CROWN PAINTS KENYA LIMITED
AND SUBSIDIARIES
(formerly Crown Berger Kenya Limited and Subsidiaries)

2012
Annual Report
&
Financial Statements

Transcending. Transforming.

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Here's to germ-free walls

Hospitals • Schools • Restaurants • Day Care Centres

Complete Protection

Crown Medicryl Anti-bacterial sheen emulsion is a biocide-fortified premium water based paint which prevents bacteria and fungus growth on your walls.

Washable . Available in selected colours . Fast dry . Odourless

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 56th Annual General Meeting of the Company will be held at the Panafric Hotel, Kenyatta Avenue, Nairobi on Thursday 27 June 2013 at 11.00 am. to conduct the following business:

1. To read the notice convening the meeting.
2. To table the proxies and confirm the presence of a quorum.
3. To consider and, if approved, adopt the audited financial statements for the year ended 31 December 2012 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 2012, and approve the closure of the Register of Members on 28 June 2013 for one day only.
5. To approve the Directors' remuneration for 2012.
6. To elect Directors:

    i) Mr F.G.K. Maina 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 note that Ernst & Young continue in office as Auditors in accordance with Section 159 (2) of the Kenyan Companies Act and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

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

    "That the authorised share capital of the Company be increased from KShs 125,000,000 divided into 25,000,000 ordinary shares of KShs 5 each to KShs 200,000,000 divided into 40,000,000 ordinary shares of KShs 5 each by the creation of an additional 15,000,000 new ordinary shares of KShs 5 each, such shares to rank pari passu with regard to dividends and all other aspects with the existing ordinary shares of the Company."

BY ORDER OF THE BOARD

Conrad Nyukuri

Company Secretary

Date: 30 April 2013

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, P.O. Box 8484 - 00100 Nairobi to arrive not later than 48 hours before the meeting or any adjournment thereof. A form of proxy is provided at the end of this report.

CHAIRMAN'S STATEMENT

Change is all around us. As I present the Group's Annual Report and Financial statements for the year ended 31 December 2012, It has been another year of progressive advancement.

From June 2012, the Group marches forward under the umbrella of Crown Paints Kenya Limited.

Crown as the leading decorative brand will spearhead our strategic growth throughout the East African Region. It provides us a single focus to achieve decorative paint dominance. It is a brand synonymous with quality and an ideal brand partner for other international companies of related products.

Our strategy in 2012 was double-edged. It consolidated our international partnerships and commenced our drive to become a truly East African player by the end of 2014.

The first target for our East African approach was to open a depot in Arusha-Tanzania which is the home of the East African Community.

So began our learning curve, what products? What qualities? We are aware each market will have its own needs and standards. As Arusha has gained momentum, our focus now is to open in Mwanza as we have a flexible progressive plan for Tanzania, but of course East Africa is more than that.

In Uganda, we trade as Regal Paints and for the last three years our volumes have shown an encouraging increase. Now we need to seek a larger premise with greater scope for growth.

In South Sudan, we have a registered company, whilst continuing to trade with established distributors. In Rwanda, we have long established ties which we will groom in 2013 and put Crown firmly on the map.

Kenya is our home base and after the peaceful elections, my board and I feel confident that if the government controls its expenditure, we in the private sector have the skills, desire and leadership to ensure the Annual Growth Rate is on an upward curve.

The Kenya shilling has been stable and suppliers mainly kept price increases to manageable levels, if only the banks could reduce interest rates, we could have a recipe for rapid, dynamic growth.

Teflon® surface protector is now part of our heritage, and by adding Teflon® surface protector to our premium exterior range, we have set standards which few, if any can match. It is the continuation of our quality approach which has increased our market share.

All press reports both private and independent point to an Oil and Gas Bonanza. Certainly, the major oil and gas drilling and supply companies have "opened shop" in Kenya.There is never smoke without fire and we are assured to supply this sector with the world's number two brand for protective and marine coatings, HEMPEL.

Never knowingly over-confident, the Board of Directors and I do feel the directional flow from the government is positive and that with our strong portfolio of quality products both local and overseas, we can embrace growth via all of the segments and be a truly leading East African brand.

In closing, I wish to thank the Board Of Directors for their aspiring support which they give with dedication and commitment , also I say a thank you to the staff of the company, for their continuous hard work, dedication, creativity and loyalty, which has made Crown the company it is today.

On behalf of the Board of Directors, the Management and Staff, we wish to thank our Shareholders for their continued loyal support.

Mhamud Charania
30 April 2013

CHIEF EXECUTIVE OFFICER STATEMENT

2012 witnessed our striving to achieve sustainable growth after the turbulent 2011.Records are there to be broken, history is for the making. Revenue growth registered at 15% giving rise to a net turnover of Kshs 4.4 Billion.

Raw material prices were stable and the fluctuations of the Kenya shilling were moderate. These key factors gave good value to our prudent financial planning and strong emphasis on cash management.

What tasked management were the high interest rates, which we overcame by utilising cash generated from the business as a contributor towards capital expenditure, saving finance cost on additional spending.

Group pre-tax profits improved by 12% as Group current year profit rose to Kshs. 224 Million compared to the previous year of Kshs. 200 Million. The better performance by subsidiaries also attributed to improved bottom line. Foreign exchange loss was almost negligible due to constant advance forex planning and better anticipation of the forex market.

The Group focused on enhancement of shareholder's value. Group earnings per share improved to Kshs.5.63 per share compared to previous year of Kshs. 5.44 per share due to better utilization of Group resources.

Group return on investments-(pre-tax) for 2012 improved to 10% which is commendable in present competitive paints market .

Better finance planning helped us towards maintaining finance cost, despite higher working capital requirements and higher interest rate during the year. Operating cash generation before working capital improved to Kshs. 388 Million compared to previous year of Kshs. 323 Million. Despite higher trade debtors retained during the year as a matter of strategic decision, the Group managed to generate cash from operation to Kshs.405 Million.

During the year under review, the Group did not taken long term loans to finance its fixed assets and managed it from surplus funds generated from operation. Liquidity levels improved from Kshs 113 Million in 2011 to Kshs 172 Million in 2012 thus the Group cash flow remained positive.

SALES AND MARKETING

Crown Paints launched Teflon® surface protector with total support from the product's originator, DuPont (USA).We took the product to the people, as it has universal usage, and at a stroke we uplifted and transformed what any user or applicator could achieve. The launch of Teflon® surface protector escalated the technology available to Kenyans and East Africans in one quantum leap. The introduction of higher rated technology was achieved without pain and with considerable national gain.

During 2012, the drive to enter into partnership with world leading brands continued to gather strength, apart from DuPont with whom we retained options to use the Teflon technology. In other products, included was a 2013 option for Uganda.

The previously mentioned East African focus in 2011, was enacted in 2012 as we opened a depot in Arusha, registered a company in South Sudan and have land available in Dar e salaam as well as renewing a search in Kampala.

Missing from the Crown Paints portfolio was a brand for protective and marine coatings. Apart from the port it is plainly obvious for oil and gas that Kenya plus East Africa have a pivotal role to play going forward.

The owners of Crown Paints UK are Hempel Paints, not a household name but are the world's number 2 in their field. They are renowned for quality and have a global reach. We are now their appointed distributor and from the early field work it is self evident, they are highly regarded and will be our passport to success within Protective and Marine Coatings markets, including oil and gas.

Customer loyalty schemes have been enhanced and are now the key to sustaining and growing our decorative volumes.

Sales and Marketing have continued to extend our Training Tentacles as some 6,000 painters were trained in a geographically balanced programme throughout the country.

Export sales rose 60% and with the East Africa focus there is now a volume base from which export can make a contribution.

The drive for worldwide partners continued in 2012 and is now an impressive CV of the world's leading brands.

MANUFACTURING

Manufacturing achieved the following increased performance.

- 18% growth in production volumes
- 9% growth in productivity
- 99% fill rate
- Six new products rolled out -9% of total production.
- Capacity utilization increased to 96% from 82%.
- Overall equipment effectiveness (O.E.E) of critical machinery optimized by 60%.

All ISO audits were successfully passed, with health and safety further improved. It is estimated by July 2013, we will be ISO 14001 certified as part of our commitment to environmental conservation.

RESEARCH AND DEVELOPMENT:

Continued progress with product innovation, not just main line but looking at the gaps in the product portfolio. Emphasis on water borne products in line with the international standards of reducing volatile organic compounds (V.O.C)

Research and development has been instrumental in the recipe of the major Teflon® surface protector launch, which set a standard for Kenyan paint environmental standards. Infact we lead East Africa in products which conform to better the European Union Environmental control standards.

KAIZEN

Is now a way of life and has roots deep in the organization. From a Kaizen culture, we now target the ultimate. That begins with 'Autonomous Maintenance' to achieve zero breakdowns, then apply the same practice to the tinting machines. Kaizen has now begun at Regal Paints Uganda.

SUPPLY CHAIN

The weakness in supply to contractors has effectively been overcome as fast moving products have a 2012 rate of 99% with slower moving products at 95%. Even with higher volumes inventory transfers were achieved by greater delivery vehicle utilization.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

We installed enterprise wide CCTV system, which enables monitoring from one control centre to all our stations and major stock points. SAP system, was upgraded following a two year lapse. Upgrading of the database system, office applications, e -mails and citrix was also carried out. Bulk SMS and a human resource management system were implemented, allowing us close by the minute contact with our customers and the efficient recording and daily management of all employees.

HUMAN RESOURCE

COMMUNICATION

Face to face interaction with all employees at every location briefing on the company's mission, vision and core values made it possible to explain, discuss and reinforce company strategy.

Full implementation of balanced scorecard as a tool of performance. Training needs analysis, training programme constructed for 2013.

UGANDA

Year on year Regal Paints is progressing and establishing a number two position with a 55% growth in sales. Plans are in place to enlarge capacity and the partnership we have in Kenya with DuPont will be launched in Uganda. Looking ahead, oil exploration offers a bright future as we have the correct partnership with Hempel. For Uganda; it's all about the future for Regal as well as the potential of neighbouring countries Sudan, Rwanda and Burundi.

PLANS AND OUTLOOK FOR 2013

As I reviewed my commentary for last year's A.G.M, I realised that following a year of turbulence, Kenya had one final hurdle to clear-The General Election.

That is over. So the Board and I see only positive vibes for 2013 and on. Our policy of seeking, engaging and enacting quality technology transfer is now opening doors and creating opportunities. The world is an oyster-our task is to have our people trained and confident to exploit 2013 as a year of sustainable growth.

Our portfolio of partners reads as 'who is who'. There will not be a paint company in Africa who has; Crown UK, Plascon South Africa, Hempel Denmark and Nexa Autocolour. Each brings to the table what Kenya and East Africa need and seek.

Our vision for East Africa is ultra positive. We have committed plans for each country. By the end of 2014, we will have rolled out our East Africa plan .Then all will see Crown paints truly East African.

Finally, I extend my heartfelt thanks to the Shareholders, Directors, and Employees of Crown Paints for their wonderful support in the year 2012.

Rakesh Rao
30 April 2013

CORPORATE GOVERNANCE

1.Introduction
Crown Paints 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 five Directors, of whom three are Executive namely; Mr. Rakesh Rao, Group Chief Executive Officer, Mr. Patrick Mwati, Group Finance Director and Mr. Hussein Charania Group 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 and are due for retirement by rotation in accordance with the Company's Articles of Association. They are eligible for re-election. The current composition of the Board is given on page 11 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 four 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 Chief Executive Officer, 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 Shareholders' 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, strategic planning and performance review. 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 the Non Executive Director and with attendance by invitation, the Chief Executive Officer and other key personnel review the effectiveness of internal controls and discuss the audit reports.

b)Finance Committee
This committee chaired by a Non Executive Director, receives reports from management and reviews Company's financial 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 communicating openly with its shareholders on its performance and addressing any other areas of concern. This is achieved through the distribution of the company's Annual Report, holding of the Annual General Meeting where the shareholders have the opportunity to ask questions and freely interact with the Board: Also the company releases notices in the national press of its half-yearly and annual results in compliance with statutory requirements. On a day to day basis the shareholders have direct access to the company's Secretary and Share Registrar who respond to their queries on various issues.

Directors' Emoluments and Loans
The aggregate amount of emoluments paid to Directors for services is disclosed in Note 10 page 43 to the financial statements. No arrangements exist whereby a Director could acquire Company shares on beneficial terms.

CROWN PAINTS KENYA LTD. SHARE REGISTER

PERIODIC REPORT FOR PERIOD ENDED APRIL 2013

TOP 15 SHAREHOLDERS

Rank	Name	Residence	Share	%
1	Crown Paints And Building Products Limited	Kenyan Company	11,402,855	48.06
2	Barclay Holdings Limited	Foreign Company	3,234,000	13.63
3	Beaumont Properties Limited	Foreign Company	1,679,600	7.08
4	Lansbury Limited	Kenyan Company	1,389,926	5.86
5	Paul Wanderi Ndungu	Kenyan Individual	499,514	2.11
6	Mahendra Dahyabhai Patel	Kenyan Individual	224,020	0.94
7	Mahendra Fulchand Gandhi And Mrs Malvik A Mahendra Gandhi	Kenyan Individual	200,939	0.85
8	Achkay Investments Limited	Kenyan Company	175,400	0.74
9	Kanaksinh Karsandas & Sandip Kanaksinhbabla	Kenyan Individual	172,300	0.73
10	Kanaksinh Karsandas Babla & Sandip Kanaksinh Babla	Kenyan Individual	101,200	0.43
11	Minesh M. Shah	Kenyan Individual	96,149	0.41
12	Dsl Mominees Ltd A/c Orchard Estate Ltd	Kenyan Company	93,396	0.39
13	Chetan Mulchand Narshi Shah	Kenyan Individual	86,949	0.37
14	Crown Paints And Building Products Ltd	Kenyan Company	84,600	0.36
15	Savitaben Velji Raichand Shah	Kenyan Individual	73,425	0.31

	Shareholders	Share	%
Shares selected	15	19,514,273	82
Shares not Selected	2684	4,212,727	18
Shares issued		**23,727,000**	**100**

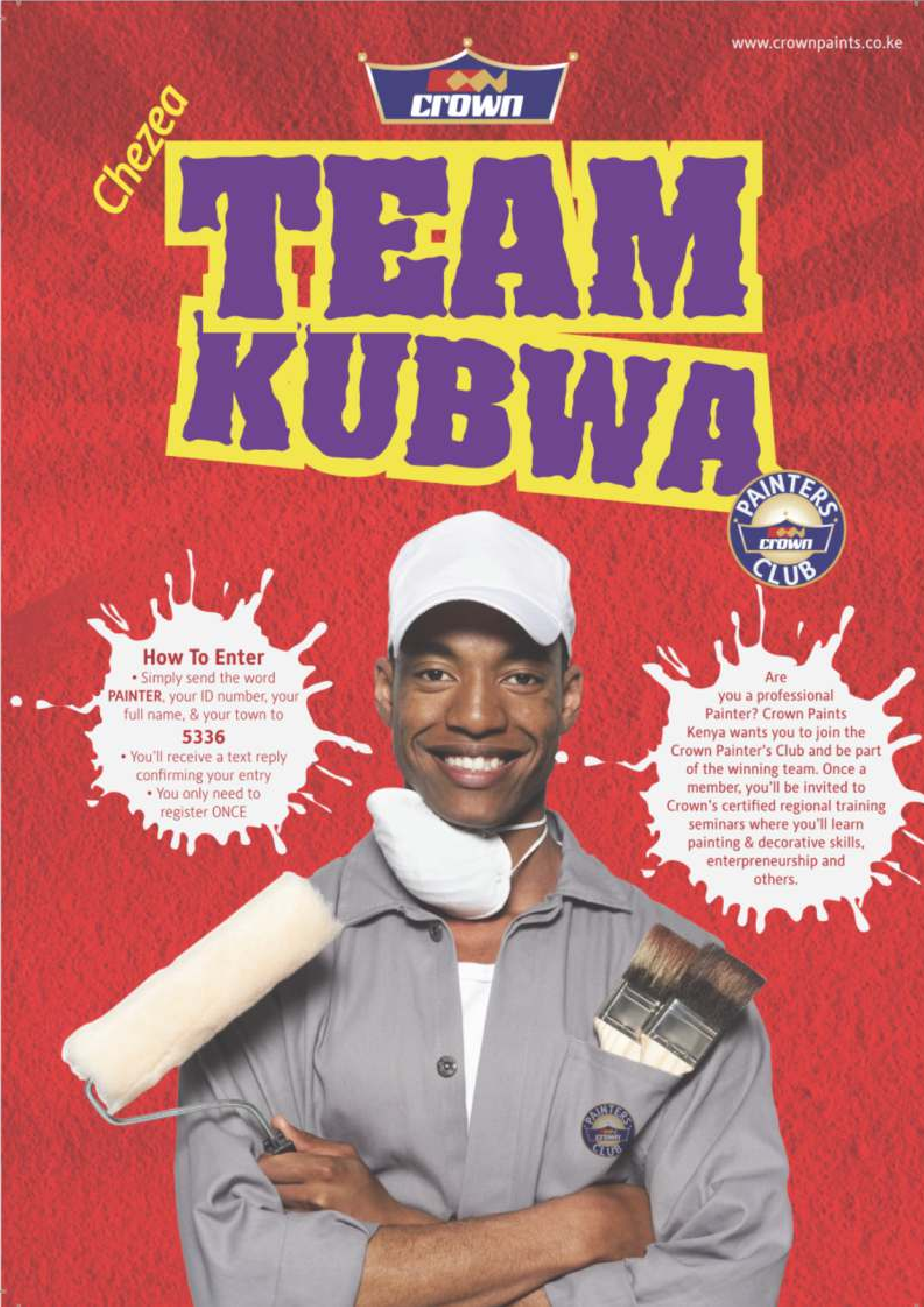
Total number of Crown Paints Kenya Limited shareholders	2,699
No. Of Crown Paints Kenya Limited shareholders at the cdsc	1,838
No. Of Crown Paints Kenya Limited shares held at the cdsc	7 ,485,333

ANALYSIS BY DOMICILE

Domicile	Share	%	Holders
Foreign Companies	5,119,200	21.58%	5
Foreign Individuals	104,115	0.44%	21
Local Companies	13,628,279	57.44%	207
Local Individuals	4,875,406	20.55%	2,466
TOTALS	**23,727,000**	**100.00%**	**2,699**

ANALYSIS BY VOLUME

Volume	Share	%	Holders
1-500	206,619	0.87%	1,250
501-5,000	1,676,996	7.07%	1,278
5,001-10,000	566,418	2.39%	84
10,001-100,000	2,016,813	8.50%	77
100,001-1,000,000	1,388,573	5.85%	6
1,000,001-9,999,999,999	17,871,581	75.32%	4
TOTALS	**23,727,000**	**100.00%**	**2,699**


www.crownpaints.co.ke
Crown
Chezea
TEAM KUBWA
PAINTERS Crown CLUB
How To Enter
• Simply send the word PAINTER, your ID number, your full name, & your town to
5336
• You'll receive a text reply confirming your entry
• You only need to register ONCE
Are you a professional Painter? Crown Paints Kenya wants you to join the Crown Painter's Club and be part of the winning team. Once a member, you'll be invited to Crown's certified regional training seminars where you'll learn painting & decorative skills, enterpreneurship and others.

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS
Mogadishu Road
P.O. Box 78084 - 00507
Nairobi.

REGISTERED OFFICE
LR No. 209/5792
Mogadishu Road
P.O. Box 78084 - 00507
Nairobi.

BANKERS
Kenya Commercial Bank Limited
P.O. Box 311 – 00567
Nairobi.

Commercial Bank of Africa
P. O. Box 30437 – 00100
Nairobi.

Barclays Bank of Kenya Limited
P.O. Box 46661 - 00100
Nairobi.

SOLLICITORS
Kairu Mbuthia & Kiingati,
Advocates, Commissioners for Oaths and Notaries Public,
Paresia Centre, 1st Floor, Ngong Road,
P.o. Box 6574 - 00100,
Nairobi.

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

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

AUDITORS
Ernst & Young
Kenya-Re Towers, Upper hill
P.O. Box 44286 - 00100
Nairobi.

REPORT OF THE DIRECTORS

The directors submit their report and the consolidated audited financial statements for the year ended 31 December 2012, which show the state of the Group's and Company's affairs.

1. PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of paints, adhesives, decorating sundries, PVA emulsion and alkyd resins.

2. GROUP RESULTS

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

3. COMPANY RESULTS

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

4. DIVIDENDS

Subject to approval by the shareholders, the directors recommend the payment of a dividend of KShs 1.25 (2011: KShs 1.25) per share amounting to KShs 29,658,750 (2011: KShs 29,658,750).

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 and the Company misleading.

6. RESERVES

The reserves of the Group and the Company are set out on page 45, Note 13.

7. DIRECTORS

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

M. Charania	-	Chairman (Non-executive)
R.K. Rao	-	Chief Executive Officer (Executive)
F.G.K. Maina	-	Non-executive
P.M. Mwati	-	Executive
H.H.R.J. Charania	-	Executive

8. AUDITORS

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

9. GOING CONCERN

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

By Order of the Board

Conrad Nyukuri

Secretary

Date: 30 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give fair view of the state of financial 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 that the directors ensure that 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 consolidated and Company 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 consolidated financial statements, present fairly, in all material respects, 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 consolidated financial statements, as well as adequate systems of internal control.

No events after reporting date require disclosure or adjustment to the financial statements.

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

....
Rakesh Rao
Chief Executive Officer
Date: 30 April 2013

....
Patrick Mwati
Finance Director
Date: 30 April 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

Report on the financial statements

We have audited the consolidated and separate financial statements of Crown Paints Kenya Limited (the company) and its subsidiaries (together, the Group), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 59.

Directors' Responsibility for the Financial Statements

The directors of the Group and the Company are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and of the Company as at 31 December 2012, and of the Group's and Company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report On Other Legal and Regulatory Requirements

As required by the Kenyan Company's 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 Group and the Company, so far as appears from our examination of those books; and,
iii) The Group's and the Company's statements of financial position and statements of comprehensive income are in agreement with the books of account.

Nairobi

Date: 30 April 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 KShs'000	2011 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	639,454	625,116
Intangible assets	4	20,541	11,632
Prepaid leases	5	9,024	9,289
		669,019	646,037
CURRENT ASSETS			
Inventories	8	690,713	694,858
Trade and other receivables	9	706,133	633,600
Amounts due from related parties	10 (i)	15,913	56,656
Tax recoverable	11	-	23,282
Cash and cash equivalents	29	176,485	160,919
		1,589,244	1,569,315
TOTAL ASSETS		2,258,263	2,215,352
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	118,635	118,635
Reserves	13	1,057,567	933,785
		1,176,202	1,052,420
NON-CURRENT LIABILITIES			
Deferred tax	15	47,352	90,934
CURRENT LIABILITIES			
Bank overdraft	16	4,373	47,681
Interest bearing loans and borrowings	17	154,359	146,706
Commercial paper	18	68,558	150,246
Amounts due to related parties	10(ii)	155,468	184,641
Trade and other payables	19	616,894	542,724
Tax payable	11	35,057	-
		1,034,709	1,071,998
TOTAL EQUITY AND LIABILITIES		2,258,263	2,215,352

The financial statements were approved by the Board of Directors on 30 April 2013 and signed on its behalf by:

....
Rakesh Rao

Chief Executive Officer

....
Patrick Mwati

Finance Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 KShs'000	2011 KShs'000
REVENUE	20	4,432,877	3,853,569
COST OF SALES	21	(2,969,046)	(2,524,524)
GROSS PROFIT		1,463,831	1,329,045
OTHER INCOME	22	51,704	37,348
		1,515,535	1,366,393
EXPENSES:-			
Administration and establishment	23	(778,870)	(746,437)
Selling and distribution	24	(455,347)	(381,507)
Finance costs	25	(57,148)	(37,910)
		(1,291,365)	(1,165,854)
PROFIT BEFORE TAX	27	224,170	200,539
TAX EXPENSE	11	(90,627)	(71,537)
PROFIT FOR THE YEAR		133,543	129,002
OTHER COMPREHENSIVE INCOME			
Revaluation of property plant and equipment		-	72,474
Deferred income tax on revaluation		-	(21,742)
Exchange difference on translation of foreign operation		9,149	-
Other comprehensive income net of taxes		9,149	50,732
TOTAL COMPREHENSIVE INCOME		142,692	179,734
ATTRIBUTABLE TO:			
Owners of the parent		142,692	179,734
Non- Controlling interest		-	-
		142,692	179,734
Basic and diluted earnings per share	28	5.63	5.44

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Foreign Currency translation reserve	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2011		118,635	80,174	88,626	-	614,910	902,345
Profit for the period		-	-	-	-	129,002	129,002
Other comprehensive income		-	-	50,732	-	-	50,732
2010 final dividend paid	14	-	-	-	-	(29,659)	(29,659)
At 31 December 2011		118,635	80,174	139,358	-	714,253	1,052,420
At 1 January 2012		118,635	80,174	139,358	-	714,253	1,052,420
Transfer of excess depreciation - 2011*		-	-	(8,504)	-	8,504	-
Transfer of excess depreciation - 2012		-	-	(13,010)	-	13,010	-
Deferred tax on excess depreciation		-	-	10,749	-	-	10,749
Profit for the period		-	-	-	-	133,543	133,543
Other comprehensive income		-	-	-	9,149	-	9,149
2011 final dividend paid	14	-	-	-	-	(29,659)	(29,659)
At 31 December 2012		118,635	80,174	128,593	9,149	839,651	1,176,202

*The 2011 transfer of excess depreciation was done in 2012, although this had a nil effect on the reserves and did not constitute a restatement as the amount involved was immaterial to the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

OPERATING ACTIVITIES	Note	2012 KShs'000	2011 KShs'000
Profit before tax		224,170	200,539
Adjustments for:-			
Depreciation	3	81,794	75,636
Amortisation of intangible assets	4	6,899	8,874
Amortisation of prepaid leases on land	5	265	265
Unrealised foreign exchange loss		19,564	-
Interest expense		57,148	37,910
Interest income		(949)	(1,093)
(Gain)/loss on disposal of property, plant and equipment		(1,288)	920
Operating profit before working capital changes		387,603	323,051
Increase in trade and other receivables		(72,533)	(82,707)
Decrease/(Increase) in inventories		4,145	(249,073)
Increase in trade and other payables		74,170	150,005
Decrease in due from related party balances		40,743	314,599
Decrease in due to related party balances		(29,173)	(155,087)
Cash flows generated from operations		404,955	300,788
Income tax paid	11	(65,121)	(141,467)
Interest received		949	1,093
Interest paid		(57,148)	(37,910)
Net cash generated from operating activities		283,635	122,504
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(96,213)	(166,743)
Purchase of intangible assets	4	(15,808)	(2,243)
Proceeds on sale of property, plant and equipment		622	1,996
Net cash used in investing activities		(111,399)	(166,990)
FINANCING ACTIVITIES			
Loan proceeds		385,460	572,697
Loan payment		(377,807)	(509,406)
Borrowings on commercial paper		68,560	568,551
Commercial paper payment		(150,248)	(531,708)
Dividends paid on ordinary shares		(29,659)	(29,659)
Net cash (used in) / generated from financing activities		(103,694)	70,475
Net increase in cash and cash equivalents		68,542	25,989
Cash and cash equivalents at the beginning of the year		113,238	87,249
Foreign translation currency reserve		(9,149)	-
Effect of exchange rate changes on cash & cash equivalents		(519)	-
Cash and cash equivalents at the end of the year	29	172,112	113,238

COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 KShs'000	2011 KShs'000
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	3	602,653	588,640
Intangible assets	4	19,832	10,753
Prepaid leases on land	5	9,024	9,289
Investments in subsidiary companies	6	22,338	12,000
Deposit for shares	7	204,028	204,028
		857,875	824,710
CURRENT ASSETS			
Inventories	8	625,980	642,137
Trade and other receivables	9	630,368	560,222
Amounts due from related parties	10(i)	262,527	249,669
Tax recoverable	11	-	23,282
Cash and cash equivalents	29	161,922	152,506
		1,680,797	1,627,816
TOTAL ASSETS		2,538,672	2,452,526
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	12	118,635	118,635
Reserves	13	1,348,930	1,194,420
		1,467,565	1,313,055
NON CURRENT LIABILITES			
Deferred tax	15	47,352	90,934
CURRENT LIABILITIES			
Bank overdraft	16	4,373	47,681
Interest bearing loans and borrowings	17	154,359	146,706
Commercial paper	18	68,558	150,246
Trade and other payables	19	590,943	511,859
Amounts due to related parties	10(ii)	170,465	192,045
Tax payable	11	35,057	-
		1,023,755	1,048,537
TOTAL EQUITY AND LIABILITIES		2,538,672	2,452,526

The financial statements were approved by the Board of Directors on 30 April 2013 and signed on its behalf by:

....
Rakesh Rao

Chief Executive Officer

....
Patrick Mwati

Finance Director

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 KShs'000	2011 KShs'000
REVENUE	20	4,348,917	3,803,769
COST OF SALES	21	(2,948,839)	(2,514,040)
GROSS PROFIT		1,400,078	1,289,729
OTHER INCOME	22	42,546	33,400
		1,442,624	1,323,129
EXPENSES: -			
Administration and establishment	23	(700,245)	(690,358)
Selling and distribution	24	(421,638)	(352,617)
Finance costs	25	(56,694)	(37,910)
		(1,178,577)	(1,080,885)
PROFIT BEFORE TAX	27	264,047	242,244
TAX EXPENSE	11	(90,627)	(71,537)
PROFIT FOR THE YEAR		173,420	170,707
OTHER COMPREHENSIVE INCOME			
Revaluation of property, plant and equipment		-	72,474
Deferred income tax on revaluation		-	(21,742)
Other comprehensive income net of taxes		-	50,732
TOTAL COMPREHENSIVE INCOME		173,420	221,439
Basic and diluted earnings per share	28	7. 31	7. 19

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

		Share	Share	Revaluation	Retained	Total equity
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2011		118,635	80,174	129,002	793,464	1,121,275
Profit for the year		-	-	-	170,707	170,707
Other comprehensive income		-	-	50,732	-	50,732
2010 final dividend paid	14	-	-	-	(29,659)	(29,659)
At 31 December 2011		118,635	80,174	179,734	934,512	1,313,055
At 1 January 2012		118,635	80,174	179,734	934,512	1,313,055
Transfer of excess depreciation- 2011*		-	-	(8,504)	8,504	-
Transfer of excess depreciation- 2012		-	-	(13,010)	13,010	-
Deferred tax on excess depreciation		-	-	10,749	-	10,749
Profit for the year		-	-	-	173,420	173,420
Other comprehensive income		-	-	-	-	-
2011 final dividend paid	14	-	-	-	(29,659)	(29,659)
At 31 December 2012		118,635	80,174	168,969	1,099,787	1,467,565

*The 2011 transfer of excess depreciation was done in 2012, this however had a nil effect on the reserves and did not constitute a restatement as the amount involved was immaterial to the Company.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

OPERATING ACTIVITIES	Note	2012 KShs'000	2011 KShs'000
Profit before tax		264,047	242,244
Adjustments for:-			
Depreciation of property, plant and equipment	3	72,827	67,743
Amortisation of intangible assets	4	6,652	8,718
Amortisation of prepaid leases on land	5	265	265
Unrealised exchange gain		(1,137)	-
Interest expense		56,694	37,910
Interest income		(949)	(1,093)
Gain on disposal of property, plant and equipment		(541)	(890)
Operating profit before working capital changes		397,858	354,897
Increase in trade and other receivables		(70,146)	(108,450)
Decrease / (Increase) in inventories		16,157	(229,061)
Increase in trade and other payables		79,084	150,152
(Increase) / Decrease in amounts due from related parties		(12,858)	284,441
Decrease in amounts due to related parties		(21,580)	(151,035)
Cash generated from operations		388,514	300,944
Income tax paid	11	(65,121)	(145,478)
Interest received		949	1,093
Interest paid		(56,694)	(37,910)
Net cash generated from operating activities		267,648	118,649
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(86,921)	(162,932)
Purchase of intangible assets	4	(15,731)	(1,803)
Proceeds from sale of property, plant and equipment		622	890
Start up of new subsidiary	6	(10,338)	-
Net cash used in investing activities		(112,368)	(163,845)
FINANCING ACTIVITIES			
Loan proceeds		385,460	572,697
Loan payment		(377,806)	(509,406)
Borrowings on commercial paper		68,560	568,551
Commercial paper payment		(150,248)	(531,708)
Dividends paid on ordinary shares		(29,659)	(29,659)
Net cash (used in)/ generated from financing activities		(103,693)	70,475
Net increase cash and cash equivalents		51,587	25,279
Cash and cash equivalents at the beginning of the year		104,825	79,546
Effect of exchange rate changes on cash and cash equivalents		1,137	-
Cash and cash equivalents at the end of the year	29	157,549	104,825

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

These revised standards and interpretations did not have any material effect on the financial performance or position of the Group. However, they give rise to additional disclosures in some occasions.

The principal effects of these changes are as follows:

- ***IAS 12 Income Taxes (Amendment) –*** Deferred Taxes: Recovery of Underlying Assets
  The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and had no effect on the Group's financial position, performance or its disclosures.
- ***IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment)*** –Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters:
  The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact on the Group.
- ***IFRS 7 Financial Instruments: Disclosures —*** Enhanced Derecognition Disclosure Requirements:
  The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities, and revaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011.

  The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the Grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Employee Benefits (Amendment)

The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. Short and long-term benefits will now be distinguished based on the expected timing of settlement rather than employee entitlement. In addition the definition of short-term employee benefits changed to employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The effective date of the standard is 1 January 2013. The Group will not be impacted by amendments relating to defined benefit plans, the director's are reviewing the impact on the definitions of short-term and long-term employee benefits will have on Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

Standards issued but not yet effective (Continued)

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The director's are reviewing the impact this amendment it will have on Group.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group's financial position or performance as the Group has no associates or joint ventures.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance. The amendment is effective for annual periods beginning on or after 1 January 2013 and the Group is still in the process of determining how it will impact the note disclosures upon adoption.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation —Special Purpose Entities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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

Standards issued but not yet effective (Continued)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the investments currently held by the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The standard will not have an impact on the Group as the Group has no associates or joint ventures.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required upon adoption, but the specifics thereof on the Group's financial position or performance is to be determined. The amendment is effective for annual periods beginning on or after 1 January 2013 and the Group is still in the process of determining how it will impact the note disclosures upon adoption.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

Annual improvements to IFRSs May 2012

The adoption of the following amendments will result in changes to accounting policies but will have no impact on the financial position or performance of the Group. The improvements are effective for annual periods beginning on or after 1 January 2013.

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS. The Group is not a first-time adopter of IFRS.

- ***IAS 1 Presentation of Financial Statements:*** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period. The opening statement of financial position (known as the third statement of financial position) must be presented in a number of circumstances. The opening statement would be at the beginning of the preceding period. Under these circumstances the related notes are not required to accompany the third statement of financial position. This may have an impact in future years, if the Group discloses voluntary additional comparative information, or if a third statement of financial position needs to be presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

Standards issued but not yet effective (Continued)

- ***IAS 16 Property, Plant and Equipment:*** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

- ***IAS 32 Financial Instruments, Presentation:*** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

- ***IAS 34 Interim Financial Reporting:*** The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES

a)Corporate information

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The consolidated financial statements have been prepared on the historical cost basis of accounting except where otherwise stated or disclosed.

b)Basis of preparation

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

The financial statements have been prepared on a 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 thousands, except when otherwise indicated.

c)Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012. The subsidiaries include Crown Paints Allied Industries Limited (formerly Crown Berger Allied Industries Limited), Crown Buildings and Products Limited – Uganda and Crown Paints Tanzania Limited. The subsidiaries are 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, transactions, unrealized gains and losses resulting from intra-Group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d)Foreign currency transactions

The consolidated financial statements are presented in Kenya Shillings, which is also the parent's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

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.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kenya shillings at the rate of exchange prevailing at the reporting date and their statement of comprehensive income is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

e)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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding sales taxes, discounts, rebates or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below 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

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable. It is included in finance income in profit or loss.

Rental income

Income arising from operating leases on machinery is accounted for on a straight line basis over the lease terms.

All other income earned by the Group is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Taxation

Current income tax
Current income tax assets and liabilities for the current period are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in profit or loss.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or 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, when 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 tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward unused tax losses and the unused tax credits can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Taxation (continued)

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.

g) Property, plant and equipment

All property, plant and equipment are initially recognized at cost. Subsequently, all property and equipment except land, are measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.

Any increase in an asset's carrying amount as a result of a revaluation is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Land is stated at cost less any accumulated impairment losses.

Depreciation is calculated on a straight-line basis, at annual rates estimated to write off carrying values of the assets to their residual values over their expected useful lives. The annual depreciation rates in use are as follows:

Building	2%
Plant and machinery	8% - 10%
Fixtures and fittings	12.5%
Motor vehicles	20% - 25%
Computers and equipment	20%

An item of property, plant and equipment and any significant part initially recognized is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h)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, even if that right is not explicitly specified in an arrangement.

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 finance costs in profit or loss.

A leased asset is 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 profit or loss 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 incidental to 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

i)Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j)Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised on a straight line basis over their useful economic lives from the date they available for use, up to a maximum of five years. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset, 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 profit or loss 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 profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments – initial recognition and subsequent measurement

i)Financial assets

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; and available-for-sale assets. Directors determine the appropriate classification of its investments at initial recognition and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified.

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to contractual provisions of the instrument.

All financial assets other are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Group's financial assets include cash, deposit for shares and loans and receivables.

Purchase and sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place (regular way purchases) are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. An estimate is made of impaired receivables based on review of all outstanding amounts at year-end. Bad debts are written off after all efforts of recovery have been exhausted. The losses arising from impairment are recognised in the statement of comprehensive income as part of other operating expenses.

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments – initial recognition and subsequent measurement (continued)

ii)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 debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation 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.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

iii)Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, bank overdrafts, commercial paper and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:
Trade payables
Trade payables are stated at amortised cost using the effective interest rate method.

Loans and borrowings
Interest bearing loans, overdrafts and commercial paper are recorded at the proceeds received, net of direct costs. Finance charges, including the premium payable on settlement or redemption, are accounted for on the 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. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments – initial recognition and subsequent measurement (continued)

iii) Derecognition (continued)

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

v) Fair value of financial instruments

The fair value for financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same

A discounted cash flow analysis or other valuation models

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials
Cost is determined on a weighted average basis and comprises expenditure incurred in the normal course of business.

Finished goods and work-in-progress
Cost is determined on a weighted average basis and comprises of cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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.

m) Impairment of non financial assets

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

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 profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2.SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Cash and cash equivalents

The Group considers cash at banks and on hand and short-term deposits with a maturity of 90 days or less from the date of acquisition, as cash. The cost of cash equivalent approximates the fair value due to the short term nature thereof.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks and on hand, net of outstanding bank overdrafts.

o)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 outflow 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. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation, discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

p) Employee benefits

Defined contributions provident fund
The Group operates a defined contributions post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the Group. The assets of the fund are held and administered independently of the Group's assets. The Group's contributions to the fund are charged to profit or loss in the year in which they are incurred.

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

Statutory pension scheme
The Group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local laws and are currently limited to KShs 200 per employee per month.

The Group's contributions to the above schemes are charged to profit or loss in the year to which they relate.

Employees' entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

q) Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified by the shareholders in the Annual General Meeting.

r) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Significant accounting judgements, estimates and assumptions (continued)

(i) Judgements

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

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.

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.

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.

(ii) 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:

Property, plant and equipment

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

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.

Intangible assets

Critical estimates are made by directors in determining the useful lives to intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

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.

s) Investments in subsidiaries

Investments in subsidiaries are carried in the Company's separate statement of financial position at cost less provisions for impairment losses. Where in the opinion of directors, there has been impairment in the value of the investment; the loss is recognised as an expense in the period in which the impairment is recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP – Year ended 31 December 2012

	Freehold Land KShs'000	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 January 2012	20,528	358,342	363,313	109,921	335,603	1,187,707
Additions	-	15,397	8,762	22,047	50,007	96,213
Disposals	-	-	-	(3,203)	-	(3,203)
At 31 December 2012	20,528	373,739	372,075	128,765	385,610	1,280,717
Comprising:						
Valuation	-	206,361	65,078	24,624	(9,325)	286,738
Cost	20,528	167,378	306,997	104,141	394,935	993,979
	20,528	373,739	372,075	128,765	385,610	1,280,717
Accumulated depreciation						
At 1 January 2012	-	59,935	212,529	57,188	232,939	562,591
Charge for the year	-	7,206	19,965	21,963	32,660	81,794
Eliminated on disposals	-	-	-	(3,122)	-	(3,122)
At 31 December 2012	-	67,141	232,494	76,029	265,599	641,263
Carrying Amount						
At 31 December 2012	20,528	306,598	139,581	52,736	120,011	639,454

If all assets, except freehold land were measured using the cost model, the carrying amount would be as follows

	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Furniture fittings and equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost	-	167,378	306,997	104,141	394,935	973,451
Accumulated depreciation	-	(26,146)	(201,457)	(69,873)	(266,765)	(564,241)
	-	141,232	105,540	34,268	128,170	409,210

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) GROUP – Year ended 31 December 2011

	Freehold Land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fixtures, fittings and equipment KShs'000	Total KShs'000
Cost or valuation						
At January 2011	-	261,131	332,434	70,733	289,508	953,806
Additions	20,528	53,194	17,786	19,815	55,420	166,743
Disposals	-	-	(64)	(5,251)	-	(5,315)
Revaluation	-	44,017	13,157	24,624	(9,325)	72,473
At 31 December 2011	20,528	358,342	363,313	109,921	335,603	1,187,707
Comprising:						
Valuation	-	206,361	65,078	24,624	(9,3250	286,738
Cost	20,528	151,981	298,235	85,297	344,928	900,969
	20,528	358,342	363,313	109,921	335,603	1,187,707
Accumulated depreciation						
At 1 January 2011	-	54,677	191,963	45,608	197,107	489,355
Charge for the year	-	5,258	20,587	13,959	35,832	75,636
Eliminated on disposals	-	-	(21)	(2,379)	-	(2,400)
At 31 December 2011	-	59,935	212,529	57,188	232,939	562,591
Carrying Amount						
At 31 December 2011	20,528	298,407	150,784	52,733	102,664	625,116

If all assets, except freehold land were measured using the cost model, the carrying amount would be as follows:

	Freehold Land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Total KShs'000
Cost	-	151,981	298,235	85,297	344,928	880,441
Accumulated depreciation	-	(22,186)	(183,331)	(57,188)	(115,945)	(378,650)
	-	129,795	114,904	28,109	228,983	501,791

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT (continued)
(c) COMPANY – Year ended 31 December 2012

	Freehold Land KShs'000	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 2012	20,528	358,343	284,139	101,128	316,448	1,080,586
Additions	-	15,397	6,472	19,810	45,242	86,921
Disposals	-	-	-	(3,203)	-	(3,203)
At 31 December 2012	20,528	373,740	290,611	117,735	361,690	1,164,304
Comprising:	-	206,362	65,078	24,624	(9,325)	286,739
Valuation	20,528	167,378	225,533	93,111	371,015	877,565
Cost						
	20,528	373,740	290,611	117,735	361,690	1,164,304
Accumulated depreciation						
At 1 January 2012	-	58,343	163,415	48,979	221,209	491,946
Charge for the year	-	7,207	14,489	20,438	30,693	72,827
Eliminated on Disposals	-	-	-	(3,122)	-	(3,122)
At 31 December 2012	-	65,550	177,904	66,295	251,902	561,651
Carrying Amount						
At 31 December 2012	20,528	308,190	112,707	51,440	109,788	602,653

If all assets, except freehold land were measured using the cost model, the carrying amount would be as follows:

	Freehold Land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fittings and equipment KShs'000	Total KShs'000
Cost	-	167,378	225,533	93,111	371,015	857,037
Accumulated depreciation	-	(23,675)	(146,867)	(60,139)	(253,068)	(483,749)
	-	143,703	78,666	32,972	117,947	373,288

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT(continued)
(d) COMPANY – Year ended 31 December 2011

	Freehold Land KShs'000	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 2011	-	261,131	253,204	61,723	271,372	847,430
Additions	20,528	53,195	17,777	17,031	54,401	162,932
Disposals	-	-	-	(2,250)	-	(2,250)
Revaluation adjustment	-	44,017	13,158	24,624	(9,325)	72,474
At 31 December 2011	20,528	358,343	284,139	101,128	316,448	1,080,586
Comprising:						
Valuation	-	206,362	65,078	24,624	(9,325)	286,739
Cost	20,528	151,981	219,061	76,504	325,773	793,847
	20,528	358,343	284,139	101,128	316,448	1,080,586
Accumulated depreciation						
At 1 January 2011	-	53,085	148,296	38,080	186,992	426,453
Charge for the year	-	5,258	15,119	13,149	34,217	67,743
Eliminated on disposals	-	-	-	(2,250)	-	(2,250)
At 31 December 2011	-	58,343	163,415	48,979	221,209	491,946
Carrying Amount						
At 31 December 2011	20,528	300,000	120,724	52,149	95,239	588,640

If all assets, except freehold land were measured using the cost model, the carrying amount would be as follows:

	Freehold Land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Fittings & equipment KShs'000	Total KShs'000
	-	151,981	219,061	76,504	325,773	773,319
	-	(20,594)	(137,151)	(48,979)	(183,945)	(390,669)
Accumulated depreciation	-	131,387	81,910	27,525	141,828	382,650

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

3. PROPERTY, PLANT AND EQUIPMENT(continued)

All assets, except freehold land, were revalued on 01 December 2011. The revaluation amounts have been incorporated in these financial statements.

The basis of valuation was: -

Leasehold buildings	-	Open market value
Plant and machinery	-	Open market value
Motor vehicles	-	Open market value
Fixtures, fittings and equipment	-	Open market value

The methods used to determine the fair value was the comparables approach, which compares the sales of similar items in the market and depreciated replacement cost, which takes into account the current cost of replacement or reproduction of an asset.
The valuation was undertaken by independent professional valuer, Real Appraisal Limited. The revaluation surplus was credited to revaluation reserve while the revaluation deficit was charged to profit or loss.

4. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cost				
At 1 January	57,278	55,035	56,057	54,254
Additions	15,808	2,243	15,731	1,803
At 31 December	73,086	57,278	71,788	56,057
Amortisation				
At 1 January	45,646	36,772	45,304	36,586
Charge for the year	6,899	8,874	6,652	8,718
At 31 December	52,545	45,646	51,956	45,304
Carrying Amount	20,541	11,632	19,832	10,753

Intangible assets relate to computer software in use by the Group

5. PREPAID LEASES

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cost				
At 1 January and December	13,000	13,000	13,000	13,000
Amortisation				
At 1 January	3,711	3,446	3,711	3,446
Charge for the year	265	265	265	265
At 31 December	3,976	3,711	3,976	3,711
Carrying Amount	9,024	9,289	9,024	9,289

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 2012 is 34 years.
ii) Likoni Road offices - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2012 is 34 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

6. INVESTMENT IN SUBSIDIARIES

Details of investment	Country of incorporation	Activity	2012 KShs'000	2011 KShs'000
Crown Paints Allied Industries Limited (10,000 ordinary shares of KShs 1,000 each)	Kenya	Manufacture of adhesives	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 Paints Tanzania Limited (1,905 ordinary shares of KShs 5,426)	Tanzania	Selling of auto paints and decorative products	10,338	-
			22,338	12,000

Crown Paints Kenya Limited owns 100% of Crown Paints Allied Industries Limited, Crown Buildings and Products Limited – Uganda and Crown Paints Tanzania Limited.

7. DEPOSIT FOR SHARES

	COMPANY	
	2012 KShs'000	2011 KShs'000
Crown Buildings and Products Limited	80,000	80,000
Crown Paints Allied Industries Limited	124,028	124,028
	204,028	204,028

This relates to deposit made in Crown Buildings and Products Limited-Uganda and capitalisation of amounts due from Crown Paints Allied Ind ustries Limited pending allotment of shares. Deposit for shares is evaluated by the Company based on assessment of the risk of impairment of the subsidiary companies. As at the close of the year, there were no impairment indicators and the fair value has not changed from the previous year.

8. INVENTORIES

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Finished goods	337,501	293,809	311,190	276,803
Raw materials	389,325	354,153	349,811	318,438
Goods in transit	8,777	75,900	8,777	75,900
	735,603	723,862	669,778	671,141
Inventories write-down to NRV	(44,890)	(29,004)	(43,798)	(29,004)
	690,713	694,858	625,980	642,137

The amount of inventories expensed during the year was KShs. 15,886,380 (2011: KShs 10,879,227) for the Group and KShs 14,793,852 (2011: KShs 10,879,227) for the Company, which is recognised in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

9. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	635,999	572,195	569,659	510,568
Other receivables	36,494	35,655	27,823	23,904
Prepayments	33,640	25,750	32,886	25,750
	706,133	633,600	630,368	560,222

Other receivables consist of staff loans and deposits with suppliers. Prepayments were made in the ordinary course of business with regards to insurance premiums and computer software licences.

As at 31 December 2012, trade receivables at initial value of KShs 130,240,000 (2011: KShs 99,706,000) was fully provided for. See below for the movements in the provision of impairment of receivables.

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
At beginning	99,706	93,774	74,756	68,477
Charge for the year	39,221	31,949	38,838	14,349
Used during the year (write-off)	(2,254)	(18,076)	-	(477)
Recoveries	(6,433)	(7,941)	(6,433)	(7,593)
	130,240	99,706	107,161	74,756
Ageing analysis				
Less than 30 days (neither past due nor impaired)	440,283	247,681	352,015	187,272
31 to 60 days	133,911	109,638	133,614	109,333
61 days to 90 days	48,273	49,802	48,273	49,802
Over 90 days	143,772	264,780	142,918	238,917
	766,239	671,901	676,820	585,324
Impaired	(130,240)	(99,706)	(107,161)	(74,756)
Total	635,999	572,195	569,659	510,568

Trade receivables are non-interest bearing and are generally on 60 days terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company is controlled by Crown Paints and Building Products Limited (incorporated in Kenya) which owns 48% of the Company's shares. Barclay Holdings Limited incorporated in Belize Off-Shore Centre holds 13.69% of the Company's shares. Crown Paints and Building Products Limited is a wholly owned subsidiary of Barclay Holdings Limited. Thus the ultimate parent Company for Crown Paints Kenya Limited is Barclay Holdings Limited. The remaining 38.31% of the shares are widely held. Crown Paints Allied Industries Limited, Crown Buildings and Products Limited - Uganda and Crown Paints Tanzania Limited are wholly owned subsidiaries of the Company.

The following transactions were carried out with related parties:

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Receivables from related parties:				
Crown Paints and Building Products Limited	12,361	52,894	12,361	52,894
Crown Building and Products Limited - Uganda	-	-	230,884	194,133
Crown Paints Allied Industries Limited	-	-	-	2,642
Crown Paints - Rwanda	3,552	3,762	-	-
Crown Paints Tanzania Limited	-	-	19,282	-
	15,913	56,656	262,527	249,669
Ageing analysis				
Less than 30 days (neither past due nor impaired)	15,913	56,656	44,278	249,669
31 to 60 days	-	-	24,569	-
61 days to 90 days	-	-	721	-
Over 90 days	-	-	192,959	-
	15,913	56,656	262,527	249,669
Impaired	-	-	-	-
Due but not impaired	15,913	56,656	262,527	249,669
(ii) Payables to related parties:				
Crown Paints Allied Industries Limited	-	-	14,997	7,404
Daxian Limited	155,468	184,641	155,468	184,641
	155,468	184,641	170,465	192,045

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

10. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
(i) Sale and services rendered:				
Crown Paints Allied Industries Limited	-	-	15,000	9,326
Tintas Paints	7,217	8,584	7,217	8,584
Crown Buildings and Products Limited - Uganda	-	-	82,264	54,920
Crown Paints Tanzania Limited	-	-	22,265	-
Crown Classic Limited	7,688	-	7,688	-
Purchase of goods				
Crown Paints Allied Industries Limited	-	-	71,372	56,188
Crown Buildings and Products Limited – Uganda	-	-	4,005	-
Services rendered				
Daxian Limited	139,369	229,690	139,369	229,690
Crown Paints and Building Products Limited	5,700	-	5,700	5,700
(ii) Key Management personnel compensation				
Short term employee benefits	114,848	101,933	111,950	101,933
Post employment pension	3,362	4,427	3,362	4,427
	118,210	106,360	115,312	106,360
(iii) Directors' remuneration				
Fees for services as directors	6,139	6,994	6,139	6,994
Other emoluments (included in key management compensation above)	75,207	66,156	75,207	66,156
	81,346	73,150	81,346	73,150

The following companies, Daxian Limited and Crown Paints -Rwanda are wholly owned subsidiaries of the ultimate parent Barclay Holdings Limited.

Tintas Crown Paints is a related party by virtue of common directorship.

Terms and conditions of transactions with related parties
Amount due from and due to related parties are non interest bearing and current.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

11. TAXATION

STATEMENT OF POSITION

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Balance brought forward	23,282	(37,629)	23,282	(41,640)
Charge for the year	(123,460)	(80,556)	(123,460)	(80,556)
Payments during the year	65,121	141,467	65,121	145,478
Tax recoverable	35,057	23,282	35,057	23,282
STATEMENT OF COMPREHENSIVE INCOME				
Current tax at 30 % on the taxable profit for the year	123,460	80,556	123,460	80,556
Deferred tax credit	(32,833)	(9,019)	(32,833)	(9,019)
	90,627	71,537	90,627	71,537
Deferred income tax on revaluation	(10,749)	21,742	(10,749)	21,742
	79,878	93,279	79,878	93,279
Reconciliation of taxation expense to tax based on accounting profit				
Accounting profit before tax	224,170	200,539	264,047	242,244
Tax at applicable rate of 30%	67,251	60,161	79,214	72,673
Tax effects on items not deducted for tax	40,578	28,220	28,615	15,708
Tax effect on expenses not deductible for tax purposes	(17,202)	(16,844)	(17,202)	(16,844)
	90,627	71,537	90,627	71,537

Deferred income tax on revaluation is based on 30% of the revaluation surplus.

12. SHARE CAPITAL

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Authorised:				
25,000,000 ordinary shares of KShs.5 each	125,000	125,000	125,000	125,000
Issued and fully paid:				
23,727,000 (2011: 23,727,000) ordinary shares of KShs.5 each	118,635	118,635	118,635	118,635

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

13. RESERVES

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Share premium	80,174	80,174	80,174	80,174
Revaluation reserve	128,593	139,358	168,969	179,734
Foreign currency revaluation reserve	9,149	-	-	-
Retained earnings	839,651	714,253	1,099,787	934,512
	1,057,567	933,785	1,348,930	1,194,420

The revaluation reserve represents the surplus on the revaluation of property, plant and equipment, net of deferred income tax. Movements in the revaluation surplus are shown on the statement of changes in equity. The revaluation surplus is non-distributable.

14. DIVIDENDS

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Final dividend for 2012 KShs. 1.25 per share (2011: KShs. 1.25 per share)	29,659	29,659	29,659	29,659
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)				
Dividend on ordinary shares	29,659	29,659	29,659	29,659

(i) Dividend per share is arrived at by dividing the total dividends by the weighted average number of shares in issue during the year.

(ii) Payment of dividend is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

15. DEFERRED TAX LIABILITY

Movements in deferred tax during the year were as follows:

	Balance as at 1 January KShs'000	Statement of comprehensive income KShs'000	Equity KShs'000	Balance as at 31 December KShs'000
Year end 31 December 2012				
Accelerated capital allowances	54,219	1,613	-	55,832
Unrealised exchange gain	2,896	(8,765)	-	(5,869)
Revaluation reserve	60,443	-	(10,749)	49,694
Allowance for doubtful debts	(22,427)	(9,721)	-	(32,148)
Provisions for staff leave	(4,197)	(1,501)	-	(5,698)
Provision for bonus accrual	-	(10,021)	-	(10,021)
Provision for obsolete stock	-	(4,438)	-	(4,438)
	90,934	(32,833)	(10,749)	47,352
Year end 31 December 2011				
Accelerated capital allowances	52,106	2,113	-	54,219
Unrealised exchange gain	-	2,896	-	2,896
Unrealised exchange loss	(926)	926	-	-
Revaluation reserve	38,701	-	21,742	60,443
Allowance for doubtful debts	(7,579)	(14,848)		(22,427)
Provision for staff leave	(4,091)	(106)	-	(4,197)
	78,211	(9,019)	21,742	90,934

16. BANK OVERDRAFT

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Bank overdraft	4,373	47,681	4,373	47,681

The bank overdraft facility from Barclays Bank Limited, Kenya Commercial Bank Limited and Commercial Bank of Africa is to the extent of KShs 10 million, KShs 120 million and KShs 110 million respectively. The KCB and CBA facilities are secured by debenture of KShs 398 million and USD 1 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 18% (2011: 11.25%).

17. INTEREST BEARING LOANS AND BORROWINGS

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Amounts falling due within one year	154,359	146,706	154,359	146,706

The loan facility relates to post import financing from Kenya Commercial Bank Limited and Commercial Bank of Africa and is secured pari-passu by debenture of KShs. 398 million and USD 1 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 9% (2011: 6%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

18. COMMERCIAL PAPER

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year	68,558	150,246	68,558	150,246

The commercial paper is a non-secured facility and is repayable on maturity of the facility. The interest rate on the commercial paper is at treasury bills interest rate plus 1.5%.

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year				
Trade payables	490,257	435,762	470,709	415,109
Other payables	29,643	21,795	24,146	14,566
Accruals	96,994	85,167	96,088	82,184
	616,894	542,724	590,943	511,859

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of one month.
- Accruals are non-interest bearing and represent liabilities in relation to expenses incurred but for which invoices had not been received as at year end.

20. REVENUE

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Decorative paints	3,334,921	2,971,457	3,250,961	2,923,374
Industrial paints	445,420	394,861	445,420	394,680
Automotive paints	584,028	485,715	584,028	485,715
Adhesives	68,508	995	68,508	-
Others	-	541	-	-
	4,432,877	3,853,569	4,348,917	3,803,769

21. COST OF SALES

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Raw materials	2,749,787	2,312,254	2,737,499	2,318,524
Salaries and wages	91,444	77,429	89,871	66,946
Depreciation on plant and machinery	50,610	53,695	45,027	48,201
Machinery repairs and maintenance	34,732	35,122	34,715	35,072
Fuel, water and electricity	18,965	15,941	18,342	15,319
Others	23,508	30,083	23,385	29,978
	2,969,046	2,524,524	2,948,839	2,514,040

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

22. OTHER INCOME

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Gain on disposal of plant and equipment	1,288	1,376	541	890
Interest revenue	949	1,093	949	1,093
Miscellaneous income	8,064	831	2,957	364
Operating lease revenue	15,395	12,147	12,355	9,500
Unutilized expense provision	-	13,960	-	13,960
Impairments recovered	6,434	7,941	6,433	7,593
Forex exchange gain	263	-	-	-
Surcharge sales	19,311	-	19,311	-
	51,704	37,348	42,546	33,400

23. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Staff costs (note 26)	438,030	346,604	416,173	325,369
Depreciation	31,184	21,941	27,800	19,542
Auditors' remuneration	6,665	6,333	4,500	4,200
Directors' emoluments:				
As directors	6,139	6,994	6,139	6,994
As executives	75,207	66,156	75,207	66,156
Legal and professional fees	17,767	11,318	17,247	10,874
Amortisation of prepaid leases on land	265	265	265	265
Amortisation of intangible assets	6,896	8,874	6,652	8,718
Insurance	23,805	21,477	21,367	19,822
Foreign exchange loss	17,027	53,437	1,137	48,198
Office expenses	59,060	48,970	41,891	39,897
Consultancy fees	25,378	45,255	25,378	45,255
Computer costs	14,811	15,879	14,811	15,879
Travel	23,527	27,193	19,037	20,209
Maintenance, subscriptions and donations	14,206	5,611	6,629	5,611
Bank charges	9,249	8,449	9,152	7,995
Others	9,654	50,054	6,860	45,374
Impairment of other receivables	-	1,627	-	-
	778,870	746,437	700,245	690,358

24. SELLING AND DISTRIBUTION

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Transport	103,542	87,092	101,729	87,092
Advertising and promotion	223,149	207,172	212,834	202,417
Inventory write-downs	15,886	-	14,794	-
Allowance for bad debts	51,850	31,949	38,838	14,349
Depot expenses	59,351	53,381	51,874	45,478
Others	1,569	1,913	1,569	3,281
	455,347	381,507	421,638	352,617

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

25. FINANCE COSTS

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Interest on loan and overdraft	30,439	13,552	29,985	13,552
Commercial paper interest	26,709	24,358	26,709	24,358
	57,148	37,910	56,694	37,910

26. STAFF COSTS

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Salaries	348,262	271,712	334,159	250,477
Pension contributions	2,628	1,609	2,389	1,609
Medical	2,456	6,101	2,456	6,101
Insurance	28,361	24,279	27,937	24,279
Staff meals and other supplies	50,754	34,454	43,674	34,454
Training and development	5,569	8,449	5,558	8,449
	438,030	346,604	416,173	325,369

27. PROFIT BEFORE TAX

The profit before tax is stated after charging: -

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Depreciation	81,794	75,636	72,827	67,743
Amortisation of prepaid leases on land	265	265	265	265
Amortisation of intangible assets	6,899	8,874	6,652	8,718
Directors emoluments:				
As directors	6,139	6,994	6,139	6,994
As Executives	75,207	66,156	75,207	66,156
Auditors' remuneration	6,665	6,333	4,500	4,200
Interest expense	57,148	37,910	56,694	37,910
Loss on disposal	-	920	-	-
Foreign exchange loss	17,027	53,437	1,137	48,198
And after crediting: -				
Interest income	949	1,093	949	1,093
Operating lease income	15,395	12,147	12,355	9,500
Gain on disposal of property, plant and equipment	1,288	1,376	541	890

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

28. BASIC AND DILUTED EARNINGS PER SHARE

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Net profit attributable to ordinary shareholders	133,543	129,002	173,420	170,707
Weighted average number of ordinary shares in '000'	23,727	23,727	23,727	23,727

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

b) Diluted earnings per share are calculated on the profit after tax and on the average number of ordinary and bonus shares in issue. There was no dilution of shares in the current year.

29. 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	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Cash and cash equivalents	176,485	160,919	161,922	152,506
Bank overdraft	(4,373)	(47,681)	(4,373)	(47,681)
	172,112	113,238	157,549	104,825

30. OTHER FACILITIES GRANTED BY THE BANKERS

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Letters of credit	314,866	194,100	314,866	194,100
Guarantees given by bankers	20,000	20,000	20,000	20,000
	334,866	214,100	334,866	214,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

31. 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	
	2012	2011	2012	2011
	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	3,596	3,720	3,596	3,720
	4,340	4,464	4,340	4,464

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

AS LESSOR:

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	KShs'000	KShs'000	KShs'000	KShs'000
Within 1 year	10,101	8,107	9,690	8,107
Within 5 years	35,079	4,729	33,927	4,729
	45,180	12,836	43,617	12,836

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise bank loans and overdrafts, commercial paper 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 Company's loan, bank overdraft and commercial paper. The Company 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 on bank overdraft is minimal as its borrowings are pegged to interest rates that were agreed in advance and do not change regularly. Interest on the Company's loan is charged at the bank's base rate prevailing from time to time, currently at 9%. The interest on the commercial paper is at treasury bills interest rate plus 1.5%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following sensitivity analysis shows how profit and equity would change if the market risk variables had been different on the reporting date with a ll other variables held constant.

	GROUP AND COMPANY			
	2012		2011	
	KShs 000		KShs' 000	
	Effect on Profit	Effect on equityy	Effect on profit	Effect on equity
+ 2% Movement	6,182	4,327	785	550
-2 % Movement	(6,182)	(4,327)	(785)	(550)

Fair values of financial instruments

The Group did not have financial instruments whose subsequent measurement is at fair value.

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 subjected 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. The Company has no significant concentrations of credit risk.

As at 31 December 2012	Neither past due nor impaired	Past due but not impaired	Impaired	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	574,194	192,045	(130,240)	635,999
Other receivables and prepayments	70,134	-	-	70,134
Amount due from related party	12,361	3,552	-	15,913
Bank balances and cash	176,485	-	-	176,485
	833,174	195,597	(130,240)	898,531

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The amount that best represents the Group's maximum exposure to the credit risk as at 31 December 2012 is made up as follows:

As at December 2011	Neither past due nor impaired KShs'000	Past due but not impaired KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	357,319	314,582	(99,706)	572,195
Other receivables and prepayments	61,405	-	-	61,405
Amount due from related party	56,656	-	-	56,656
Cash and bank balances	160,919	-	-	160,919
	636,299	314,582	(99,706)	851,175

The customers under the fully performing category are paying their debts as they continue trading. The debt that is overdue is not impaired and continues to be paid. The credit department is actively following these debts.

Foreign currency risk

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

The balances in foreign currencies were as follows:

	GROUP		COMPANY	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Assets in foreign currencies				
Trade and other receivables	14,714	-	14,714	69,730
Cash and bank	18,731	69,730	18,731	-
Amounts due from related companies	-	-	270,637	196,379
Foreign currency assets	33,445	69,730	304,082	266,109
Liabilities in foreign currencies				
Amounts due to related companies	-	-	(182,670)	-
Payables	(184,756)	(202,260)	(184,756)	(202,260)
Foreign currency liabilities	(184,756)	(202,260)	(367,426)	(202,260)
Net foreign currency (liability) / asset position	(151,311)	(132,530)	(63,344)	63,849

The Group makes sales in other countries inthe 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 and equity (due to changes in the fair value of monetary assets and liabilities).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES(continued)

Foreign currency risk (continued)

USD		GROUP		COMPANY	
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
2012	Increase in US$ by 4%	14,295	9,149	14,295	10,006
	Decrease in US$ by 4%	(14,295)	(9,149)	(14,295)	(10,006)
2011	Increase in US$ by 4%	(2,554)	(1,788)	(2,554)	(1,788)
	Decrease in US$ by 4%	2,554	1,788	2,554	1,788

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity Groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

GROUP	Up to 1 month KShs'000	1-3 months KShs'000	3 to 12 months KShs'000	Total KShs'000
At 31 December 2012				
Financial assets				
Trade receivables	-	600,322	35,677	635,999
Other receivables and prepayments	-	70,134	-	70,134
Amount due from related party	-	12,361	3,552	15,913
Bank balances and cash	176,485	-	-	176,485
Total financial assets	176,485	682,817	39,229	898,531
Financial Liabilities				
Bank overdraft	4,373	-	-	4,373
Interest bearing loan	-	134,273	22,175	156,448
Commercial paper	-	70,999	-	70,999
Trade and other payables	-	434,284	182,610	616,894
Amounts due to related party	-	48,623	106,845	155,468
Tax payable	-	-	35,057	35,057
Total financial liabilities	4,373	688,179	346,687	1,039,239
Net liability gap	172,112	(5,362)	(307,458)	(140,708)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Up to 1 month KShs'000	1 – 3 months KShs'000	3 - 12 months KShs'000	Total KShs'000
At 31 December 2011				
Financial assets				
Trade receivables	-	407,121	165,074	572,195
Other receivables and prepayments	-	61,405	-	61,405
Amount due from related party	-	52,894	3,762	56,656
Bank balances and cash	160,919	-	-	160,919
Total financial assets	160,919	521,420	168,836	851,175
Financial Liabilities	Up to 1 month KShs'000	1- 3 months KShs'000	3 to 12 months KShs'000	Total KShs'000
Bank overdraft	-	47,681	-	47,681
Interest bearing loan	-	96,551	88,065	184,616
Commercial paper	-	150,246	-	150,246
Trade and other payables	-	398,509	130,223	528,732
Provisions	-	13,992	-	13,992
Amounts due to related party	-	96,765	87,876	184,641
	-	803,744	306,164	1,109,908
Net liquidity gap	160,919	(282,324)	(137,328)	(258,733)

COMPANY	Up to 1 month KShs'000	1-3 months KShs'000	3 to 12 months KShs'000	Total KShs'000
At 31 December 2012				
Financial assets				
Trade receivables	-	569,659	-	569,659
Other receivables and prepayments	-	60,709	-	60,709
Amount due from related party	-	262,527	-	262,527
Bank balances and cash	161,922	-	-	161,922
Total financial assets	161,922	892,895	-	1,054,817
Financial Liabilities				
Bank overdraft	4,373	-	-	4,373
Interest bearing loan and borrowings	-	134,273	22,175	156,448
Commercial paper	-	70,999	-	70,999
Trade payables	-	470,709	-	470,709
Other payables and accruals	-	120,234	-	120,234
Amounts due to related party	-	170,465	-	170,465
Tax payable	-	-	35,057	35,057
Total financial liabilities	4,373	966,6780	57,232	1,028,285
Net liability gap	157,549	(73,785)	(57,232)	26,532

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Up to 1 month	1-3 months	3 to 12 months	Total
At 31 December 2011				
Financial assets				
Trade receivables	-	510,568	-	510,568
Other receivables and prepayments	-	49,654	-	49,654
Amount due from related party	-	249,669	-	249,669
Bank balances and cash	152,506	-	-	152,506
Total financial assets	152,506	809,891	-	962,397
Financial Liabilities				
Bank overdraft	-	47,681	-	47,681
Interest bearing loan and borrowings	-	96,551	88,065	184,616
Commercial paper	-	150,246	-	150,246
Trade payables and other payables	-	299,452	130,223	429,675
Accruals	-	82,184	-	82,184
Amounts due to related party	-	104,169	87,876	192,045
Total financial liabilities	-	780,283	- 306,164	1,086,447
Net liability gap	152,506	29,608	(306,164)	(124,050)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, interest rate, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business units.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while optimization the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings. 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. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. The Group does not have a gearing ratio target and is not subject to any imposed capital requirements.

	2012 KShs'000	2011 KShs'000
Share capital	118,635	118,635
Share premium	80,174	80,174
Retained earnings	839,651	714,253
Equity	1,038,460	913,062
Total borrowings	222,917	296,952
Less: cash and cash equivalents (note 29)	(172,112)	(113,238)
Net debt	50,805	183,714
Total capital	1,089,265	1,096,776
Gearing ratio	4.66%	16.75%

34. OPERATING SEGMENT INFORMATION

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.

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.

Operating Segments

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

Segment information is as presented below

31 December 2012 Assets and Liabilities	Paints KShs '000	Adhesives KShs '000	Elimination KShs '000	Total KShs '000
Segment assets	2,665,396	66,557	(473,690)	2,258,263
Investment in subsidiary	22,338	-	(22,338)	-
Total assets	2,687,734	66,557	(496,028)	2,258,263
Segment liabilities	1,340,149	9,396	(267,484)	1,082,061

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

34. OPERATING SEGMENT INFORMATION (continued)

Other segment information	Paints KShs '000	Adhesives KShs '000	Elimination KShs '000	Total KShs '000
Capital expenditure - property, plant and equipment and intangible assets	106,314	5,707	-	112,021
Depreciation and amortisation	75,394	4,597	-	79,991
Revenue				
Sales to external customers	4,432,877	-	-	4,432,877
Inter segment sales	119,529	56,230	(175,759)	-
Other income	43,671	8,033	-	51,704
	4,596,077	64,263	(175,759)	4,484,581
Results				
Operating results	214,842	10,813	(1,485)	224,170
Income tax expense	(90,627)	-	-	(90,627)
Profit for the year	124,215	10,813	(1,485)	133,543
31 December 2011				
Assets and Liabilities				
Segment assets	2,565,675	57,855	(408,208)	2,215,352
Investment in subsidiary	12,000	-	(12,000)	-
Total assets	2,577,675	57,655	(420,208)	2,215,352
Segment liabilities	1,432,485	135,567	(405,120)	1,162,932
Other segment information				
Capital expenditure - property, plant and equipment and intangible assets	166,743	-	-	166,743
Depreciation and amortisation	80,116	4,659	-	84,775
Revenue				
Sales to external customers	3,852,033	1,536	-	3,853,569
Inter segment sales	72,830	56,188	(129,018)	-
Other income	37,348	-	-	37,348
	3,962,211	57,724	(129,018)	3,890,917
Results				
Operating results	199,038	1,501	-	200,539
Income tax expense	(71,537)	-	-	(71,537)
Profit for the year	127,501	1,501	-	129,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

34. OPERATING SEGMENT INFORMATION(continued)

Revenue from external customers	2012 KShs '000	2011 KShs '000
Kenya	4,189,524	3,668,763
Uganda	188,479	112,510
Tanzania	16,135	20,372
Burundi	9,202	2,458
Ethiopia	-	1,310
Mozambique	7,217	8,584
Rwanda	19,914	37,849
Somali	8,426	5,632
South Sudan	45,624	33,439
DRC	60	-
Total revenue	4,484,581	3,890,917

The revenue information above is based on the locations of the customers.
The group's sales are derived from various customers' and there is no major customer it derives a substantial amount of sales from.

Non-current assets	2012 KShs '000	2011 KShs '000
Kenya	646,555	628,279
Uganda	19,077	17,758
Tanzania	3,387	-
	669,019	646,037

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and prepaid leases.

35. INCORPORATION

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

36. EVENTS AFTER THE REPORTING DATE

The directors are not aware of events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.

PROXY FORM

To: The Registrar
Custody & Registrar Services Limited
Bruce House, 6th Floor
Standard Street
P.O. Box 8484 - 00100
NAIROBI

PROXY FORM

CROWN PAINTS KENYA LIMITED

I/We ....of..

being a member/members of Crown Paints 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 Sixth Annual General Meeting of the Company to be held on 27 June 2013 and at any adjournment thereof.

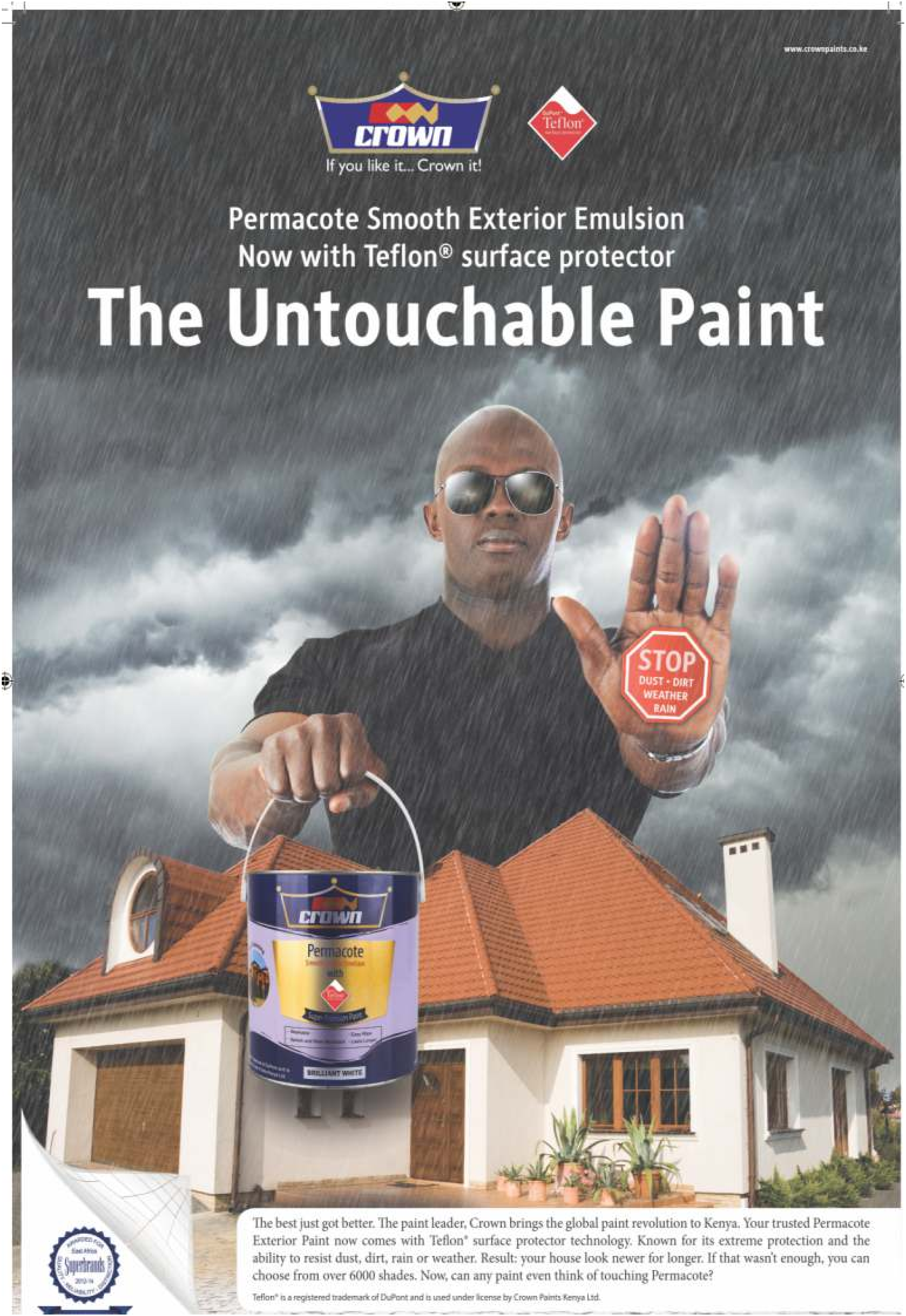
Signed/Sealed this .... day of 2013

....

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.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