	4	25,819	34,710
Prepaid leases	5	9,819	10,084
Goodwill	6	-	13,497
		532,286	571,798
CURRENT ASSETS			
Inventories	9	519,322	618,276
Trade and other receivables	10	477,743	581,966
Amounts due from related parties	11(iii)	258,457	156,834
Tax recoverable	12	5,455	4,890
Bank balances and cash		65,189	14,517
		1,326,166	1,376,483
TOTAL ASSETS		1,858,452	1,948,281
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	118,635	118,635
Reserves	14	688,649	679,590
Proposed dividends	15	29,659	23,727
		836,943	821,952
NON-CURRENT LIABILITIES			
Deferred tax	16	97,860	96,002
CURRENT LIABILITIES			
Bank overdraft	17	25,221	115,920
Loan	18	42,585	102,686
Commercial paper	19	276,013	359,171
Amounts due to related parties	11(iii)	164,203	53,164
Trade and other payables	20	415,627	399,386
		923,649	1,030,327
TOTAL EQUITY AND LIABILITIES		1,858,452	1,948,281

The financial statements were approved by the Board of Directors on 28 April 2010 and signed on its behalf by:

Rakesh Rao
Managing Director

Patrick Mwangi
Finance Director

Consolidated Statement of Comprehensive Income
For the Year ended 31 December 2009

SALES	21	2,543,657	2,389,520
COST OF SALES	22		
GROSS PROFIT		923,854	830,682
OTHER INCOME	23	53,698	46,448
DIVIDEND INCOME	24	51,234	-
Administration and establishment	25	(561,152)	(503,599)
Selling and distribution	26	(279,612)	(251,483)
Finance costs	27	(48,204)	(44,267)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	28	139,818	77,781
TAX	12	(53,510)	(47,004)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		86,308	30,777
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	29	-	(2,481)
Other comprehensive income		-	-
Basic and diluted earnings per share		KShs	KShs
Attributable to continuing operations	30	3.64	1.30
Attributable to discontinued operations	30	-	(0.10)

Consolidated Statement of Changes in Equity
For the Year ended 31 December 2009

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	[illegible]	[illegible]	[illegible]
At 1 January 2008	118,635	80,174	103,336	487,997	23,727	813,869
Transfer of excess depreciation on revaluation	-	-	(8,504)	8,504	-	-
Deferred tax	-	-	3,514	-	-	3,514
Total comprehensive income	-	-	-	28,296	-	28,296
Dividends						
- Paid for 2006	-	-	-	-	(23,727)	(23,727)
- Proposed for 2008	-	-	-	(23,727)	23,727	-
At 31 December 2008	118,635	80,174	98,346	[illegible]	[illegible]	[illegible]
At 1 January 2009	118,635	80,174	98,346	501,070	23,727	821,952
Transfer of excess depreciation on revaluation	-	-	(8,504)	8,504	-	-
Deferred tax	-	-	3,644	-	-	3,644
Total comprehensive income	-	-	-	86,308	-	86,308
Dividends						
- Paid for 2008	-	-	-	-	(23,727)	(23,727)
- Proposed for 2009	-	-	-	(29,659)	29,659	-
Dividends paid on dissolution of Twiga Limited	-	-	-	(51,234)	-	(51,234)
At 31 December 2009	118,635	80,174	93,486	[illegible]	29,659	[illegible]

Consolidated Statement of Cash Flows
For the Year ended 31 December 2009

		2009 KShs'000	2008 KShs'000
OPERATING ACTIVITIES			
Profit before tax			
Attributable to continuing operations		139,818	77,781
Attributable to discontinued operation	(note 29)	-	(2,481)
		139,818	75,300
Adjustments for:-			
Depreciation		73,408	64,313
Amortisation of intangible assets		10,304	7,226
Amortisation of prepaid leases on land		265	265
Impairment of Intangible assets		10,500	-
Impairment of goodwill		13,497	-
Foreign exchange gain		(15,445)	50,968
Interest expense		48,204	44,267
Gain on disposal of plant and equipment		(1,526)	(318)
Operating profit before working capital changes		279,025	242,021
Trade and other receivables		104,223	(172,610)
Inventories		98,954	(147,505)
Trade and other payables		16,241	324
Related parties		9,416	(38,241)
Cash flows generated from /(used in) operations		507,859	(116,011)
Income taxes paid (note 12)		(48,573)	(55,246)
Interest paid		(48,204)	(44,267)
Net cash generated from /(used in) operating activities		411,082	(215,524)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(60,221)	(82,382)
Purchase of intangible assets		(11,913)	(11,344)
Proceeds on sale of plant and equipment		5,198	4,476
Dividends on dissolution of Twiga Limited		(51,234)	-
Net cash used in investing activities		(118,170)	(89,250)
FINANCING ACTIVITIES			
Loan proceeds		-	152,204
(Payments)/borrowings on commercial paper		(83,158)	220,069
Loan paid		(60,101)	(85,743)
Dividends paid on ordinary shares		(23,727)	(23,727)
Net cash (used in)/generated from financing activities		(166,986)	262,803
Net increase/(decrease) in cash and cash equivalents		125,926	(41,971)
Cash and cash equivalents at the beginning of the year		(101,403)	(8,464)
Effect of exchange rate changes		15,445	(50,968)
Cash and cash equivalents at the end of the year (31)		39,968	(101,403)

Company Statement of Financial Position
As at 31 December 2009

ASSETS	Note	2009 KShs'000	2008 KShs'000
NON CURRENT ASSETS			
Property, plant and equipment	3	448,923	470,738
Intangible assets	4	25,068	34,710
Prepaid leases	5	9,819	10,084
Investment in subsidiary companies	7	12,000	94,378
Deposit for shares	8	204,028	204,028
		699,838	813,938
CURRENT ASSETS			
Inventories	9	471,031	572,705
Trade and other receivables	10	386,512	486,638
Amounts due from related parties	11(iii)	367,443	211,361
Tax recoverable	12	1,144	5,322
Bank balances and cash		59,216	10,607
		1,285,346	1,286,633
TOTAL ASSETS		1,985,184	2,100,571
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	118,635	118,635
Reserves	14	850,376	724,166
Proposed dividends	15	29,659	23,727
		998,670	866,528
NON CURRENT LIABILITES			
Deferred tax	16	97,860	96,002
CURRENT LIABILITIES			
Bank overdraft	17	25,221	115,920
Loan	18	42,585	102,686
Commercial paper	19	276,013	359,171
Trade and other payables	20	375,778	370,257
Amounts due to related parties	11(iii)	169,057	190,007
		888,654	1,138,041
TOTAL EQUITY AND LIABILITIES		1,985,184	2,100,571

The financial statements were approved by the Board of Directors on 28 April 2010 and signed on its behalf by: -

Rakesh Rao
Managing Director

Patrick Mwati
Finance Director

Company Statement of Comprehensive Income
For the Year ended 31 December 2009

	Note	2009 KShs'000	2008 KShs'000
SALES	21	2,464,489	2,295,803
COST OF SALES	22	(1,580,212)	(1,493,104)
GROSS PROFIT		884,277	802,699
OTHER INCOME	23	54,869	52,123
DIVIDEND INCOME	24	51,234	-
		990,380	854,822
EXPENSES: -			
Administration and establishment	25	(495,055)	(462,748)
Selling and distribution	26	(240,661)	(237,040)
Finance costs	27	(48,929)	(44,302)
PROFIT BEFORE TAX	28	205,735	110,732
TAX	12	(53,510)	(47,004)
PROFIT FOR THE YEAR		152,225	63,728
Other comprehensive income		-	-
Total comprehensive income		152,225	63,728
		KShs	KShs
Basic and diluted earnings per share	30	6.42	2.69

Company Statement of Changes in Equity

For the Year ended 31 December 2009

	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At 1 January 2008	118,635	80,174	143,712	456,765	23,727	823,013
Transfer of excess depreciation on revaluation	-	-	(8,504)	8,504	-	-
Deferred tax	-	-	3,514	-	-	3,514
Total comprehensive income	-	-	-	63,728	-	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**
At 1 January 2009	118,635	80,174	138,722	505,270	23,727	866,528
Transfer of excess depreciation on revaluation	-	-	(8,504)	8,504	-	-
Deferred tax	-	-	3,644	-	-	3,644
Total comprehensive income	-	-	-	152,225	-	152,225
Dividends						
- Paid for 2008	-	-	-	-	(23,727)	(23,727)
- Proposed for 2009	-	-	-	(29,659)	29,659	-
At 31 December 2009	**118,635**	**80,174**	**133,862**	**636,340**	**29,659**	**998,670**

Notes to the Financial Statements
For the Year ended 31 December 2009

1.1 Basis of preparation
The financial statements have been prepared on the historical cost basis as modified by the revaluation of certain properties, certain financial instruments at fair value and impaired assets at their recoverable amounts. The financial statements are presented in Kenya Shillings and all values are rounded to the nearest thousand.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

1.2 Standards, amendments and interpretations effective in 2009
The Group has adopted the following new and revised IFRSs which are mandatory for accounting periods beginning on or after 1 January 2009.

Amendment to IFRS 7 Financial Instruments: Disclosures. The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Estimated fair value is the amount at which an instrument could be exchanged in a current transaction between willing parties other than enforced or liquidation sale.

The Group has concluded that the fair value of financial instruments approximate to their carrying amounts as they bear variable interest rates determined under market conditions.

IFRS 8, Operating Segments. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. IFRS 8 replaces IAS 14 Segment Reporting upon effective date.

IAS 1(Revised 2007), Presentation of Financial Statements. 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 all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present comprehensive income in one single statement and it has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has a retrospective restatement, or retrospectively reclassified items in the financial statements.

IAS 23, Borrowing Costs. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. During the year, there were no borrowings for the acquisition of capital assets.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009, but they are not relevant to the Group's operations:

IAS 32, Amendments to IAS 32 Financial Instruments: 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 became 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 fulfill a number of specified features. The adoption of these standards had no material impact on the financial position or the performance of the Group.

IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate-: This amendment is applicable for reporting periods beginning on or after 1 January 2009. The amendment permits an entity in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates in their opening IFRS financial statements in accordance with the following: at cost determined in accordance with IAS 27; at the fair value of the investment at the date of transition to IFRS, determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement; or at the previous GAAP carrying amount of the investment at the date of transition to IFRS. IAS 27 was amended and the cost method was removed and it was made clear that all dividends received from subsidiaries, joint ventures and associates are recognised as income when the right to receive the dividend is established and no more separated into pre- and post-acquisition dividends. Upon receipt of dividend, the investor is required to consider the related investment for impairment and a consequential amendment was made to IAS 36 to insert two indicators of impairment when a dividend is received.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

IAS 18, Revenue: As part of the second omnibus of amendments to standards issued in April 2009 the Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent, effective immediately. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The revenue recognition accounting policy has been updated accordingly.

IFRS 2, Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations-: The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. It also clarified the scope and the accounting for company cash-settled share-based payment transactions.

IFRIC 9, Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (effective for periods ending on or after 30 June 2009) - This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 13, Customer Loyalty Programmes-: IFRIC 13 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 the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.

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.

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 company 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.

IFRIC 18, Transfers of assets from customers (effective for transfers on or after 1 July 2009). This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation only applies to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both.

Improvements to IFRSs

In May 2008, the IASB issued 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 adoption of the following amendments did not have material impact on the financial position or performance of the Group.

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

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

IFRS 8, Operating Segment Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1, Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.

IAS 7, Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

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: Replaces the term "net selling price" with "fair value less costs to sell". 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: The amendment replaces 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. Changes to definitions on return on plan assets, contingent liability and short-term and other long-term benefits are to be applied retrospectively. The change to past service cost definition to be applied prospectively. The amendment had no impact on accounting policy and financial position of the Group.

IAS 20, Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.

IAS 23, Borrowing Costs: The definition of borrowing costs is revised to consolidate the types of items that are considered components of 'borrowing costs' - that is components of the interest expense calculated using the effective interest rate method.

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 28, Investments in Associates: If an associate is accounted for at fair value through profit or loss, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.

IAS 29, Financial Reporting in Hyperinflationary Economies: Revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list.

IAS 31, Interest in Joint Ventures: If a joint venture is accounted for at fair value, the only disclosure requirements of IAS 31 are those relating to the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses.

IAS 34, Interim Financial Reporting: Clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 36, Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38, Intangible Assets (effective 1 July 2009): If an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangibles as a single asset provided the individual assets have similar useful lives. The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used. Expenditure on advertising and

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

promotional activities is recognised as an expense when the company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.

IAS 39, Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications. When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of IFRS 4 Insurance Contracts, this is a change in circumstance, not a reclassification. The standard also requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40, Investment Properties: Revises the scope to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until fair value can be determined or construction is complete.

IAS 41, Agriculture: removes the reference to the use of a pretax discount rate to determine fair value, thereby allowing use of either a pretax or a post tax discount rate depending on the valuation methodology used. The standard removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cashflows that are expected to be generated in the most relevant market are taken into account.

The Group has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2009. The adoption of these standards, amendments and interpretations is expected not to have any significant impact on the Group's financial statements in the period of initial application but additional disclosures will be required.

IFRS 2, Share based payment (effective 1 January 2010): Company Cash-settled Share-based Payment Transactions. The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for company cash-settled share-based payment transactions.

IFRS 3, (Revised); Business combinations and IAS 27 (Amended): 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.

IFRS 9, Financial Instruments (effective 1 January 2011): Recognition and Measurement sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

IAS 24, (Revised) Related Party Disclosure: The revised Standard shall be applied retrospectively for annual periods beginning on or after 1 January 2011.

IAS 39, Financial Instruments (effective 1 July 2009): Recognition and measurement – eligible hedged items; The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

IFRIC 14, Prepayments of a Minimum Funding Requirements (Amendments): IFRIC 14 was amended to remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement.

IFRIC 17, Distribution of Non-Cash Assets to Owners: This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: The Interpretation was issued in November 2009 and shall be applied retrospectively for annual periods beginning on or after 1 April 2010 The Interpretation clarifies that equity instruments issued to a creditor to extinguish the liability are 'consideration paid' in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss. The resulting gain or loss is disclosed separately on the statement of comprehensive income, or the separate income statement (if presented), or in the notes. This standard will have no effect on the bank's financial statements.

Improvements to IFRSs

In April 2009, the IASB issued the second 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 adoption of the following amendments which are effective for periods beginning on or after 1 January 2010 (unless otherwise stated) will not have material impact in the period of initial application but additional disclosures will be required.

IFRS 2, Share-based Payment (effective 1 July 2009); Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2.

IFRS 5, Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosues required in respect of non-current assets, disposal groups classified as held for sale, or discontinued operations are only those set out in IFRS 5.

IFRS 8, Operating Segments: Segment assets and liabilities need only be reported when those assets and liabilities are included in measures used by the chief operating decision maker

IAS 1, Presentation of Financial Statements: The terms of a liability that could at any time result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

IAS 7, Statement of Cash Flows: Only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

IAS 17, Leases; The specific guidance on classifying land as a lease has been removed so that only the general guidance remains.

IAS 36, Impairment of Assets: The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes.

IAS 39, Financial Instruments: Recognition and Measurement: A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken. Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

IFRIC 9, Reassessment of Embedded Derivatives (effective 1 July 2009): Does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture

IFRIC 16, Hedge of a Net Investment in a Foreign Operation (effective 1 July 2009): Qualifying hedging instruments may be held by any entity within the group, provided the designation, documentation and effectiveness requirements of IAS 39 are met.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

1.3 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) 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 Crown Berger Allied Industries Limited (Formerly 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.

b) Foreign currency transactions
Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

c) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 recognized as it accrues.

d) Taxation
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Income tax expense represents the sum of current tax payable and deferred taxation.

Current income tax 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 reporting date.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts 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:

- 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 reporting date. Un-recognised deferred income tax assets are reassessed at each reporting 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current income tax and deferred tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in profit or loss.

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Past service costs are recognized 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 company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs 200 per employee per month.
The company's contributions to the above schemes are charged to the statement of comprehensive income in the year to which they relate.

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

Notes to the Financial Statements (Cont'd)

For the Year ended 31 December 2009

f) Financial instruments

Financial assets and liabilities are recognized in the Group's statement of financial position when the company 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 – which approximate fair 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 statement of comprehensive income. Where the company holds more than one investment in the same security they are deemed to be disposed off on a first-in-first-out basis. 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.

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 reporting 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 reporting 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 statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; 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 statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

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 company 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 company has transferred substantially all the risks and rewards of the asset, or
  (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company 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 company'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.

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 company's continuing involvement is the amount of the transferred asset that the company 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 company'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 derecognised 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 statement of comprehensive income.

Investments in subsidiaries

Investments in subsidiary companies are carried at cost in the separate financial statements,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 statement of comprehensive income.

g) Property, plant, equipment and depreciation.

Property, plant and machinery are measured at fair value less accumulated depreciation on buildings 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.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

Increases in the carrying amount arising on revaluations are recognized in other comprehensive income and accumulated in a revaluation surplus, a separate component in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the statement of comprehensive income.

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

Equipment and all other assets are stated at cost less accumulated depreciation and any accumulated impairment losses, if any.
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) 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.

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 statement of comprehensive income 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 statement of comprehensive income when the asset is derecognised.

i) Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment 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.
Leases on land are classified as operating leases. The costs incurred to acquire the right of use of the land are included in the financial statements as long-term prepayment and amortised on a straight-line basis over the remaining lease period.

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 capitalised 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 statement of comprehensive income.

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 statement of comprehensive income 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.

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 estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Borrowing costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing of funds. Borrowing costs are expensed in the period they occur. Borrowing costs are capitalised on qualifying assets

l) 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.

m) 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 40, note 11.

n) 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.

o) 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 recognized in the statement of comprehensive income.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the asset's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

1.4 Significant accounting judgements, estimates and assumptions
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

i) 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 judgment as to whether the inventory item can be used as an input in production or is in saleable condition.

ii) 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.

iii) 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 29.

vi) 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, the 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.

v) Operating Lease Commitments–Group as Lessor
The Group has entered into commercial property leases on some of its property. 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.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

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

ii) 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.

Notes to the Financial Statements (Cont'd)

For the Year ended 31 December 2009

[illegible] equipment

At January 2009	259,499	308,860	74,171	228,700	871,230
Additions	736	17,713	9,075	32,697	60,221
Impairment	-	-	(1,621)	-	(1,621)
Disposals	-	-	(18,639)	-	(18,639)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Valuation	162,344	51,921	-	-	214,265
Cost	97,891	274,652	62,986	261,397	696,926
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accumulated depreciation					
At 1 January 2009	44,756	151,956	40,315	120,696	357,723
Charge for the year	5,190	20,919	11,896	35,403	73,408
Impairment	-	-	(1,621)	-	(1,621)
Eliminated on disposals	-	-	(14,967)	-	(14,967)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net Book Value					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

At January 2008	257,727	293,157	58,482	190,833	800,199
Additions	1,772	17,814	24,851	37,945	82,382
Disposals	-	(2,111)	(9,162)	(78)	(11,351)
[illegible]	259,499	308,860	[illegible]	[illegible]	[illegible]
Comprising:					
Valuation	162,344	42,146	-	-	204,490
Cost	97,155	266,714	74,171	228,700	666,740
	259,499	[illegible]	[illegible]	[illegible]	[illegible]
Accumulated depreciation					
At 1 January 2008	39,572	132,815	36,198	92,018	300,603
Charge for the year	5,184	19,354	11,084	28,691	64,313
Eliminated on disposals	-	(213)	(6,967)	(13)	(7,193)
[illegible]	44,756	151,956	[illegible]		
Net Book Value					
[illegible]	214,743	[illegible]	[illegible]	[illegible]	[illegible]

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

3. Property, plant and equipment (Continued)

If the buildings and plant and machinery were measured using the cost model, the carrying amount would be as follows:

Cost	372,543	363,869
Accumulated depreciation	(145,647)	(130,690)

The bank overdraft is secured by supplementary charge over LR 209/5792 along Mogadishu road and LR 209/4275 along Likoni road.

COMPANY – Year ended 31 December 2009

	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Total KShs'000
Cost or valuation					
At 1 January 2009	259,497	239,939	65,564	214,968	779,968
Additions	738	8,515	7,819	30,404	47,476
Disposals	-	-	(18,639)	-	(18,639)
At 31 December 2009	260,235	248,454	54,744	245,372	808,805
Comprising:					
Valuation	162,344	51,921	-	-	214,265
Cost	97,891	196,533	54,744	245,372	594,540
	260,235	248,454	54,744	245,372	808,805
Accumulated depreciation					
At 1 January 2009	43,164	119,374	33,310	113,382	309,230
Charge for the year	5,190	15,374	10,996	34,059	65,619
Eliminated on disposals	-	-	(14,967)	-	(14,967)
At 31 December 2009	48,354	134,748	29,339	147,441	359,882
Net Book Value					
At 31 December 2009	211,881	113,706	25,405	97,931	448,923

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

3. Property, plant and equipment (continued)
COMPANY – Year ended 31 December 2008

	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures, fittings and equipment KShs'000	Total KShs'000
Cost or valuation					
At 1 January 2008	257,725	226,631	50,471	181,387	716,214
Additions	1,772	13,308	23,893	33,581	72,554
Disposals	-	-	(8,800)	-	(8,800)
At 31 December 2008	259,497	239,939	65,564	214,968	779,968
Comprising:					
Valuation	162,344	51,921	-	-	214,265
Cost	97,153	188,018	65,564	214,968	565,703
	259,497	239,939	65,564	214,968	779,968
Accumulated depreciation					
At 1 January 2008	37,980	104,654	30,640	85,578	258,852
Charge for the year	5,184	14,720	9,523	27,804	57,231
Eliminated on disposals	-	-	(6,853)	-	(6,853)
At 31 December 2008	43,164	119,374	33,310	113,382	309,230
Net Book Value					
At 31 December 2008	216,333	120,565	32,254	101,586	470,738

If the buildings and plant and machinery were measured using the cost model, the carrying amount would be as follows:

	2009 KShs'000	2008 KShs'000
Cost	294,424	285,171
Accumulated depreciation	(107,521)	(98,108)
	186,903	187,063

All 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 statement of comprehensive income as an exceptional item. The fixtures, fittings and equipment and motor vehicles are stated at cost.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

4. Intangible assets

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Cost				
At 1 January	41,936	-	41,936	-
Additions	11,913	11,344	11,132	11,344
Transfer from work in progress	-	30,592	-	30,592
At 31 December	53,849	41,936	53,068	41,936
Amortisation				
At 1 January	7,226	-	7,226	-
Charge for the year	10,304	7,226	10,274	7,226
Impairment of intangible asset	10,500	-	10,500	-
At 31 December	28,030	7,226	28,000	7,226
NET BOOK VALUE	25,819	34,710	25,068	34,710

5. Prepaid leases

Cost				
At 1 January and December	13,000	13,000	13,000	13,000
Amortisation				
At 1 January	2,916	2,651	2,916	2,651
Charge for the year	265	265	265	265
At 31 December	3,181	2,916	3,181	2,916
NET BOOK VALUE	9,819	10,084	9,819	10,084

The prepaid leases on land consist of two leases as follows:

i) Mogadishu Road factory - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2009 is 37 years.

ii) Likoni Road offices - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2009 is 37 years.

6. Goodwill

The goodwill was recognised on full acquisition of Crown Buildings and Products Limited (Uganda). The goodwill has been fully impaired in the current year.

Notes to the Financial Statements (Cont'd)
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Twiga Paints Limited (1,375,000 ordinary shares of KShs 20 each)	Kenya	Selling of auto paints and decorative product	-	82,378
Crown Berger Allied Industries Limited (Formerly Unibilt 2003 Limited) (10,000 ordinary shares of KShs 1,000 each)	Kenya	Manufacture of tins	10,000	10,000
Crown Buildings and Products Limited (Uganda) (5,000 ordinary shares of KShs 400 each)	Uganda	Selling of auto paints and decorative products	2,000	2,000

Crown Berger Kenya Limited owns 100% of Crown Berger Allied Industries Limited (Formerly Unibilt 2003 Limited) and Crown Buildings and Products Limited (Uganda).

Crown Buildings and Products Limited	80,000	80,000
Crown Berger Allied Industries Limited (Formerly Unibilt 2003 Limited)	124,028	124,028

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

Finished goods	225,699	307,618	207,258	274,666
Raw materials	235,013	230,460	205,163	219,298
Goods in transit	58,610	80,198	58,610	78,741

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

10. Trade and other receivables

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	412,828	492,422	336,948	414,985
Other receivables	50,291	65,410	36,114	48,208
Prepayments	14,624	24,134	13,450	23,445
	477,743	581,966	386,512	486,638

As at 31 December 2009, trade receivables at initial value of KShs 80,693,000 (2008: KShs 56,102,000) were impaired and fully provided for. See below for the movements in the provision of impairment of receivables.

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
At beginning	56,102	61,651	55,557	47,059
Charge for the year	62,393	18,139	45,133	18,139
Used during the year (write-off)	(620)	(14,096)	(620)	(2,804)
Unused amounts reversed (recoveries)	(37,182)	(9,592)	(19,875)	(6,837)
	80,693	56,102	80,195	55,557
Ageing analysis				
Less than 30 days(neither past due nor impaired)	218,189	180,592	149,115	109,480
31 to 60 days	97,757	59,834	95,281	56,776
61 days to 90 days	28,626	73,734	27,037	70,131
Over 90 days	148,949	234,364	145,710	234,155
	493,521	[illegible]	[illegible]	[illegible]
Impaired	(80,693)	(56,102)	(80,195)	(55,557)
Due but not impaired	412,828	492,422	336,948	414,985

Trade receivables are non-interest bearing.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

11 Related parties and related party transactions

The company is controlled by Crown Paints & 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. Crown Berger Allied Industries Limited (Formerly 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	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
(i) Sale and services rendered:				
Crown Berger Allied Industries Limited (Formerly Unibilt 2003 Limited)	-	-	12,570	22,245
Crown Buildings and Products Limited (Uganda)	-	-	66,902	41,313
Purchase of goods				
Crown Berger Allied Industries Limited	-	-	29,151	-
Services rendered				
Crown Paints and Building Products Limited (Management services)	-	6,789	-	6,789
Daxian Limited	136,543	66,473	136,543	66,473
(ii) Interest on related company balances				
Crown Berger Allied Industries Limited (Formerly Unibilt 2003 Limited)	-	-	-	10,271

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Receivables from related parties:				
Crown Paints and Building Products Limited	258,457	156,834	258,457	156,834
Crown Building and Products Limited (Uganda)	-	-	108,986	54,527
	258,457	156,834	367,443	211,361
Payables to related parties:				
Crown Paints and Building Products Limited	454	-	454	-
Twiga Paints Limited	-	-	-	136,843
Crown Berger Allied Industries Limited (Formerly Unibilt 2003 Limited)	-	-	4,854	-
Daxian Limited	163,749	53,164	163,749	53,164
	164,203	53,164	169,057	190,007
(iv) Key management personnel compensation				
Remuneration	60,167	33,662	58,766	32,035
Retirement benefits	3,108	3,715	3,108	3,715
	63,275	37,377	61,874	35,750

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.

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

12. Taxation

	GROUP		COMPANY	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Statement of financial position				
Balance brought forward	(4,890)	190	(5,322)	(242)
Charge for the year	47,635	43,853	47,635	43,853
Under-provision in previous year	373	6,313	373	6,313
Payments during the year	(48,573)	(55,246)	(43,830)	(55,246)
Tax recoverable	(5,455)	(4,890)	(1,144)	(5,322)
Statement of comprehensive income				
Current tax at 30% on the taxable profit for the year	47,635	43,853	47,635	43,853
Under-provision in previous year	373	6,313	373	6,313
Deferred tax	5,502	(3,162)	5,502	(3,162)
	53,510	47,004	53,510	47,004
Reconciliation of taxation expense to tax based on accounting profit				
Accounting profit before tax	139,818	77,781	205,735	110,732
Tax at applicable rate of 30%	41,945	23,334	61,721	33,220
Tax effects on items not deducted for tax	(11,464)	6,090	(11,464)	6,090
Tax effect on expenses not deductible for tax purposes	22,656	11,267	2,880	1,381
Under-provision in previous year	373	6,313	373	6,313
	53,510	47,004	53,510	47,004

13. Share capital

Authorised: 25,000,000 ordinary shares of KShs.5 each	125,000	125,000	125,000	125,000
Issued and fully paid: 23,727,000 (2008: 23,727,000) ordinary shares of KShs.5 each	118,635	118,635	118,635	118,635

14. Reserves

Share premium	80,174	80,174	80,174	80,174
Revaluation reserve	93,486	98,346	133,862	138,722
Retained earnings	514,989	501,070	636,340	505,270
	688,649	679,590	850,376	724,166

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.

15. Proposed dividends

	GROUP		COMPANY	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Final	29,659	23,727	29,659	23,727
	KShs	KShs	KShs	KShs
Dividend per ordinary share	1.25	1.00	1.25	1.00

Dividend per share is calculated on dividends of KShs 29,659,000 (2008: KShs 23,727,000) and on the number of shares in issue at the respective Statement of financial position dates. Payment of the dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents.

16. Deferred tax liability

Movements in deferred tax during the year were as follows:

Year end 31 December 2009	Balance at 1 January KShs'000	Statement of Comprehensive income KShs'000	Equity KShs'000	Balance at 31 December KShs'000
Accelerated capital allowances	57,430	-	-	57,430
Unrealised exchange gain	93	2,778	-	2,871
Unrealised exchange loss	(4,027)	3,069	-	(958)
Revaluation reserve	45,326	-	(3,644)	41,682
Provision for staff leave	(2,820)	(345)	-	(3,165)
	96,002	5,502	(3,644)	97,860
Year end 31 December 2008				
Accelerated capital allowances	52,969	4,461	-	57,430
Unrealised exchange gain	3,346	(3,253)	-	93
Unrealised exchange loss	-	(4,027)	-	(4,027)
Revaluation reserve	48,840	-	(3,514)	45,326
Provision for staff leave	(2,477)	(343)	-	(2,820)
	102,678	(3,162)	(3,514)	96,002

17. 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 along Mogadishu road and LR 209/4275 along Likoni road.

The weighted average interest rate on the overdraft at year-end was 16.25% (2008: 16.5%).

18. Loan

	GROUP		COMPANY	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Amounts falling due within one year	42,585	102,686	42,585	102,686

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 along Mogadishu road and LR 209/4275 along Likoni Road.

The weighted average interest rate on the loan at year-end was 7.35% (2008: 9.93%)

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

19. Commercial paper

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year	276,013	359,171	276,013	359,141

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

20. Trade and other payables

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year				
Trade payables	370,961	378,888	338,348	352,626
Other payables	10,126	1,968	5,750	923
Accruals	34,540	18,530	31,680	16,708
	415,627	399,386	375,778	370,257

21. Sales

Decorative paints	2,231,346	2,125,545	2,160,361	2,072,721
Industrial paints	123,684	35,154	123,684	35,154
V.R. range	180,444	187,928	180,444	187,928
Adhesives	7,876	-	-	-
Tins	-	6,772	-	-
Others	307	34,121	-	-
	2,543,657	2,389,520	2,464,489	2,295,803

22. Cost of sales

Raw materials	1,464,570	1,423,435	1,434,525	1,363,797
Salaries and wages	51,204	53,007	48,373	52,448
Depreciation on plant and machinery	50,027	43,634	44,483	39,820
Machinery repairs and maintenance	24,454	12,866	24,451	11,735
Fuel, water and electricity	25,876	23,032	25,173	22,815
Others	3,672	2,864	3,207	2,489
	1,619,803	1,558,838	1,580,212	1,493,104

23. Other income

Gain on disposal of plant and equipment	1,526	318	1,526	318
Interest income	-	-	725	11,013
Miscellaneous income	4,300	34,553	2,915	29,215
Foreign exchange gain	15,445	-	19,796	-
Operating lease income	12,552	4,740	10,032	4,740
Impairments recovered	19,875	6,837	19,875	6,837
	53,698	46,448	54,869	52,123

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

24. Dividend income

Dividend income from Twiga Limited arose on dissolution of the company during the year.

25. Administration and establishment expenses

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Staff costs	245,908	216,019	228,597	202,212
Depreciation	23,381	20,679	21,137	17,411
Auditors' remuneration	4,671	4,904	3,500	3,500
Directors' emoluments:				
As directors	7,110	6,138	7,110	6,138
As executives	28,887	18,426	28,887	18,426
Legal and professional fees	18,626	20,605	13,784	16,593
Amortisation of prepaid leases on land	265	265	265	265
Amortisation of intangible assets	10,304	7,226	10,274	7,226
Impairment of intangible assets	10,500	-	10,500	-
Insurance	15,864	19,276	14,805	18,597
Foreign exchange loss	-	50,968	-	59,336
Office expenses	39,153	36,886	31,776	27,328
Consultancy fees	75,661	22,086	74,387	20,324
Computer costs	16,387	16,059	16,387	16,059
Trade licences	12,648	12,301	12,648	12,301
Maintenance, subscriptions and donations	8,158	13,561	7,008	6,600
Bank charges	8,693	8,313	7,881	7,844
Impairment of goodwill	13,497	-	-	-
Others	21,439	29,887	6,109	22,588
	561,152	503,599	495,055	462,748

26. Selling and distribution

Transport	71,721	49,806	68,905	47,623
Advertising and promotion	100,713	124,610	88,011	112,350
Allowance for bad debts	62,393	29,268	45,714	29,268
Depot expenses	37,416	39,821	37,416	39,821
Others	7,369	7,978	615	7,978
	279,612	251,483	240,661	237,040

27. Finance costs

Interest on loan and overdraft	11,955	14,191	11,955	14,191
Others	36,249	30,076	36,974	30,111
	48,204	44,267	48,929	44,302

28. Profit before taxation

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
The profit before taxation is stated after charging: -				
Depreciation	73,408	64,313	65,619	57,231
Amortisation of prepaid leases on land	265	265	265	265
Amortisation of intangible assets	10,304	7,226	10,274	7,226
Directors emoluments:				
As directors	7,110	6,138	7,110	6,138
As executives	28,887	18,426	28,887	18,426
Auditors' remuneration	4,671	4,904	3,500	3,500
Interest payable	48,204	44,267	48,929	44,302
Foreign exchange losses	-	50,968	-	59,336
Pension scheme contributions	-	6,537	-	6,537
And after crediting: -				
Interest income	-	-	725	11,296
Foreign exchange gain	15,445	-	19,796	-
Dividend income	51,234	-	51,234	-
Gain on disposal of property, plant and equipment	1,526	318	1,526	318

29. Discontinued operations

On 1 July 2006, the operations of Twiga Paints Limited, a wholly owned subsidiary, were transferred to Crown-Berger Kenya Limited, the parent company. Consequently, the subsidiary became a dormant company. The company was manufacturing and selling paints and ancillary products for decorative, vehicle refinish and industrial market. The paints were manufactured under license from Imperial Chemical Industries PLC, UK until 31 December 2005. In 2009, the company was dissolved.

a) The results of Twiga Paints Limited are presented below:

	2009 KShs'000	2008 KShs'000
TURNOVER	-	-
COST OF SALES	-	-
Gross profit	-	-
OTHER INCOME	-	-
Total income	-	-
EXPENSES		
Administrative and establishment	-	2,474
Finance costs	-	7
	-	2,481
Loss from discontinued operations before tax	-	(2,481)
Tax	-	-
Loss from discontinued operations after tax	-	(2,481)

b) The assets and liabilities of Twiga Paints Limited as at 31 December 2009 are as follows:

	2009 KShs'000	2008 KShs'000
ASSETS		
CURRENT ASSETS		
Receivables and prepayments		-
Due from related company	-	136,843
Cash and bank balances	-	133
	-	**136,976**
CURRENT LIABILITIES		
Tax payable	-	(1,481)
Payables	-	(801)
	-	(2,282)
Net assets directly associated with discontinued operation	-	134,694

Notes to the Financial Statements (Cont'd)
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29. Discontinued operations (continued)

	2009 KShs'000	2008 KShs'000
c) Net cash from Twiga Paints Limited are as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	-	(2,481)
Adjustments for: -		
Gain on disposal of property, plant and equipment	-	-
Operating loss before working capital changes	-	(2,481)
Increase in amounts due from parent company	-	476
Increase in trade and other receivables	-	2,091
Increase in trade payables and accruals	-	33
Cash flows generated from operations	-	119
Income taxes paid	-	-
Net cash flows generated from operating activities	-	119
Net increase in cash and cash equivalents	-	119
Cash and cash equivalents at the beginning of the year	-	14
Cash and cash equivalents at the end of the year	-	133
d) Earnings per share		
Basic and diluted, from discontinued operation	-	(1.80)

Notes to the Financial Statements (Cont'd)
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30. Earnings per share

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Net profit attributable to ordinary shareholders	86,308	28,296	152,225	63,728
Weighted average number of ordinary shares in '000'	23,727	23,727	23,727	23,727

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

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

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

31. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Bank balances and cash	65,189	14,517	59,216	10,607
Bank overdraft	(25,221)	(115,920)	(25,221)	(115,920)
	39,968	(101,403)	33,995	(105,313)

32. Other facilities granted by the bankers

Letters of credit	104,000	47,447	104,000	47,447
Guarantees given by bankers	20,000	1,170	20,000	1,170
	124,000	48,617	124,000	48,617

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

33. Operating lease commitments

AS LESSEE:

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

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Within 1 year	124	124	124	124
Within 5 years	620	620	620	620
More than 5 years	3,968	4,092	3,968	4,092
	4,712	4,836	4,712	4,836

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	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Within 1 year	10,139	9,188	7,390	6,344
Within 5 years	35,652	39,891	29,239	32,387
	45,791	49,079	36,629	38,731

34. Financial risk management objectives and policies

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

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

Interest rate risk

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

34. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The balances in foreign currencies were as follows:

	GROUP		COMPANY	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies				
Trade and other receivables	-	-	-	-
Amounts due from related companies	-	-	-	-
Foreign currency assets	-	-	-	-
Liabilities in foreign currencies payables	182,859	(237,246)	182,859	(237,246)
Net foreign currency liability position	182,859	(237,246)	182,859	(237,246)

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	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Increase in US$ by 8% (2008-7%)	(7,314)	(18,980)	(7,314)	(18,980)
Decrease in US$ by 8% (2008-7%)	7,314	18,980	7,314	18,980

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 10 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.

Notes to the Financial Statements (Cont'd)
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34. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)
The balances in foreign currencies were as follows:

Year ended 31 December 2009	On demand KShs'000	Less than 3 months KShs'000	3 to 12 months KShs'000	Total KShs'000
Bank overdraft	-	25,221	-	25,221
Interest bearing loan	21,743	20,842	-	42,585
Commercial paper	108,228	162,925	4,860	276,013
Trade and other payables	144,280	110,084	161,263	415,627
Amounts due to related party	-	54,288	109,915	164,203
	274,251	373,360	276,038	923,649

Year ended 31 December 2008	On demand KShs'000	Less than 3 months KShs'000	3 to 12 months KShs'000	Total KShs'000
Bank overdraft	-	7,332	108,588	115,920
Interest bearing loan	-	86,832	15,854	102,686
Commercial paper	-	239,171	120,000	359,171
Trade and other payables	95,221	125,454	178,711	399,386
Amounts due to related party	-	430	52,734	53,164
	95,221	459,219	475,887	1,030,327

35. 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 Operating segment information

The primary segment reporting format is determined to be operating 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 operating segments are set on commercial terms in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated on consolidation.

a) Operating 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.

Assets and Liabilities				
Segment assets	2,003,334	59,146	(204,028)	1,858,452
Investment	12,000	-	(12,000)	-
Total assets	2,015,334	59,146	(216,028)	1,858,452
Segment liabilities	1,004,075	131,274	(113,840)	1,021,509
Other segment information				
Capital expenditure - tangible property and equipment	59,020	1,201	-	60,221
Depreciation and amortisation of leasehold land	69,267	4,406	-	73,673

Notes to the Financial Statements (Cont'd)
For the Year ended 31 December 2009

36. Operating segment information (continued)

31 December 2009	Continuing operations Paints KShs '000	Adhesives KShs '000	Elimination KShs '000	Total operations KShs '000
Revenue				
Sales to external customers	2,535,781	7,876	-	2,543,657
Inter segment sales	79,472	29,151	(108,623)	-
Other income	51,040	2,658	-	53,698
Inter segment other income	725	-	(725)	-
Results				
Operating results	149,930	(10,112)	-	139,818
Profit /(loss) before tax	149,930	(10,112)	-	139,818
Income tax expense	(53,510)	-	-	(53,510)
Profit / (loss) after tax	96,420	(10,112)	-	86,308

37. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Where changes are made and affect the statement of financial position, a third statement of financial position as at the beginning of the earliest period presented is presented together with the corresponding notes.

38. Incorporation

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


crown
the beauty of transformation

To:
The Registrar
Custody & Registrar Services Limited
P.O. Box 8484
00100 - NAIROBI
CROWN-BERGER KENYA LIMITED

Proxy Form

I/We ______________________________ of ______________________

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

____

of ____

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty Third Annual General Meeting of the Company to be held on 7 June 2010 and at any adjournment thereof.

Signed/Sealed this ____________________ day of ____________________2010

____

____

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.*

Notes

Notes