



If you like it...Crown it!



# 2023

## ANNUAL REPORT AND FINANCIAL STATEMENTS



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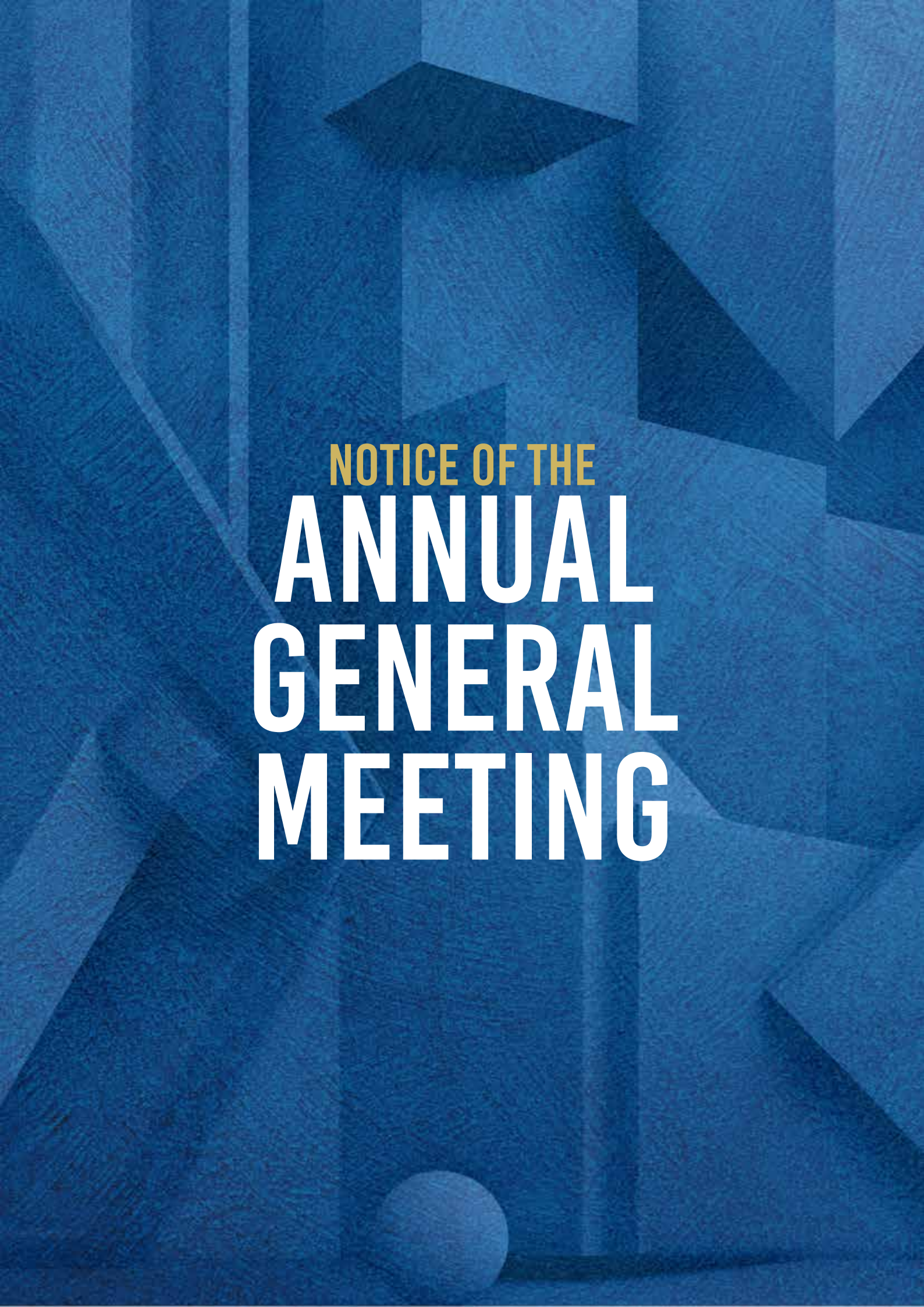
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**NOTICE OF THE**  
**ANNUAL**  
**GENERAL**  
**MEETING**

# Crown Paints Kenya Plc

## (the Company)

### Notice of the 67th Annual General Meeting to the shareholders of Crown Paints Kenya Plc

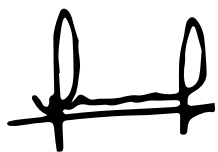
In accordance with the provisions of the Companies Act, No. 17 of 2015 as amended by the Business Laws (Amendment) (No. 2) Act, 2021, NOTICE IS HEREBY GIVEN in accordance with Article 77 of the Company's Articles of Association that the 67th Annual General Meeting of the Company will be held virtually at 11.00 am on Thursday, 27th June 2024 to conduct the business set out below:

All resolutions will be conducted by way of a Poll.

As ordinary business to consider and, if thought fit, pass the following ordinary resolutions:

1. To adopt the audited financial statements for the year ended 31st December 2023 together with the Directors' and Auditors' Reports thereon.
2. To approve the Directors' Remuneration Report and the remuneration paid to the Directors for the year ended 31st December 2023 and to authorise Directors to fix the remuneration of the Non-Executive Directors.
3. To note that the Directors do not recommend the payment of a dividend for the financial year ended 31 December 2023.
4. To re-elect the following Directors:
  - a) Mr Steven Oundo retires by rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election.
  - b) In accordance with the provisions of section 769 of the Companies Act 2015, the following Directors, being members of the Board Audit and Risk Committee be elected individually to continue serving as members of the Committee:
    - i) Mr Nicholas Kathiari
    - ii) Mr Steven Oundo
    - iii) Ms Alice Owuor
5. To re-appoint Messrs Ernst & Young LLP as the auditors of the Company for the Financial Year ending 31st December 2024 in accordance with Section 719 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for 2024.

**BY ORDER OF THE BOARD**



**Conrad Nyukuri**

**Company Secretary**

**Date: 03rd June 2024**

# Notice of the Annual General Meeting (Continued)

## NOTES

1. Shareholders with valid emails and mobile numbers on the register will receive a personalized pre-registration link. Shareholders will need to confirm their attendance for the AGM by clicking on the link and following the prompts.
2. Shareholders can also register for the AGM online at <https://digital.candrgroup.co.ke> or by dialling USSD short code number **\*384\*040#**. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares at hand. For assistance shareholders should dial the following helpline number +254 20 8690360 from 8:00 a.m. to 4:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke).
3. Registration for the AGM shall open on 19th June 2024 at 8.00 am and will close on 26th June 2024 at 12.00 noon. Shareholders will not be able to register after 26th June 2024 at 12.00 noon.
4. Shareholders wishing to raise any questions for the AGM may do so by:
  - a) Sending their written questions by email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke) or
  - b) Dialling the USSD code **\*384\*040#** and selecting the option (ask Question) on the prompts and enter their question within the 160 character sms limit or
  - c) Clicking the link to the AGM Platform; Select Attend Event; Select “CROWN PAINTS AGM” Select “Q&A” option tab and submit questions in text box provided; or
  - d) To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company’s Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi. Shareholders sending questions by email or delivering to C&R Group must provide their full details (full names, Shares Account Number//CDSC Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.
5. Shareholders wishing to vote may do so by:
  - a) Clicking the link to the AGM Platform; Select Attend Event; Select “CROWN PAINTS AGM”; Select “Voting” option tab and vote; or
  - b) Dialling the USSD platform **\*384\*040#**; Use the menu prompts to Select the menu option for “Voting” and follow the various prompts regarding the voting process.
6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to attend and vote on their behalf. A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) or delivered to Custody



## Notice of the Annual General Meeting (Continued)

and Registrars Services Ltd, the Company's Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Nairobi so as to be received not later than Tuesday, 25th June 2024 at 11.00 a.m. When nominating a proxy, the ID/Passport No, details for email and/or mobile number of the proxy must be submitted to facilitate registration. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Wednesday, 26th June 2024 to allow time to address any issues.

7. The Virtual AGM will be accessible to shareholders and proxies who have duly registered. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers two hours before the AGM, reminding duly registered shareholders and proxies that the AGM will begin in two hours' time and providing the link to watch the live stream.
8. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD **\*384\*040#** or on the AGM Platform.
9. A poll shall be conducted for all the resolutions put forward in the notice.
10. Results of the AGM shall be published within 24 hours following conclusion of the AGM.
11. A copy of this notice, the proxy form, the Integrated Annual Report may be viewed from the company's website at **www.crownpaints.co.ke**.
12. All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority ('the Authority) as abandoned assets on the appointed date. Therefore, all present and former shareholders with unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below to claim any unpaid dividends to avert the risk of the dividends being forwarded to the Authority.

Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends via M-PESA by dialling **\*483\*038#** or contacting the Share Registrar, Custody & Registrars Services Limited.

Custody & Registrars Services Ltd  
IKM Place, Tower B, 1st Floor  
5th Ngong Avenue, Nairobi  
Tel: Mobile: +254 20 7608216  
Email: info@candrgroup.co.ke

# CROWN PAINTS KENYA PLC SHARE REGISTER

## PERIODIC REPORT FOR APRIL 2024

### TOP 30 SHAREHOLDERS

Name	Shares_Held	%
CROWN PAINTS AND BUILDING PRODUCTS LTD	68,924,730	48.42%
BEAUMONT PROPERTIES LIMITED	31,919,474	22.42%
BARCLAY HOLDINGS LIMITED	26,006,177	18.27%
STANBIC NOMINEES LTD A/C NR1030823	2,503,800	1.76%
BARCLAY HOLDINGS LIMITED	1,569,154	1.10%
PATEL MAHENDRA DAHYABHAI	672,060	0.47%
OGANGO JOHN OKUNA	520,500	0.36%
SHAH MINESH MULCHAND	479,480	0.34%
ZAVERCHAND PUNJA WAREHOUSES LTD	422,400	0.30%
DSL NOMINEES LTD A/C ORCHARD ESTATE LTD	280,188	0.20%
SHAH BIJAL MULCHAND	229,624	0.16%
SHAH SAVITABEN VELJI RAICHAND	205,050	0.14%
ASSI SANTOKH SINGH	186,640	0.13%
SHAH SAROJBEN PRAFULKUMAR HEMRAJ	164,040	0.11%
SHAH NISHITKUMAR RAMNIKLAL	159,900	0.11%
ALI MOHAMED ADAM	126,060	0.09%
SUNTRA NOMINEES A/C 0351	125,000	0.09%
THAWER ABDULRASUL ISMAIL	110,550	0.08%
KUNGU PETER MWAURA	100,200	0.07%
SANJAY GULABSI BHATIA & MRS HEMANTI SANJAY BHATIA	99,000	0.07%
SHAH PRAFULKUMAR HEMRAJ	96,480	0.07%
SHAZIQUE ENTERPRISES LIMITED	94,710	0.07%
PARESH P UPADHYAY & HASMUKH A JOSHI	89,100	0.06%
SURESHCHANDRA RAICHAND SHAH	83,127	0.06%
SHAH JATIN KUMAR JUTHALAL	78,756	0.05%
RAJNIKANT NATHOOBHAI SHAH	77,220	0.05%
RAYANI SHAMSUDIN J. A. RAYANI & ROSINAKHANU S.	74,568	0.05%
MUCHINYI SILVESTER	69,600	0.05%
RUPAM GULABSI BHATIA	66,000	0.05%
PRIME NOMINEES A/C PBC022	66,000	0.05%
<b>Total Top 30 Shareholders</b>	<b>135,599,588</b>	<b>95.25%</b>
<b>Unselected 2,690 Shareholders</b>	<b>6,762,412</b>	<b>4.75%</b>
<b>Issued Shares</b>	<b>142,362,000</b>	<b>100.00%</b>
<b>Total Number of Shareholders</b>	<b>2,720</b>	
<b>Number of Shareholders at the CDSC</b>	<b>2,010</b>	
<b>Number of Shares Held at the CDSC</b>	<b>113,385,597</b>	

# CROWN PAINTS KENYA PLC SHARE REGISTER

## PERIODIC REPORT FOR APRIL 2024 (continued)

DEMAT ANALYSIS	Shares	%	Holders
CDSC	113,385,597	79.65%	2,010
CERTIFICATED	28,976,403	20.35%	710
<b>TOTAL</b>	<b>142,362,000</b>	<b>100.00%</b>	<b>2,720</b>
ANALYSIS BY DOMICILE	Shares	%	Holders
DOMICILE			
FOREIGN COMPANIES	62,059,505	43.59%	6
FOREIGN INDIVIDUALS	602,277	0.42%	25
LOCAL COMPANIES	70,731,398	49.69%	172
LOCAL INDIVIDUALS	8,968,820	6.30%	2,517
<b>TOTAL</b>	<b>142,362,000</b>	<b>100.00%</b>	<b>2,720</b>
ANALYSIS BY VOLUME	Shares	%	Holders
VOLUME			
1 - 500	188,650	0.13%	1,222
501 - 5000	2,327,024	1.63%	1,192
5001 - 10000	1,109,867	0.78%	153
10001 - 100000	4,031,432	2.83%	134
100001 - 1000000	3,781,692	2.66%	14
>1000000	130,923,335	91.97%	5
<b>TOTAL</b>	<b>142,362,000</b>	<b>100.00%</b>	<b>2,720</b>

# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of Crown Paints, it is my privilege to present to you the 2023 integrated annual report & audited financial statements of the Group.

## The Year in Review

### Overview of the Year

During the year under review, the global economic landscape faced significant challenges, including a general slowdown, inflationary pressures, geopolitical volatility, macroeconomic uncertainties, and supply chain disruptions. Despite these global headwinds, Kenya's economy grew by 5.6%, up from 4.9% the previous year, primarily driven by

improvements in the agriculture sector. However, this growth did not translate into increased purchasing power or reduced inflation. Additionally, an unfavorable exchange rate adversely affected manufacturers. Consequently, despite notable revenue growth, these factors resulted in a reduction in profitability.

### Resilience and Innovation

In the face of these challenges, our teams demonstrated remarkable resilience, propelling the business forward with a positive trajectory of innovation. We introduced improved, eco-friendly products that align with our core values of strength, durability, authenticity, and aesthetics. These strategic choices are yielding the desired results, and we are confident in our vision to become the leading paint solutions company in the region. This goal requires continuous effort and a refusal to rest on our laurels. Our current investments are designed to ensure the long-term success of our company.

### Commitment to ESG

At Crown Paints, we recognize the critical environmental challenges posed by biodiversity loss and climate change. These issues, if left unaddressed, will impact our ability to thrive as a business and negatively affect our customers across the region. It is, therefore, our responsibility to reduce our carbon footprint and build resilience against the inevitable effects of climate change.

Sustainability remains a key driver of our value creation goals. By integrating sustainable practices into our operations and offering products that enhance our customers' sustainability performance, we aim to make a positive impact across our value chain and be recognized as an industry leader in ESG practices. Our initiatives include pioneering eco-friendly paint formulations, leveraging digital tools for project management and cost estimation,

# CHAIRMAN'S STATEMENT

(continued)

and collaborating with others to redefine industry standards. These efforts not only contribute to our business's future resilience but also address ESG risks and align our strategies with the critical challenges of climate change.

## Appreciation

On behalf of the Board of Directors, I extend our heartfelt appreciation to our shareholders, clients, business partners, banking partners, suppliers, and contractors for their unwavering support throughout the last financial year. Your strong support, trust, and dedication have been instrumental in our achievements.

A special thank you goes to the Management and staff, who are the backbone of Crown Paints. Your hard work, commitment, and passion have driven our growth and innovation over six decades. Together, we have overcome challenges and achieved significant successes. Your resilience and creativity continue to be our driving force, and I deeply appreciate your loyalty.

## Looking Forward

As we look to the future, we remain confident in our ability to navigate evolving market dynamics and capitalize on emerging opportunities. Our determination to advance remains steadfast, and we are committed to implementing prudent measures for recovery and sustainable growth. Our strategic priorities for the coming year include expanding and deepening our market presence, continuing to invest in innovation, and enhancing the customer experience. We are dedicated to driving sustainable growth and delivering superior value to our shareholders.

Thank you.



**Mhamud Charania**

**Chairman**

**15th May 2024**



# CROWN PAINTS, HERITAGE OF EXCELLENCE

We have over 64 years of experience which we leverage to provide innovative paint solutions for our clients.

**TRUSTED  
QUALITY**



**WIDE VARIETY OF  
PRODUCTS**



**OVER 11,000  
SHADES**



**INNOVATIVE &  
CONSUMER CENTRIC**



DECORATIVE PAINTS | AUTOMOTIVE PAINTS | ADHESIVES | ROAD MARKING | INDUSTRIAL PAINTS | WATERPROOFING

[www.crownpaints.co.ke](http://www.crownpaints.co.ke)

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CrownPaintsPLC





If you like it...Crown it!



**OVER 60 YEARS OF ADDING  
COLOUR TO KENYAN HOMES,  
DREAMS, AND ASPIRATIONS.**

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# BOARD OF DIRECTORS



**MHAMUD CHARANIA**  
CHAIRMAN

**PATRICK MWATI**  
FINANCE DIRECTOR

**ALICE AWUOR**  
NON EXECUTIVE  
DIRECTOR





**DR. RAKESH RAO**  
GROUP CHIEF  
EXECUTIVE OFFICER

**STEPHEN OUNDO**  
NON EXECUTIVE  
DIRECTOR

**HUSSEIN RAMJI**  
VICE CHAIRMAN

**NICHOLAS KATHIARI**  
NON EXECUTIVE  
DIRECTOR

# GROUP CHIEF EXECUTIVE OFFICER STATEMENT



Dear Investors,

It is an honor to present the Crown Paints Annual Report for 2023, a year that was marked by significant macro-economic challenges including high cost of living and exchange rate pressures, factors which hurt sales and affected the cost of doing business. Despite these challenges, our innovative streak remained strong, and the business demonstrated resilience and strategic growth throughout the period under review. I am grateful to all our team members for going the extra mile to overcome the challenges that stood in our way, take advantage of opportunities, and push our business agenda forward. Thanks to the team, Crown Paints remains the market leader with a suit of high-quality products and exceptional service.

## Financial Performance

As indicated at the outset, the year under review was a difficult one for manufacturers, a situation

attributed to exchange rate and inflationary pressures, aggravated by global economic uncertainties. The Group's turnover for the year ended 31 December 2023 grew to Ksh 12.5 billion up from Ksh 11.4 billion in the year ended 31 December 2022. The profit before tax, for the year ended 31 December 2023 declined to Ksh 14 million down from a profit before tax of Ksh 1.1 billion for the year ended 31 December 2022. The growth in Kenya's economy did not reflect in the performance of the manufacturing sector due to the macro-economic conditions, which resulted to high cost of production and reduced demand for our products because of a shift in household spending.

The outlook for 2024, however, is positive and we remain optimistic that the business will navigate the business challenges experienced in 2023 and post improved results. Our business model is strong and resilient, and our strategic initiatives aimed at cost optimization and operational efficiency are on course.

## Product innovation and business growth

We have been producing quality paints for more than 60 years. During this period, we have grown from our initial operations in Kenya to enter other markets in the region, namely Tanzania, Uganda, and Rwanda. We have strengthened our distribution network and signed new partnerships, enabling us to reach a broader customer base and grow our market share. We are listed on the Nairobi Stock Exchange, have an annual turnover of more than Ksh 12 billion (2023 numbers) and we pride ourselves on having more than 1400 employees across our operations. Thanks to our dedicated teams, we are recognized as the most innovative paint company in the region, providing tailor-made solutions to the construction and retail segments of the market with innovative products, services, and world-class after-sales support. In recent years, we have launched new products, including advanced eco-friendly paints and specialized coatings that cater to the evolving needs of our customers. These products have not only enhanced our portfolio of product offerings but also positioned us as a regional leader in sustainable

## GROUP CHIEF EXECUTIVE OFFICER STATEMENT (continued)

paint solutions. This is critical as governments and businesses around the world work together to combat the effects of climate change.

### Customer Focus

At Crown Paints, our customers are the central plank of everything we do. During the year under review, we continued our customer engagement with several initiatives to deepen customer experience. Some of these initiatives included visits to distributors and retailers in all our markets, improved service delivery, personalized solutions, participation in industry events, and innovative marketing campaigns. Our commitment to quality and customer satisfaction remains a priority, and we continue to strive for excellence in every interaction with the customers.

### Sustainability and Corporate Responsibility

Sustainability is a key pillar of our strategy. We strive to be a business that not only prioritizes financial profits, but also conserves the environment for present and future generations, while caring about people in the areas where we do business. This year, we have made significant strides in our sustainability journey. The teams have worked tirelessly in developing eco-friendly paints while ensuring less power and water consumption, carbon footprint and enhance the sustainability of our supply chain as guided by both our short- and long-term goals.

All these efforts are aligned with the applicable United Nations Sustainable Development Goals (SDGs) which we pursue, thus reinforcing our responsibility to future generations.

As we pursue business growth, balancing between expansion, sustainability, and profitability have been our core theme. Despite the numerous challenges we encountered, from supply chain disruptions to economic uncertainties, we've remained resilient by ensuring our strategic planning stands the test of time to overcome and manage these challenges.

Our communities that we serve play a significant role in our operations; we've established a strong relation with these stakeholders through strategic investments that enhance sustainability.

### Operational Excellence

Operational excellence is essential to our success. We have undertaken several initiatives to enhance our production capabilities, streamline our supply chain, and improve our overall efficiency. These efforts have not only reduced costs but also improved our ability to deliver high-quality products to our customers in a timely manner.

### Market Outlook

Looking ahead, we are optimistic about the future and the prospects it holds. Our strategic priorities for this year and the coming year include strengthening innovation, deepening our markets, and continued investment in sustainability through going green initiatives. We are committed to driving growth, enhancing shareholder value, and maintaining our position as a market leader.

Finally, I would like to express sincere gratitude to our employees, customers, investors, partners, and other stakeholders for their continued support and trust. It is through your dedication and commitment that Crown Paints continues to thrive and scale new heights.

Thank you.



**Dr. Rakesh Rao,**  
**Group Chief Executive Officer**  
**15th May 2024**

# SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY JOURNEY

Crown Paints is a proactive and responsible corporate citizen dedicated to enhancing the lives of local communities through various CSR initiatives aligned with our core pillars.

## EDUCATION PILLAR

### KIBOS SCHOOL FOR THE BLIND

Crown Paints has partnered with Jambojet to transform Kibos School for the blind, a mixed boarding School in Kisumu. Jambojet has been supporting the school since 2020, and the partnership with Crown Paints witnessed the payment of 10 school children fees and ensured the school structures were repainted; thereby providing a positive ambience for the special students and teachers.



### KWA NJORA SPECIAL SCHOOL

Crown Paints answered Kwanjora's Special School cry for help to repaint the classrooms and dormitories. The school located in Nyahururu caters for Children living with cerebral palsy and other disabilities. Crown also donated mattresses, food stuff and hygiene essentials



# CROWN PAINTS' COMMITMENT TO HEALTH AND COMMUNITY SUPPORT

## NYERI HOSPICE

Crown Paints is dedicated to promoting health and well-being in the communities it serves. This commitment is exemplified through our recent contributions to the Nyeri Hospice, a charitable organization providing palliative care to patients with life-limiting illnesses such as cancer and other non-communicable diseases.

Crown Paints Finance Director Patrick Mwati and Nyeri Hospice Chairman Tarsen Sembhi officiated the opening of the newly repainted Old Wing of the Hospice. Additionally, Crown Paints Finance Director Patrick Mwati and Senior Area Sales Manager Morris Maina, donated personal protective medical gear to Nyeri Hospice Chairman Tarsen Sembhi and CEO Stephen Musya. These initiatives underscore our ongoing support for healthcare facilities and our commitment to enhancing the quality of care for patients.



## TRANSFORMING COMMUNITIES



## MILE 46 VILLAGE

In the heart of Kenya's Kajiado County, Mile 46 village underwent a remarkable transformation through the Mile 46 Art for Change Project. This initiative, a collaboration between the M2 Art collective, Art for Change Foundation, East African artists, and the Mile 46 community, was proudly supported by Crown Paints. The project aimed to turn the village into a vibrant Maasai art hub, revitalizing the area, celebrating Maasai culture, and instilling pride in the community, especially after a severe drought that had devastated local livelihoods. By harnessing the power of paint and creative expression, the project brought much-needed hope and new energy to Mile 46.

The success of this project was significantly boosted by the generous contributions from Crown Paints, which provided paint and training. The company also trained over 60 youth community members, equipping them with valuable painting and entrepreneurial skills. This support underscored Crown Paints' commitment to community development and belief in the transformative power of art. Through this initiative, Mile 46 came alive with vibrant colors, reflecting the rich Maasai heritage and the collective vision of the community and artists.

# TRANSFORMING COMMUNITIES



## MALINDI MARATHON

Crown Paints Senior Sales Officer Halima Ngache hands over a cheque to Rotary Club of Malindi representatives led by the Executive Director Mr Nurudeen Raghieb of Rotary Club of Malindi. The donation will go towards the Club's Polio Eradication Campaign and Education Bursary Fund

## IFTAR FOOD DONATION

Ramadhan is the most important period of the year for Muslims with a month marked by gratitude, prayer, family and community. Crown Paints Kenya PLC partnered with various organisations in support of the IFTAR Ramadhan Programme for the elderly and vulnerable families



## PAINTING NAKALOKE POLICE STATION - UGANDA

Nakaloke Police Station is situated in Mbale Northern Division, Eastern Uganda. As part of our commitment to giving back to the community, we undertook a project to repaint the police station. Our efforts were well-received and acknowledged by the District Police Commander (DPC) of the region, highlighting the positive impact of our contribution.

## DONATION TO CENTRAL POLICE POST ARUSHA - TANZANIA

We donated paint to renovate Central Police Post Arusha. This is part of our commitment of giving back to the communities in which we operate.



# CORPORATE GOVERNANCE

## Introduction

Corporate governance is the system of rules, practices, and processes by which the organization is directed and controlled. The Corporate Governance Code sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability and audit, and relations with shareholders. Beyond the standards set by the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public in Kenya, Crown Paints Kenya Plc (Crown), has established and maintained its own Code of business conduct.

It is Crown's aspiration to reach the highest standards of Corporate Governance, by emphasizing on transparency, creating a sustainable culture and setting industry-leading benchmarks. The Crown Corporate Governance philosophy is built on ethical and transparent business operations in-order to foster an organizational culture that focuses on performance and organizational health.

The culture ensures trust among all stakeholders and strengthens the Board and management accountability. It is from this practice of responsible governance that we continue to achieve sustainable growth and meet the aspirations of our stakeholders while fulfilling societal expectations.

The sound governance processes and systems guide Crown on its journey towards continued success. Some of the principles include, integrity, execution excellence, customer orientation, fairness, accountability, responsibility, transparency, and social responsibility.

## Governing Body of Crown Paints Kenya Plc

The supreme decision-making body of Crown is the Annual General Meeting of Shareholders. The Board of Directors (the Board) is responsible for the management. The main governance structure comprises of the Board, Committees of the Board and Management who have an assisting and supporting role.

## The Board of Directors

Crown does recognize and embrace the need of a diverse Board to ensure its success. The board does have leverage from the difference in thought, perspective, knowledge, skill and industry experience, which enriches the Board discussions and decision making. The Board has a mix of Executive and Non-Executive Directors who have considerable expertise in their respective fields including competencies required in context of the company's businesses.

At Crown, the Board, is responsible for establishing the broad corporate policies and setting strategic direction while entrusting the day-to-day operations of the company to the executive management led by the Group Chief Executive Officer. The Board provides oversight so as to protect, preserve and promote the best interests of its shareholder and all stakeholders. To fulfill this role, each director exercise's his or her good faith in making business judgment to the best interests of Crown. The operations of the Board are governed by the Board Charter which the Board has deemed to be up to date with the current needs and roles of the Board. The Board Charter defines the governance parameters within which the Board exists, sets out the Board authority and specific responsibilities to be discharged by the

# CORPORATE GOVERNANCE (CONTINUED)

Board and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals.

As on the date of this Report, the Board comprised of Seven (7) members, three (3) of which are executive directors, three (3) independent non-executive directors and one (1) non-executive director (Chairman).

## Board Procedures and Flow of Information

The Board meets quarterly to review the performance of the company (financial results/statements, compliance report, regulatory developments, significant transactions and risk management) and any other proposal from the management. Additional meetings are held whenever necessary. In case of matters requiring urgent approval of the Board, resolutions are passed through circulation.

The Chairman of the Board together with the Company Secretary determine the agenda for every meeting in consultation with the Chief Executive Officer. The Board has unrestricted access to all company-related information. The agenda for the meetings is circulated well in advance to the directors to ensure that sufficient time is provided to directors to prepare for the meeting. Directors are required to declare any conflicts of interest in all Board and Committee meetings prior to discussion of the substantive agenda items.

On need basis, company officials are invited to attend meetings of the Board and make presentations to the Board on matters including but not limited to the company's performance.

## Responsibilities and separation of roles

Whilst the Chairman and the Chief Executive Officer are responsible for the profitable operations of the company, their roles are separate, with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the board, for ensuring its effectiveness on all aspects of its role and for facilitating productive contributions of all directors. The Chairman also ensures that the interests of the company's shareholders are safeguarded and that there is effective communication with them.

The Chief Executive Officer has overall responsibility for the day to day running of the business of the company and provides leadership to facilitate successful planning and execution of the company objectives and strategies as agreed upon by the board.

## Independent non-executive directors' business relationship with the company

The directors are independent of management influence and do not engage in any business or interest that could impair their participation in the management of the company. They have a responsibility to ensure that the business strategy and operations are fully discussed and critically reviewed. They have no service contracts with the company but have letters of appointment which stipulates the terms of their appointment. Any fees payable to them annually is in accordance with the applicable laws and with the approval of the shareholders as disclosed under the directors' remuneration report.



# CORPORATE GOVERNANCE (CONTINUED)

## Composition of the Board

The Nomination and Remuneration Committee determines the composition of the Board based on the need and requirements of the company from time to time. It identifies the person as potential candidate, qualified to be appointed as director and recommends to the Board for their appointment. The Directors are then re-elected by the shareholders at the annual general meetings and are due for retirement by rotation in accordance with the company's Articles of Association. The current composition of the Board is given on page 30.

## Board Committees

The Board has constituted various Committees with specific terms of reference. The committees of the Board consist of a balanced mix of non-executive and executive directors. The Board periodically reviews the composition and terms of reference of its committees to comply with any amendments/modifications to the provisions relating to composition of Committees. Management, other Board members and outside service providers and experts may attend by invitation as circumstances dictate.

The Board has set up two main committees to perform its delegated functions. The committees meet regularly under the terms of reference set out by the Board.

### a) Audit and Risk Committee

The committee consists entirely of the independent non-executive directors as confirmed by the Board upon appointment. The Committee meets the Statutory Auditors and the Chief Internal Auditor independently without the presence of any members

of the management at least once in a year. The Committee, within the scope of its assigned duties, is authorised to seek any information it requires from employees, Company officers and external parties. The committee extends invite to the Finance Director while other members of management are invited to present any reports required for the committee to discharge its duties. The committee members are deemed to be financially literate and have the requisite understanding, ability and experience to qualify as "audit committee financial experts" within the meaning set forth under the CMA code.

It reports to the Board and among its functions include:

1. Review of enterprise risk management and internal controls framework.
2. Review of financial reporting and disclosures.
3. Oversight of external auditor and internal audit.
4. Review of sustainability reporting and initiatives.

### b) Nomination and Remuneration Committee

This committee is chaired by an independent non-executive director. The committee meets at least once a year and frequently as required to carry out its duties. It is responsible for:

1. Reviewing the balance and effectiveness of the Board.
2. Determining the policy for the remuneration of the directors and executive senior management.
3. Succession planning at the Board level and proposing new nominees for appointment to the Board.

# CORPORATE GOVERNANCE (CONTINUED)

## **c) Special committees**

The Board is mandated by the company's Articles of Association to form other ad hoc committees to deal with specific matters that may occur. These committees regularly report to the Board on their activities.

## **Directors' Emoluments and Loans**

The details of emoluments paid to directors is contained in the Directors' Remuneration Report which is on page 36-37 of this annual report. The Directors' Remuneration Report is approved by the shareholders at the annual general meeting. No arrangements exist whereby a director could acquire company shares on beneficial terms.

## **Communication with Stakeholders**

The company promptly discloses information on material corporate developments and other events as required under Listing Regulations. Such timely disclosures are an indicator of the company's good corporate governance practices.

## **a. Publication of results**

Half-yearly and annual financial results of the company are published in leading newspapers.

## **b. Website and news releases**

In compliance with the Listing Regulations, a separate dedicated section under 'Investors' on the company's website gives information on various announcements made by the company (Annual report and half year financial results along with the applicable policies of the company, Sustainability Report). The company's website is <https://www.crownpaints.co.ke/>.

## **c. Regulators**

The company makes timely disclosures of necessary information to Capital Markets Authority and the Nairobi Securities Exchange (NSE) in terms of the Listing Regulations and other applicable rules and regulations issued.

## **d. Shareholders**

Letters and emails are sent to shareholders concerning, their dividends, annual general meetings and any other information affecting the company's state of affairs.

## **e. Annual general meeting**

The Board encourages full participation of shareholders at the annual general meeting (AGM) and at other general meetings. Directors' responses to the questions raised during the AGM and AGM polling results are available on the company's website. The shareholders are free to communicate at any time with the company's registrar.

# FINANCIAL STATEMENTS



# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

CORPORATE INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2023

## **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.

NCBA Bank Kenya Plc  
P.O. Box 30437 - 00100  
Nairobi.

Absa Bank of Kenya Plc  
P.O. Box 46661 - 00100  
Nairobi.

Co-operative Bank of Kenya Limited  
P.O. Box 17928 - 00500  
Nairobi.

Bank of Africa Kenya Limited  
P.O. Box 69562 - 00400  
Nairobi.

I&M Bank Limited  
P.O. Box 30238-00100  
Nairobi.

Equity Bank (Kenya) Limited  
P.O. Box 75104-00200  
Nairobi.

## **SOLICITORS**

Kairu Mbuthia Law LLP  
Applewood Adams, 13th Floor  
Office Suite No. 1308, Ngong Road  
P.O. Box 6574 - 00100  
Nairobi.

## **SECRETARY**

Conrad Nyukuri  
C/o Adili Corporate Services Kenya  
ALN House, Eldama Ravine Close, off  
Eldama Ravine Road  
Westlands  
P.O. Box 764 - 00606  
Nairobi.

## **REGISTRARS**

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

## **AUDITORS**

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

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, which show the state of the affairs of Crown Paints Kenya Plc (“the company”) and Subsidiaries (together, “the group”).

### **1. INCORPORATION**

The company is domiciled in Kenya where it is incorporated as a public limited company limited by shares under the Kenyan Companies Act, 2015. The address of the registered office is set out on page 1.

### **2. PRINCIPAL ACTIVITIES**

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

### **3. GROUP RESULTS**

The results for the year are set out on page 46.

### **4. COMPANY RESULTS**

The results for the year are set out on page 50.

### **5. DIVIDENDS**

Subject to approval by the shareholders, the directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: KShs 4.00 per share totalling to KShs 569 million).

### **6. FINANCIAL STATEMENTS**

Except as indicated in Note 34 to the financial statements, the directors are not aware of any circumstances, which would render the values attributed to assets and liabilities in the financial statements of the group and the company not as stated in the financial statements.

### **7. RESERVES**

The reserves of the group and the company are set out in Note 12.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

REPORT OF THE DIRECTORS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

## **8. DIRECTORS**

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

Mhamud Charania	-	Chairman (Non-executive)
Rakesh K. Rao	-	Chief Executive Officer
Patrick M. Mwati	-	Executive
Hussein H.R.J. Charania	-	Executive
Steven Bwire Oundo	-	Non-executive
Nicholas Kathiari	-	Non-executive
Alice Owuor	-	Non-executive

## **9. BUSINESS REVIEW**

The Group's turnover for the year ended 31 December 2023 grew to KShs 12.5 billion from KShs 11.4 billion in the year ended 31 December 2022. The operating profit before tax, for year ended 31 December 2023 declined to KShs 14 million from a profit before tax of KShs 1.1 billion for the year ended 31 December 2022.

During the year 2023, government fiscal policy changes saw it prioritise investment in agriculture and Micro and Small Enterprises (MSEs), to offer quick turnaround results to create opportunities, income, and wealth for as many Kenyans. At the same time these changes saw the government cut down on new projects and pledged to manage the country's debt to sustainable levels to ease spending pressure.

Inflationary pressure suppressed demand for products thus creating further cash flow challenges for organisations. For our industry sector, this necessitated us to review our prices upwards as we pushed the increased cost to the consumer. This did not align well with our customers who were already feeling the financial pressure and had resulted to shift in household spending hence the drop in performance.

On the East African regional market, the other economies did not face the same pressure as Kenya did, their currencies gained against the Kenya shilling and their economies remained stable. Tanzania was expected to grow fastest in the region above Kenya and Uganda because of increased investment in key growth sectors and its exports market.

Our subsidiaries in the region did not show remarkable performance that was reflective of the economy estimate and reported mixed performance for the year 2023. For Uganda (Regal Paints), Rwanda (Crown Paints Rwanda) we reported a profit for the year. However, for Tanzania (Crown Paints Tanzania) we reported a loss for the year ended 31 December 2023.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

REPORT OF THE DIRECTORS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 9. BUSINESS REVIEW (Continued)

The Board of directors (the Board) remains committed to risk management practises that identify and ensure management proactively deals with the risks. The Board has the overall responsibility for the Group's risk management and for ensuring system of internal controls. In the Board, the Audit committee is tasked with reviewing the Group's risk management programmes. On the day-to-day operations of the Group, the Chief Executive Officer together with other top management officials ensure implementation and compliance to the risk management procedures and policies. The Group operations in the various countries face various risks both strategic and operational.

Below are some of the risks;

TYPE	RISK	MITIGATION
<b>Strategic:</b>		
	<p><b>Regulatory environment</b> The Group is expected to comply with all regulatory bodies and governments.</p>	<ul style="list-style-type: none"> <li>• The Group ensures that its products meet regulatory requirements.</li> <li>• The Group engages regulatory authorities to ensure compliance.</li> <li>• The Group actively participates with other stakeholders in building relationships with the regulatory authorities.</li> </ul>
	<p><b>Competition</b> The paint industry has become ever more competitive both in terms of the products and players.</p>	<ul style="list-style-type: none"> <li>• The Group through its research and development team is continuously developing its products to meet the market demands.</li> <li>• The Group continuously monitors the market for the entry of new players and the threat that they offer.</li> </ul>
	<p><b>Economic/ Political</b> The political environment in the countries we operate greatly influence the economic performance.</p>	<ul style="list-style-type: none"> <li>• The Group monitors the environment and takes measures to mitigate the risks identified.</li> </ul>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

REPORT OF THE DIRECTORS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 9. BUSINESS REVIEW (Continued)

TYPE	RISK	MITIGATION
<b>Operational:</b>		
	<b>Technological</b> Changes in technology are a continuous threat to the operations.	<ul style="list-style-type: none"> <li>The Group ensures that its operating systems are updated and protected from external threats.</li> </ul>
	<b>Process execution</b> The inability to properly assess a situation and deploy the right strategy.	<ul style="list-style-type: none"> <li>By ensuring that the business strategy is well discussed and articulated to all process owners.</li> </ul>
	<b>Internal/ External fraud</b> The risk of employee and external party fraud through collusion.	<ul style="list-style-type: none"> <li>Group constantly reviews updates to its internal controls and monitors the utilisation of its resources.</li> </ul>
	<b>Safety</b> Resulting from the risk of violation of workplace safety measures.	<ul style="list-style-type: none"> <li>The environmental and safety team ensures adherence to safety measures and compliances to regulatory authority.</li> </ul>
	<b>Business practices</b> The risk of release of wrong information accidental or otherwise.	<ul style="list-style-type: none"> <li>Ensuring that the company data is well protected and in compliance to data safety requirements.</li> </ul>

## 2024 Outlook

The Board's outlook for 2024 is positive and we remain optimistic that the business will navigate the business challenges experienced in 2023. It will undertake the necessary initiatives to ensure that the group remains profitable whilst caring for the environment and the community.

## 10. STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

With respect to each director at the time this report was approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and,
- the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.



# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

REPORT OF THE DIRECTORS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

## **11. TERMS OF APPOINTMENT OF THE AUDITOR**

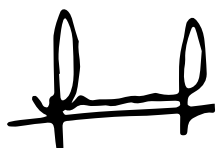
Ernst & Young LLP continues in office in accordance with the company's Articles of Association and Section 723 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration has been charged to profit or loss in the year.

## **12. GOING CONCERN**

The directors have made an assessment of the group's and the company's ability to continue as a going concern and are not aware of any material uncertainties related to events or conditions that may cast doubt on the group's and the company's ability to continue as a going concern. As disclosed in note 34, the subsidiaries rely on the parent company for provision of working capital. The parent company has undertaken to support the subsidiaries meet their financial obligations. In view of this, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the separate and consolidated financial statements.

### **By Order of the Board**

**Conrad Nyukuri**



.....  
**Secretary**

**29th April 2024**

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023**

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company and its subsidiaries as at the end of the financial year and of the group's and company's profit or loss for that year. It also requires the directors to ensure that the group and company keeps proper accounting records that: (a) show and explain the transactions of the group and company; (b) disclose, with reasonable accuracy, the financial position of the group and company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Kenyan Companies Act, 2015.

They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the group's and the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt on the group's and the company's ability to continue as a going concern. As disclosed in note 34, the subsidiaries rely on the parent company for provision of working capital. The parent company has undertaken to support the subsidiaries meet their financial obligations. In view of this, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the separate and consolidated financial statements.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 29th April 2024 and signed on its behalf by:



.....  
**Rakesh K. Rao**  
**Group Chief Executive Officer**



.....  
**Patrick Mwati**  
**Group Finance Director**

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**

The Directors' Remuneration Report sets out the policy that the company has applied to remunerate executive and non-executive directors. The report has been prepared in accordance with the relevant provisions of the CMA code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015, and the Companies (General) (Amendments) (No.2) Regulations, 2018.

### **Executive Directors**

Executive directors are remunerated in accordance with the company's staff remuneration policy. The determination of the pay is based on the established salary scale. Annual objectives are set at the beginning of the year and a performance assessment carried out to determine the annual bonus and annual increment. The remuneration package comprises basic salary, pension and other benefits. There has been no major change relating to directors' remuneration during the year under review.

### **Non-Executive Directors**

Non-executive directors are paid a sitting allowance for attending board meetings.

The fees are approved by shareholders at Annual General Meetings.

### **Contract of service**

In accordance with the Capital Markets Authority regulations on non-executive directors, a third of the Board is elected at every Annual General Meeting by the shareholders for a term of 3 years on rotation basis.

The executive directors have employment contracts with the company.

The table below shows the executive and the non-executive directors' emoluments in respect of qualifying services for the year ended 31 December 2023. The aggregate directors' emoluments are disclosed in notes 9 and 22.

## **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

DIRECTORS' REMUNERATION REPORT (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

### **31 December 2023**

Director	Role	Category	Gross earnings including pension contribution KShs	Annual bonus KShs	Sitting allowances KShs	Other benefits* KShs	Total KShs
Mhamud Charania	Chairman	Non- executive	6,109,392	-	-	2,623,200	8,732,592
Hussein H.R.J Charania	Vice- chairman	Executive	56,733,580	1,181,250	-	3,374,316	61,289,146
Rakesh K. Rao	Chief Executive Officer	Executive	47,376,123	985,000	-	3,483,983	51,845,106
Patrick M. Mwati	Finance Director	Executive	46,210,577	827,500	-	1,775,663	48,813,740
Stephen B. Oundo	Director	Non- executive	876,080	-	2,142,750	-	3,018,830
Nicholas Kathiari	Director	Non- executive	876,080	-	2,857,000	-	3,733,080
Alice Owuor	Director	Non- executive	876,080	-	2,142,750	-	3,018,830
<b>Total</b>			<b>159,057,912</b>	<b>2,993,750</b>	<b>7,142,500</b>	<b>11,257,162</b>	<b>180,451,324</b>

\*Other benefits include housing, motor-vehicle allowances, gift vouchers, utilities, school fees and cash allowances.

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
**DIRECTORS' REMUNERATION REPORT (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**31 December 2022**

Director	Role	Category	Gross earnings including pension contribution KShs	Annual bonus KShs	Sitting allowances KShs	Other benefits* KShs	Total KShs
Mhamud Charania	Chairman	Non- executive	6,109,392	-	-	727,392	6,836,784
Hussein H.R.J Charania	Vice- chairman	Executive	54,023,900	2,250,000	-	3,846,406	60,120,306
Rakesh K. Rao	Chief Executive Officer	Executive	45,020,900	1,875,000	-	12,092,362	58,988,262
Patrick M. Mwati	Finance Director	Executive	40,770,900	1,575,000	-	6,254,703	48,600,603
Stephen B. Oundo	Director	Non- executive	866,400	-	2,142,750	-	3,009,150
Nicholas Kathiari	Director	Non- executive	866,400	-	2,142,750	-	3,009,150
Alice Owuor	Director	Non- executive	866,400	-	2,142,750	-	3,009,150
<b>Total</b>			<b>148,524,292</b>	<b>5,700,000</b>	<b>6,428,250</b>	<b>22,920,863</b>	<b>183,573,405</b>

\*Other benefits include housing, motor-vehicle allowances, gift vouchers, utilities, school fees and cash allowances.



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# REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of Crown Paints Kenya Plc (the “company”) and its subsidiaries (together, the “group”) as set out on pages 45 to 126, which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the

**REPORT OF THE INDEPENDENT AUDITORS** (continued)

consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key audit matter	How our audit addressed the key matter
<b>Impairment consideration of investment in the subsidiaries</b>	
<p>As disclosed in note 6 to the financial statements, the company has an investment in subsidiaries totalling KShs 1.8 billion, representing 21% of the total assets of the company. For the year ended 31 December 2023, an additional provision for impairment loss of KShs 22 million has been made with the total impairment amounting to KShs 872 million. The carrying amount of the investment in subsidiaries is KShs. 917 million.</p> <p>The subsidiaries have a history of making losses. Crown Paints Allied Industries Limited and Regal Paints Uganda reported a profit in the current year, whereas Crown Paints Rwanda Limited and Crown Paints Tanzania Limited were in a loss position in the current year.</p> <p>We focused on the impairment of the investment in the subsidiary companies due to their significance as discussed below:</p> <ul style="list-style-type: none"> <li>• The investment in subsidiaries is material to the financial statements of the company.</li> <li>• The subsidiaries have been loss making in the past and rely on the parent company for provision of working capital.</li> </ul> <p>We also focussed on the adequacy of the disclosures of investment in subsidiaries in Note 6 and status of the subsidiary companies in Note 34 to the financial statements, which are significant to the understanding of the amounts invested in the subsidiaries and the status of these subsidiaries.</p> <p>Given that significant judgement has been made by management in determining the expected future cash-inflows, discounting rate, control premium and terminal growth rate in perpetuity of the cashflows and the fact that the disclosures are important to the users' understanding of the financial statements we have considered this as a key audit matter.</p>	<p>We carried out procedures to understand management's process for identifying impairment triggers and considered management's assessment of impairment for individual investments. Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the valuation methods used.</p> <p>We evaluated the reasonableness of the key assumptions used by management in determining the value-in-use computation such as projections of sales volume and selling prices, gross margin and discount rates. We involved EY internal specialists, the Strategy and Transactions (SaT) team, in the review of the assumptions made by management.</p> <p>We evaluated management plans for future actions and whether the outcome of these plans is likely to improve performance in these subsidiaries and whether management's plans are feasible in the circumstances.</p> <p>We reviewed the parent company's commitment to continue supporting the subsidiaries financially. We also assessed the parent company's ability to continue supporting the subsidiaries, when called upon, by settling their obligations as and when they fall due.</p> <p>We assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with IFRS disclosure requirements.</p>



## REPORT OF THE INDEPENDENT AUDITORS (continued)

### Other Information

Other information consists of the information included in the corporate information, the Directors' Report, as required by the Kenyan Companies Act, 2015, the Statement of Directors' Responsibilities, the Directors' Remuneration Report, which we obtained prior to the date of this report, Chairman's Statement, Group Chief Executive Officer's Statement and Corporate Governance Report, which are expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

## REPORT OF THE INDEPENDENT AUDITORS (continued)

guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- iv. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- vi. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## REPORT OF THE INDEPENDENT AUDITORS (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other matters prescribed by the Kenyan Companies Act, 2015

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- i) in our opinion, the information given in the report of the directors on pages 29 to 33 is consistent with the consolidated and separate financial statements.
- ii) in our opinion, the auditable part of directors' remuneration report on pages 35 to 37 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Allan Gichuhi, Practising Certificate Number 1899.



For and on behalf of Ernst & Young LLP

Certified Public Accountants

Nairobi, Kenya

29th May 2024



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# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	1,956,682	1,814,591
Right of use assets	5	370,018	399,051
Intangible assets	4	43,359	62,361
Deferred tax assets	14	72,221	18,757
		<b>2,442,280</b>	<b>2,294,760</b>
<b>CURRENT ASSETS</b>			
Inventories	7	3,668,341	3,744,929
Trade and other receivables	8	2,068,656	1,829,220
Amounts due from related companies	9(i)	206,063	658,912
Current tax recoverable	10	139,420	98,024
Cash and bank balances	28	766,209	578,989
		<b>6,848,689</b>	<b>6,910,074</b>
<b>TOTAL ASSETS</b>		<b>9,290,969</b>	<b>9,204,834</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	711,810	711,810
Reserves	12	2,427,000	2,977,537
		<b>3,138,810</b>	<b>3,689,347</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	30	206,338	286,266
Bank loans	16	184,037	114,879
		<b>390,375</b>	<b>401,145</b>
<b>CURRENT LIABILITIES</b>			
Lease liability	30	147,385	138,244
Bank overdraft	15	595,306	507,715
Bank loans	16	626,691	912,888
Short term notes	17	239,018	798,263
Amounts due to related companies	9(ii)	161,056	39,617
Trade and other payables	18	3,980,275	2,710,012
Provisions	29 (b)	12,053	7,603
		<b>5,761,784</b>	<b>5,114,342</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,290,969</b>	<b>9,204,834</b>

The financial statements were approved by the Board of Directors on 29th April 2024 and signed on its behalf by:

  
 .....  
 Rakesh K. Rao  
 Group Chief Executive Officer

  
 .....  
 Patrick Mwati  
 Group Finance Director

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	19	12,492,822	11,388,808
<b>COST OF SALES</b>	20	(7,968,896)	(7,143,619)
<b>GROSS PROFIT</b>		<b>4,523,926</b>	<b>4,245,189</b>
<b>OTHER INCOME</b>	21	458,427	411,603
		<b>4,982,353</b>	<b>4,656,792</b>
<b>EXPENSES: -</b>			
Net allowance for expected credit losses third party	8	(238,921)	(41,629)
Net allowance for expected credit losses related parties	9	(38,569)	257,008
Administration and establishment	22	(2,713,905)	(2,223,006)
Selling and distribution	23	(1,720,174)	(1,360,185)
Finance costs	24	(256,571)	(216,110)
		<b>(4,968,140)</b>	<b>(3,583,922)</b>
<b>PROFIT BEFORE TAX</b>	26	<b>14,213</b>	<b>1,072,870</b>
<b>TAX EXPENSE</b>	10	(43,343)	(248,855)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>(29,130)</b>	<b>824,015</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations, net of tax		48,041	4,591
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>48,041</b>	<b>4,591</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>18,911</b>	<b>828,606</b>
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		18,911	828,606
Non- controlling interest		-	-
		<b>18,911</b>	<b>828,606</b>
<b>Basic and diluted earnings per share (KShs)</b>	27	<b>(0.20)</b>	<b>5.79</b>

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital (Note 11) KShs'000	Share premium (Note 12) KShs'000	Revaluation reserve (Note 12) KShs'000	Foreign currency translation reserve (Note 12) KShs'000	Retained earnings (Note 12) KShs'000	Total equity KShs'000
At 1 January 2022	711,810	392,097	117,471	102,110	2,106,701	3,430,189
Profit for the year	-	-	-	-	824,015	824,015
Other comprehensive income	-	-	-	4,591	-	4,591
Total comprehensive income	-	-	-	4,591	824,015	828,606
Transfer of revaluation reserve on disposal	-	-	(2,511)	-	2,511	-
Transfer of excess depreciation - 2022	-	-	(37,253)	-	37,253	-
2021 final dividends (note 13)	-	-	-	-	(569,448)	(569,448)
<b>At 31 December 2022</b>	<b>711,810</b>	<b>392,097</b>	<b>77,707</b>	<b>106,701</b>	<b>2,401,032</b>	<b>3,689,347</b>
At 1 January 2023	711,810	392,097	77,707	106,701	2,401,032	3,689,347
Loss for the year	-	-	-	-	(29,130)	(29,130)
Other comprehensive income	-	-	-	48,041	-	48,041
Total comprehensive income	-	-	-	48,041	(29,130)	18,911
Transfer of excess depreciation - 2023	-	-	(32,277)	-	32,277	-
2022 final dividends (note 13)	-	-	-	-	(569,448)	(569,448)
<b>At 31 December 2023</b>	<b>711,810</b>	<b>392,097</b>	<b>45,430</b>	<b>154,742</b>	<b>1,834,731</b>	<b>3,138,810</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

OPERATING ACTIVITIES	Notes	2023 KShs'000	2022 KShs'000
Profit before tax		14,213	1,072,870
Adjustments for: -			
Depreciation on property, plant and equipment	3	268,275	231,724
Amortisation of intangible assets	4	22,710	25,500
Amortisation on right of use assets	5	160,191	182,582
Unrealised foreign exchange loss		79,764	8,968
Unrealised foreign exchange gain		(15,525)	(26,275)
Interest expense	24	256,571	216,110
Interest income	21	(6,710)	(7,757)
Allowance for expected credit losses - third parties	8	240,358	51,608
Allowance for expected credit losses - related parties	9	38,569	(257,008)
Bad debts written off	23	5,638	6,343
Increase in leave accrual	21 & 25	7,050	-
Inventory write-down	7	41,530	3,203
Reversals of inventory write down	7	(48,361)	(2,169)
Gain on lease termination	21 & 22	(4,141)	(206)
Provision for legal cases	29 (b)	4,450	(9,808)
Loss on disposal of property, plant and equipment	21 & 22	294	817
<b>Operating profit before working capital changes</b>		<b>1,064,876</b>	<b>1,496,502</b>
Increase in trade and other receivables		(489,379)	(249,940)
Decrease / (increase) in inventories		83,418	(423,125)
Increase / (decrease) in trade and other payables		1,198,974	(264,540)
(Decrease) / increase in amounts due from related parties		50,160	(401,673)
Increase / (decrease) in amounts due to related parties		121,439	(27,709)
<b>Cash generated from operations</b>		<b>2,029,489</b>	<b>129,515</b>
Income tax paid	10	(136,679)	(347,469)
Interest received	21	6,710	7,757
Interest paid		(184,279)	(173,609)
<b>Net cash generated from / (used in) operating activities</b>		<b>1,715,241</b>	<b>(383,806)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(409,757)	(260,328)
Purchase of intangible assets	4	(3,428)	(14,186)
Proceeds on sale of property, plant and equipment		780	13,934
<b>Net cash used in investing activities</b>		<b>(412,405)</b>	<b>(260,580)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank loans	16	291,969	787,404
Repayments of bank loans	16	(541,957)	(280,147)
Proceeds from short term notes	17	75,815	419,266
Repayments of short-term notes	17	(692,708)	(182,928)
Lease liability payments principal portion	30	(167,314)	(188,274)
Dividends paid on ordinary shares	13	(205,328)	(499,422)
<b>Net cash (used in) / generated from financing activities</b>		<b>(1,239,523)</b>	<b>55,899</b>
Net increase /(decrease) in cash and cash equivalents		63,313	(588,487)
Cash and cash equivalents at the beginning of the year		71,274	661,821
Effect of exchange rate changes on cash and cash equivalents		36,316	(2,060)
<b>Cash and cash equivalents at the end of the year</b>	<b>28</b>	<b>170,903</b>	<b>71,274</b>



# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	1,611,818	1,505,054
Intangible assets	4	40,696	59,336
Investment in subsidiary companies	6	916,892	938,892
Right to use assets	5	275,182	331,797
Deferred tax assets	14	72,221	18,757
		<b>2,916,809</b>	<b>2,853,836</b>
<b>CURRENT ASSETS</b>			
Inventories	7	2,926,323	2,945,165
Trade and other receivables	8	1,510,502	1,411,077
Amounts due from related companies	9(i)	382,552	724,251
Current tax recoverable	10	108,965	74,668
Cash and bank balances	28	531,968	469,162
		<b>5,460,310</b>	<b>5,624,323</b>
<b>TOTAL ASSETS</b>		<b>8,377,119</b>	<b>8,478,159</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	711,810	711,810
Reserves	12	2,507,811	2,963,366
		<b>3,219,621</b>	<b>3,675,176</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	30	177,612	277,621
Bank loans	16	169,607	76,377
		<b>347,219</b>	<b>353,998</b>
<b>CURRENT LIABILITIES</b>			
Lease liability	30	73,766	71,463
Bank overdraft	15	541,238	495,877
Bank loans	16	576,486	807,885
Short term notes	17	239,018	798,263
Trade and other payables	18	3,060,890	2,192,037
Provisions	29 (b)	12,053	7,603
Amounts due to related parties	9(ii)	306,828	75,857
		<b>4,810,279</b>	<b>4,448,985</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,377,119</b>	<b>8,478,159</b>

The financial statements were approved by the Board of Directors on 29th April 2024 and signed on its behalf by:



Rakesh K. Rao  
Group Chief Executive Officer



Patrick Mwati  
Group Finance Director

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
REVENUE FROM CONTRACTS WITH CUSTOMERS	19	10,967,685	10,158,095
COST OF SALES	20	(7,031,510)	(6,327,454)
<b>GROSS PROFIT</b>		<b>3,936,175</b>	<b>3,830,641</b>
OTHER INCOME	21	290,324	249,468
		<b>4,226,499</b>	<b>4,080,109</b>
<b>EXPENSES: -</b>			
Net allowance for expected credit losses third party	8	(185,059)	(51,608)
Net allowance for expected credit losses related parties	9	102,596	74,927
Administration and establishment	22	(2,300,174)	(1,929,373)
Selling and distribution	23	(1,437,785)	(1,134,897)
Finance costs	24	(234,143)	(192,667)
Impairment loss on investment in subsidiaries	6	(22,000)	(75,385)
		<b>(4,076,565)</b>	<b>(3,309,003)</b>
<b>PROFIT BEFORE TAX</b>	26	<b>149,934</b>	<b>771,106</b>
TAX EXPENSE	10	(36,041)	(244,575)
<b>PROFIT FOR THE YEAR</b>		<b>113,893</b>	<b>526,531</b>
OTHER COMPREHENSIVE INCOME, NET OF TAX		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>113,893</b>	<b>526,531</b>
Basic and diluted (loss) / earnings per share (KShs)	27	<b>0.80</b>	<b>3.70</b>

## **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

### **COMPANY STATEMENT OF CHANGES IN EQUITY**

#### **FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital (Note 11) KShs'000	Share premium (Note 12) KShs'000	Revaluation reserve (Note 12) KShs'000	Retained earnings (Note 12) KShs'000	Total equity KShs'000
At 1 January 2022	711,810	392,097	83,420	2,530,766	3,718,093
Profit for the year	-	-	-	526,531	526,531
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	526,531	526,531
Transfer of revaluation reserve on disposal	-	-	(2,511)	2,511	-
Transfer of excess depreciation - 2022	-	-	(27,695)	27,695	-
2021 final dividends (note 13)	-	-	-	(569,448)	(569,448)
<b>At 31 December 2022</b>	<b>711,810</b>	<b>392,097</b>	<b>53,214</b>	<b>2,518,055</b>	<b>3,675,176</b>
At 1 January 2023	711,810	392,097	53,214	2,518,055	3,675,176
Profit for the year	-	-	-	113,893	113,893
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	113,893	113,893
Transfer of excess depreciation - 2023	-	-	(19,387)	19,387	-
2022 final dividends (note 13)	-	-	-	(569,448)	(569,448)
<b>At 31 December 2023</b>	<b>711,810</b>	<b>392,097</b>	<b>33,827</b>	<b>2,081,887</b>	<b>3,219,621</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

OPERATING ACTIVITIES	Notes	2023 KShs'000	2022 KShs'000
Profit before tax		149,934	771,106
Adjustments for: -			
Depreciation on property, plant and equipment	3	208,704	181,508
Amortisation of intangible assets	4	21,444	23,734
Amortisation on right of use assets	5	95,510	111,555
Unrealised exchange loss		108,762	12,685
Unrealised exchange gain		(9,617)	-
Interest expense	24	234,143	192,667
Interest income	21	(637)	(934)
Allowance for expected credit losses - third parties	8	185,059	51,608
Allowance for expected credit losses - related parties	9	(102,596)	(74,927)
Impairment loss on investment in subsidiaries	6	22,000	75,385
Increase in leave accrual	25	6,903	-
Inventory write-downs	7	41,524	-
Reversals of inventory write down	7	(44,743)	(1,654)
Gain on lease termination	21 & 22	(4,141)	(206)
Provision for legal cases	29(b)	4,450	(9,808)
Loss on disposal of property, plant and equipment	22	-	904
<b>Operating profit before working capital changes</b>		<b>916,699</b>	<b>1,333,623</b>
Increase in trade and other receivables		(284,484)	(146,351)
Decrease / (increase) in inventories		22,061	(175,860)
Increase / (decrease) in trade and other payables		799,515	(323,393)
(Decrease) / increase in amounts due from related parties		80,175	(608,385)
Increase / (decrease) in amounts due to related parties		230,971	(13,770)
<b>Cash generated from operations</b>		<b>1,764,937</b>	<b>65,864</b>
Income tax paid	10	(123,802)	(355,526)
Interest received	21	637	934
Interest paid		(162,023)	(150,166)
<b>Net cash generated from / (used in) operating activities</b>		<b>1,479,749</b>	<b>(438,894)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(368,726)	(225,177)
Purchase of intangible assets	4	(2,804)	(13,623)
Proceeds from sale of property, plant and equipment		-	13,619
<b>Net cash used in investing activities</b>		<b>(371,530)</b>	<b>(225,181)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank loans	16	239,404	627,020
Repayments of bank loans	16	(377,573)	(139,528)
Proceeds from short term notes	17	75,815	419,266
Repayments of short-term notes	17	(692,708)	(182,928)
Lease liability payments principal portion	30	(93,674)	(119,083)
Dividends paid on ordinary shares	13	(205,328)	(499,422)
<b>Net cash (used in) / generated from financing activities</b>		<b>(1,054,064)</b>	<b>105,325</b>
Net increase /(decrease) in cash and cash equivalents		54,155	(558,750)
Cash and cash equivalents at the beginning of the year		(26,715)	530,310
Effect of exchange rate changes on cash and cash equivalents		(36,710)	1,725
<b>Cash and cash equivalents at the end of the year</b>	<b>28</b>	<b>9,270</b>	<b>(26,715)</b>



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# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

### **1. NEW ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards, interpretations and improvements effective as of 1 January 2023. The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The new standards and amendments effective as of 1 January 2023 are listed below:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

The standards and amendments that are relevant on the consolidated financial statements of the group are discussed below.

#### **Disclosure of Accounting Policies–Amendments to IAS 1 and IFRS Practice Statement 2**

Effective for annual periods beginning on or after 1 January 2023

#### **Key Requirements**

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

#### **Replacement of the term 'significant' with 'material'**

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

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

IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Examples of circumstances in which an entity is likely to consider accounting policy information to be material have also been added.

#### **Disclosure of standardised information**

Although standardized information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardized accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardized accounting policy information is material and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardized information summarizing or duplicating the requirements of IFRS may be considered material accounting policy information.

#### **Disclosure of immaterial information**

The amendments to IAS 1 require that if an entity decides to disclose accounting policy information that is not material, it needs to ensure that this immaterial information does not obscure material information.

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardized information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.



# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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

#### **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 group's financial statements are disclosed below. The group intends to adopt these standards, if applicable, when they become effective. These standards are not expected to have a material impact on the group's financial statements.

#### **Effective for annual periods beginning on or after 1 January 2024**

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

#### **Effective for annual periods beginning on or after 1 January 2025**

- Lack of exchangeability – Amendments to IAS 21

#### **Effective date postponed indefinitely**

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES**

#### **a) Basis of preparation**

The consolidated financial statements of the group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenya Companies Act, 2015.

The consolidated financial statements of the group have been prepared on a historical cost basis except for certain property, plant and equipment that have been measured at fair value. The consolidated financial statements of the group are presented in Kenya Shillings and all values are rounded to the nearest thousands, except when otherwise indicated.

For the purpose of reporting under the Kenya Companies Act, 2015, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(r).

#### **b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2023.

Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A listing of the subsidiaries in the group is provided in Note 6.

Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **b) Basis of consolidation (continued)**

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

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
- Derecognises the cumulative translation differences recorded in equity
- 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 OCI to profit or loss or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **c) Foreign currency transactions**

The consolidated financial statements are presented in Kenya Shillings, which is also the parent company'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 uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### **(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 translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are recognised in 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 translation 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 statements of profit or loss and other comprehensive income are 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.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **d) Revenue recognition**

The group is in the business of manufacturing and sale of paints and adhesive products. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The group has generally concluded that it is the principal in its revenue arrangements, except for the Akzonobel South Africa (Pty) Limited contract where it is acting as an agent because it typically arranges for the goods or services provided by the latter and how they are transferred to the customer without taking control.

#### **Sale of goods**

Revenue from sale of paints and adhesive products is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 days upon delivery.

The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). The group provides a loyalty points program to its Team Kubwa painters whereby they are now able to convert accumulated loyalty points to instant MPESA redemption, KPLC and Naivas shopping vouchers. In determining the transaction price for the sale of the products, the company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any). The Team Kubwa painters incentivise customers to purchase paint from the entity. The Team Kubwa painters themselves do not purchase the paint, thus these loyalty points are not accounted for under IFRS 15.

#### **Sale of services**

Revenue from apply and supply services is recognised when all the contractual obligations have been met, usually upon completion of the paint job. The revenue is included in other income in profit or loss.

#### **Tolling fees**

In 2017, AkzoNobel appointed Regal Paints Uganda Limited as a non-exclusive distributor, toll manufacturer and licensee to use the trademarks to manufacture, distribute, sell or supply the products in the Republic of Uganda on the terms of the signed Agreement. The tolling fee charged on manufacture of the Sadolin paint is recognised as other income in the statement of profit or loss.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **Significant financing component**

The group has no significant financing components from its customers.

#### **e) Tax**

##### **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 in the countries where the group operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognized outside 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized 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.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **e) Tax (continued)**

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.

#### **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.

#### **f) Property, plant and equipment**

All property, plant and equipment are initially recognized at cost. Such cost includes the purchase price, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating, the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **f) Property, plant and equipment (continued)**

Subsequently, all property and equipment except land and Work-in-progress (WIP), are measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed approximately once every 5 years to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Any increase in an asset's carrying amount as a result of a revaluation is recorded in other comprehensive income and 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, net of any related deferred tax. 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 amounts of the assets to their residual values over their expected useful lives. The annual depreciation rates in use are as follows:

<b>Buildings</b>	<b>2%</b>
<b>Plant and machinery</b>	<b>8%</b>
<b>Fixtures and fittings</b>	<b>12½%</b>
<b>Motor vehicles</b>	<b>20%</b>
<b>Computers and equipment</b>	<b>20%</b>



# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **f) Property, plant and equipment (continued)**

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.

#### **g) Leases**

The group assesses at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **Group as a lessee**

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **i) Right-of-use assets**

The group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2 (r) (i) and 2 (r) (ii), significant accounting judgments and key sources of estimation uncertainty, impairment of non-financial assets.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **ii) Lease liabilities**

At the commencement date of the lease, the group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### **iii) Short-term leases and leases of low-value assets**

The group applies the short-term lease recognition exemption to its short-term leases (if any) (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### **Group as a lessor**

Leases in which the group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line over the lease terms and included in other income in the statement of profit or loss. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **h) 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.

#### **i) 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.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over their useful lives from the date they are 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 are 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 an expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortised but are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The group does not have any intangible assets with indefinite useful lives.

#### **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

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.

The impairment policy on non-financial assets is discussed under Note 2(m).

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **j) Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

#### **i) Financial assets**

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. The group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 2 (d) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

##### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **j) Financial instruments – initial recognition and subsequent measurement (continued)**

##### **i) Financial assets (continued)**

##### **Subsequent measurement (continued)**

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### **Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the group. The group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade and other receivables, amount due from related companies and bank and cash balances.

##### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the group's statement of financial position) when:

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

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **j) Financial instruments – initial recognition and subsequent measurement (continued)**

##### **i) Financial assets (continued)**

When the company 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 of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company 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 company could be required to repay.

##### **Impairment of financial assets**

For trade receivables and bank balances, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, banks and the economic environment.

The group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The amount written off is recognised in the statement of profit or loss. Any reversal of provision for ECLs is recognised in the statement of profit or loss which is based on the established provision matrix.

##### **ii) Financial liabilities**

###### **Initial recognition and measurement**

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, and payables, net of directly attributable transaction costs.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **j) Financial instruments – initial recognition and subsequent measurement (continued)**

##### **ii) Financial liabilities (continued)**

The group's financial liabilities include trade and other payables, amounts due to related parties, bank overdrafts, short term notes and loans and borrowings.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below:

##### **Trade payables and amounts due to related parties**

Trade payables and amounts due to related parties are stated at amortised cost using the effective interest method.

##### **Loans and borrowings**

Interest bearing loans, overdrafts and short term notes 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, loans and borrowings are measured at amortised cost using the effective interest method.

After initial recognition, interest-bearing loans, overdrafts and short-term notes are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

##### **Derecognition**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **j) Financial instruments – initial recognition and subsequent measurement (continued)**

##### **iii) Offsetting of financial instruments**

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

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

No such arrangements exist where the group offsets financial assets and financial liabilities.

##### **k) Fair value of assets and liabilities**

The group measures certain property, plant and equipment at fair value at each reporting date. The group has no financial instruments that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **k) Fair value of assets and liabilities (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Refer to Note 32.

#### **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 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.

##### **Allowance 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. Refer to Note 7 for disclosure on the obsolete inventory.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **Allowance for obsolete inventories (continued)**

Reversal of inventory write down occurs when inventory assessed as slow moving is used as input in production or is finally sold. Provision for slow moving and obsolete inventories is normally based on the last movement day of the stock item which varies with subsequent sales or use.

#### **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, except for property, plant and equipment previously revalued with the revaluation taken to OCI. For such property, plant and equipment, the impairment is recognised in OCI up to the amount of any previous revaluation.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal 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 of disposal, recent market conditions are taken into account. If no such transactions can be identified, 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, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, 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.

#### **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 and cash equivalents. The carrying amounts of cash and cash equivalents approximate the fair value due to their short term nature.

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

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **o) Provisions**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, 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 contribution provident fund**

The group operates a defined contribution 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.

##### **Statutory pension scheme**

The group also makes contributions to the statutory defined contribution schemes in the four countries where operations are based.

The group's contributions to the defined contribution plans are recognised as an expense in profit or loss as they fall due.

##### **Leave**

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.

##### **Bonus**

An accrual is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, the obligation can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

#### **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 the group's financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the end of the reporting period. 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.

#### **(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 consolidated 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. Refer to Note 7 for disclosure on the obsolete inventory.

#### **Impairment of financial instruments**

##### **Impairment losses on financial assets-IFRS 9**

The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. The provision matrix is based on the group's historical observed default rates. The group will revise the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the group's trade receivables and related party balances is disclosed in Note 8 and 9.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

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

##### **(i) Judgements (continued)**

##### **Leases - estimating the incremental borrowing rate**

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the group's functional currency).

The group's incremental borrowing rate is estimated at the group level and is based on the average rate of obtaining loans from commercial banks. The Management used 13% as the incremental borrowing rate.

##### **Deferred tax assets**

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. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Refer to Note 14 for the disclosure on deferred tax.

##### **Income taxes**

The group is subject to income taxes in Kenya, Uganda, Rwanda and Tanzania. Significant judgement is required in determining the company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, the company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Further details on income taxes are disclosed in Notes 10.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

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

##### **(i) Judgements (continued)**

##### **Going concern**

The management makes significant judgement in assessing the effect the financial performance and financial status of the subsidiaries have, on the ability of the group to continue as a going concern. The group's management has made an assessment of its ability to continue as a going concern and is satisfied that it 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.

##### **(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:

##### **Useful lives of property, plant and equipment**

The company reviews the estimated useful lives, depreciation method and residual values of property, plant and equipment at the end of each reporting period. In reviewing the useful lives of property, plant and equipment, the company considers the remaining period over which an asset is expected to be available for use. Management also looks at the number of production or similar units expected to be obtained from the property, plant and equipment. Judgment and assumptions are required in estimating the remaining useful period and estimates of the number of production or similar units expected to be obtained from the property, plant and equipment.

Further details on property, plant and equipment are given in Notes 2 (f) and 3.

##### **Revaluation of certain classes of property, plant and equipment**

The group carries certain classes of property, plant and equipment at fair value, with changes in fair value being recognised in the other comprehensive income. The group's leasehold buildings, plant, and machinery, motor vehicles, fixtures, fittings and equipment were revalued on 31 January 2021. The assets were valued on the basis market comparable approach and depreciated replacement cost approach by independent valuers, Sterling Valuers Limited.

Further details on property, plant and equipment are given in Notes 2 (f) and 3.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

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

##### **(ii) Estimates and assumptions (continued)**

#### **Useful lives of 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 differing from initial estimates. Further details on intangible assets are given in Note 4.

#### **Impairment of non-financial assets**

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Refer to Notes 3, 4 and 6. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In assessing whether there is any indication that the tangible and intangible assets may be impaired, the group considers the following indications:

- a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **2. MATERIAL ACCOUNTING POLICIES (continued)**

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

##### **Impairment of non-financial assets (continued)**

- d) the carrying amount of the net assets of the entity is more than its market capitalisation.
- e) evidence is available of obsolescence or physical damage of an asset.
- f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

##### **Contingent liabilities**

As disclosed in Note 29 to these financial statements, the company is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

##### **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.



**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

**3. PROPERTY, PLANT AND EQUIPMENT**  
**(a) GROUP – Year ended 31 December 2023**

	Freehold land KShs'000	Leasehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress* KShs'000	Total KShs'000
Cost or valuation								
At 1 January 2023	58,672	13,000	641,089	558,076	301,515	604,972	53,609	2,230,933
Additions	-	136,607	3,497	44,092	50,148	155,278	24,082	413,704
Transfer from WIP	-	-	-	-	-	-	(53,258)	(53,258)
Disposals	-	-	-	-	(1,368)	(165)	-	(1,533)
Exchange differences	-	-	1,053	50,499	12,561	8,437	392	72,942
<b>At 31 December 2023</b>	<b>58,672</b>	<b>149,607</b>	<b>645,639</b>	<b>652,667</b>	<b>362,856</b>	<b>768,522</b>	<b>24,825</b>	<b>2,662,788</b>
Accumulated depreciation								
At 1 January 2023	-	6,630	27,916	79,521	116,656	185,619	-	416,342
Charge for the year	-	566	12,773	52,666	79,674	122,596	-	268,275
Disposals	-	-	-	-	(428)	(31)	-	(459)
Exchange differences	-	-	1,053	10,906	6,744	3,245	-	21,948
<b>At 31 December 2023</b>	<b>-</b>	<b>7,196</b>	<b>41,742</b>	<b>143,093</b>	<b>202,646</b>	<b>311,429</b>	<b>-</b>	<b>706,106</b>
Net carrying amount								
<b>At 31 December 2023</b>	<b>58,672</b>	<b>142,411</b>	<b>603,897</b>	<b>509,574</b>	<b>160,210</b>	<b>457,093</b>	<b>24,825</b>	<b>1,956,682</b>

\* Capital work-in-progress represents costs incurred on ongoing work in the construction of a factory in Tanzania and ongoing construction projects in Kenya. Work-in-Progress is not depreciated until the assets are completed and available for use i.e. when it is in location and condition necessary for it to be capable of operating in the manner intended by management. Transfer from WIP relates to transfer to Right of Use Assets for leasehold improvements completed during the year. In 2023, the Group sold motor vehicles and equipment with a total net carrying amount of KShs 1,076,000 for a consideration of KShs 782,000. In 2022, the Group sold motor vehicles and equipment with a total net carrying amount of KShs 14,751,000 for a consideration of KShs 13,934,000. The net gains/ losses on these disposals were recognised as part of other operating income/ expenses in the statement of profit or loss (Notes 21 and 22). Refer to Notes 15 and 16 for details on assets pledged as security for the group's bank borrowings.

If all assets, except for land and work in progress, were measured using the cost model, their carrying amounts would be as follows:

	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Total KShs'000
<b>Net carrying amount</b>	<b>526,837</b>	<b>466,133</b>	<b>94,386</b>	<b>479,079</b>	<b>1,566,435</b>

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**  
**(a) GROUP – Year ended 31 December 2022**

	Freehold land KShs'000	Leasehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress* KShs'000	Total KShs'000
Cost or valuation								
At 1 January 2022	58,672	13,000	643,917	487,561	252,767	504,581	9,048	1,969,546
Additions	-	-	7,901	59,332	48,387	97,313	47,395	260,328
Transfer from WIP	-	-	-	3,363	-	143	(3,506)	-
Disposals	-	-	(10,900)	(754)	(3,828)	(678)	-	(16,160)
Exchange differences	-	-	171	8,574	4,189	3,613	672	17,219
<b>At 31 December 2022</b>	<b>58,672</b>	<b>13,000</b>	<b>641,089</b>	<b>558,076</b>	<b>301,515</b>	<b>604,972</b>	<b>53,609</b>	<b>2,230,933</b>
Accumulated depreciation								
At 1 January 2022	-	6,365	14,398	32,102	47,221	81,006	-	181,092
Charge for the year	-	265	13,528	45,553	68,851	103,527	-	231,724
Disposals	-	-	(200)	(61)	(1,088)	(60)	-	(1,409)
Exchange differences	-	-	190	1,927	1,672	1,146	-	4,935
<b>At 31 December 2022</b>	<b>-</b>	<b>6,630</b>	<b>27,916</b>	<b>79,521</b>	<b>116,656</b>	<b>185,619</b>	<b>-</b>	<b>416,342</b>
Net carrying amount								
<b>At 31 December 2022</b>	<b>58,672</b>	<b>6,370</b>	<b>613,173</b>	<b>478,555</b>	<b>184,859</b>	<b>419,353</b>	<b>53,609</b>	<b>1,814,591</b>

\* Capital work-in-progress represents costs incurred on ongoing work in the construction of a factory in Tanzania. Work-in-Progress is not depreciated until the assets are completed and available for use i.e. when it is in location and condition necessary for it to be capable of operating in the manner intended by management.

Refer to Notes 15 and 16 for details on assets pledged as security for the group's bank borrowings.

If all assets, except for land and work in progress, were measured using the cost model, their carrying amounts would be as follows:

	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Total KShs'000
<b>Net carrying amount</b>	<b>534,092</b>	<b>462,574</b>	<b>77,069</b>	<b>410,038</b>	<b>1,483,773</b>

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**  
**(b) COMPANY – Year ended 31 December 2023**

	Freehold land KShs'000	Leasehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress* KShs'000	Total KShs'000
Cost or valuation								
At 1 January 2023	58,672	13,000	636,782	328,971	212,591	528,520	47,395	1,825,931
Additions	-	132,660	3,497	32,673	33,863	141,951	24,082	368,726
Transfer from WIP	-	-	-	-	-	-	(53,258)	(53,258)
<b>At 31 December 2023</b>	<b>58,672</b>	<b>145,660</b>	<b>640,279</b>	<b>361,644</b>	<b>246,454</b>	<b>670,471</b>	<b>18,219</b>	<b>2,141,399</b>
Accumulated depreciation								
At 1 January 2023	-	6,630	23,609	44,621	85,538	160,479	-	320,877
Charge for the year	-	566	12,773	27,832	56,588	110,945	-	208,704
<b>At 31 December 2023</b>	<b>-</b>	<b>7,196</b>	<b>36,382</b>	<b>72,453</b>	<b>142,126</b>	<b>271,424</b>	<b>-</b>	<b>529,581</b>
Net carrying amount								
<b>At 31 December 2023</b>	<b>58,672</b>	<b>138,464</b>	<b>603,897</b>	<b>289,191</b>	<b>104,328</b>	<b>399,047</b>	<b>18,219</b>	<b>1,611,818</b>

\* Capital work-in-progress represents costs incurred on ongoing construction projects in Kenya. Work-in-Progress is not depreciated until the assets are completed and available for use i.e. when it is in location and condition necessary for it to be capable of operating in the manner intended by management.  
Transfer from WIP relates to transfer to Right of Use Assets for leasehold improvements completed during the year.

Refer to Notes 15 and 16 for details on assets pledged as security for the company's bank borrowings.

If all assets, except for land and work in progress, were measured using the cost model, the carrying amounts would be as follows:

	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Total KShs'000
<b>Net carrying amount</b>	<b>537,134</b>	<b>283,622</b>	<b>78,379</b>	<b>255,843</b>	<b>1,154,978</b>

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**  
**(b) COMPANY – Year ended 31 December 2022**

	Freehold land KShs'000	Leasehold land KShs'000	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Work in progress* KShs'000	Total KShs'000
Cost or valuation								
At 1 January 2022	58,672	13,000	639,781	288,092	179,261	437,880	-	1,616,686
Additions	-	-	7,901	41,633	36,930	91,318	47,395	225,177
Disposals	-	-	(10,900)	(754)	(3,600)	(678)	-	(15,932)
<b>At 31 December 2022</b>	<b>58,672</b>	<b>13,000</b>	<b>636,782</b>	<b>328,971</b>	<b>212,591</b>	<b>528,520</b>	<b>47,395</b>	<b>1,825,931</b>
Accumulated depreciation								
At 1 January 2022	-	6,365	10,931	19,700	36,853	66,929	-	140,778
Charge for the year	-	265	12,878	24,982	49,773	93,610	-	181,508
Disposals	-	-	(200)	(61)	(1,088)	(60)	-	(1,409)
<b>At 31 December 2022</b>	<b>-</b>	<b>6,630</b>	<b>23,609</b>	<b>44,621</b>	<b>85,538</b>	<b>160,479</b>	<b>-</b>	<b>320,877</b>
Net carrying amount								
<b>At 31 December 2022</b>	<b>58,672</b>	<b>6,370</b>	<b>613,173</b>	<b>284,350</b>	<b>127,053</b>	<b>368,041</b>	<b>47,395</b>	<b>1,505,054</b>

Refer to Notes 15 and 16 for details on assets pledged as security for the company's bank borrowings.

If all assets, except for land and work in progress, were measured using the cost model, the carrying amounts would be as follows:

	Buildings KShs'000	Plant and machinery KShs'000	Motor vehicles KShs'000	Furniture, fittings and equipment KShs'000	Total KShs'000
<b>Net carrying amount</b>	<b>544,599</b>	<b>275,612</b>	<b>70,643</b>	<b>167,662</b>	<b>1,058,516</b>

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **3. PROPERTY, PLANT AND EQUIPMENT (continued)**

No borrowing costs were capitalized during the year ended 31 December 2023 (2022: Nil).

The Kenya Commercial Bank Limited and NCBA Bank facilities (Refer to Notes 15 and 16) are secured by debentures of KShs 571 million and USD 4.2 million over the assets of the group supported by a supplementary charge over LR 209/5792 along Mogadishu road, LR 209/4275 along Likoni road and LR 209/4479 along Dar Es Salaam road.

All the group's assets, except for land and work in progress, were revalued during the year ended 31 December 2021. The revaluation amounts have been incorporated in the financial statements for the year then ended.

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 were;

- (i) The comparable approach, which compares the sales of similar items in the market. The approach was used in the valuation of unspecialised equipment.
- (ii) The depreciated replacement cost, which derives the value of an asset from the current cost of reproduction/replacement less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The approach was used in the valuation of specialized machinery, buildings and structures.

The valuation was undertaken by an independent professional valuer, Sterling Valuers Limited. The revaluation surplus or deficit was recognised as disclosed in note 2(f).

### **(c) IMPACT OF THE ENACTMENT OF THE LAND REGISTRATION ACT NO. 3 2012 ON THE COMPANY'S LAND HOLDING STATUS**

The current Constitution, enacted on 27 August 2010, introduced significant changes in the land holding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Articles 65(4) of the constitution. These changes in the landholding took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

#### (c) IMPACT OF THE ENACTMENT OF THE LAND REGISTRATION ACT NO. 3 2012 ON THE COMPANY'S LAND HOLDING STATUS (continued)

Ownership of the land has however transferred to the entity under the original lease agreement, but factoring in the above Land registration Act, ownership cannot legally transfer. The entity thus no longer has any lease payments remaining and the only outflows relate to land rates paid to government for the land. As per the definition of Articles 65(3) of the constitution, the company is a non-citizen and hence the status of its freehold land changes to 99 years lease.

The group has assessed the impact of the amended land laws and concluded that they do not impact significantly on these financial statements. Under the International financial reporting standards BC78 (IFRS 16) Leases, a long-term lease of land (for example, a 99-year lease), the present value of the lease payments is likely to represent substantially all of the fair value of the land. The group currently accounts for its land previously classified as freehold in a similar manner to accounting for the purchase of the land by applying international accounting standards (IAS 16) Property, Plant and Equipment, rather than by applying IFRS 16.

The company is waiting for the National Land Commission to issue guidelines that will operationalise the provisions of the constitution and the revised land laws. The company will continue to reassess the impact of the revised land laws to the financial statements as the guidelines are issued.

4. INTANGIBLE ASSETS	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Cost				
At 1 January	273,001	257,896	250,610	236,987
Additions	3,428	14,186	2,804	13,623
Exchange difference	4,340	919	-	-
<b>At 31 December</b>	<b>280,769</b>	<b>273,001</b>	<b>253,414</b>	<b>250,610</b>
Amortisation				
At 1 January	210,640	184,329	191,274	167,540
Charge for the year	22,710	25,500	21,444	23,734
Exchange difference	4,060	811	-	-
<b>At 31 December</b>	<b>237,410</b>	<b>210,640</b>	<b>212,718</b>	<b>191,274</b>
Net carrying amount				
<b>At 31 December</b>	<b>43,359</b>	<b>62,361</b>	<b>40,696</b>	<b>59,336</b>

Intangible assets relate to computer software in use by the group. The intangible assets have an estimated useful life of 5 years.

There were no borrowing costs capitalized during the year ended 31 December 2023 (2022: Nil).

No intangible assets have been pledged as security for the year ended 31 December 2023 (2022: Nil).

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

5. RIGHT OF USE ASSETS	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Cost				
At 1 January	838,706	603,065	522,402	307,004
Additions	105,832	311,954	14,338	288,004
Lease improvement (note 3)	53,258	-	53,258	-
Disposal	(57,775)	(89,077)	(57,775)	(72,606)
Exchange difference	52,383	12,764	-	-
<b>At 31 December</b>	<b>992,404</b>	<b>838,706</b>	<b>532,223</b>	<b>522,402</b>
Amortisation				
At 1 January	439,655	329,314	190,605	146,248
Charge for the year	160,191	182,582	95,510	111,555
Disposals	(29,074)	(83,669)	(29,074)	(67,198)
Exchange difference	51,614	11,428	-	-
<b>At 31 December</b>	<b>622,386</b>	<b>439,655</b>	<b>257,041</b>	<b>190,605</b>
Net carrying amount				
<b>At 31 December</b>	<b>370,018</b>	<b>399,051</b>	<b>275,182</b>	<b>331,797</b>
Amounts recognized in profit and loss:				
Amortization expense on right-of-use assets (note 20, 22 & 23)	160,191	182,582	95,510	111,555
Interest expense (note 24)	44,068	38,684	34,023	29,102

The identified right of use assets that the group has leased are depots, showrooms, godowns (storage warehouses) and residential apartments.

The group has the right to obtain substantially all economic benefits from the use and also the right to direct the use of the assets. The group will return the assets to the lessor at the end of lease term. The leases run from between 2 - 12 years and are therefore not short-term leases.

There are no low value assets. Non lease components are treated separately using the applicable Standards.

There are no restrictions or covenants imposed by lessors and the company did not enter into any sale and leaseback transactions during the year (2022: Nil).

The total cash outflow for leases amount to KShs 203 million (2022: KShs 256 million inclusive of service charge which has been expensed in current year) for the group, company KShs 113 million in 2023 (2022: KShs 176 million inclusive of service charge which has been expensed in current year).

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 6. INVESTMENT IN SUBSIDIARIES

Information about subsidiaries

The consolidated financial statements of the group include investment in subsidiaries as disclosed below.

These investments are unquoted and held at cost less impairment loss:

Details of investment	Country of incorporation	Activity	Holding %	2023 KShs'000	2022 KShs'000
Crown Paints Allied Industries Limited (44,800 ordinary shares of KShs 1,000 each, share premium – 34,800 shares of KShs 1,500 each).	Kenya	Manufacture of adhesives	100	97,000	97,000
Regal Paints Uganda Limited (formerly Crown Buildings and Products Limited –Uganda) 1,039,203 ordinary shares of KShs 288 each, share premium- 1,034,203 shares of KShs 431 each.	Uganda	Selling of auto paints and decorative products	100	745,209	745,209
Crown Paints Tanzania Limited 75,413 ordinary shares of KShs 4,525 each, share premium 65,413 shares of KShs 6,603 each.	Tanzania	Selling of auto paints and decorative products	100	773,162	773,162
Crown Paints Rwanda Limited 10,521 ordinary shares of KShs 1,148 each, share premium 9,521 shares of KShs 16,997 each.	Rwanda	Selling of auto paints and decorative products	100	173,914	173,914
				<b>1,789,285</b>	<b>1,789,285</b>
Provision for impairment in subsidiaries				(872,393)	(850,393)
				<b>916,892</b>	<b>938,892</b>

During the year ended 31 December 2023, an additional provision for impairment in subsidiaries has been made of KShs 22,000,000 (2022: KShs 75,385,000).



# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 6. INVESTMENT IN SUBSIDIARIES (continued)

Impairment loss		2023 KShs'000	2022 KShs'000
At 1 January		850,393	775,008
Charge for the year		22,000	75,385
<b>At 31 December</b>		<b>872,393</b>	<b>850,393</b>
<b>Year ended 31 December 2023</b>			
Impairment loss Subsidiary	Carrying amount KShs'000	Recoverable amount KShs'000	Impairment loss KShs'000
Regal Paints Uganda Limited	367,662	415,000	-
Crown Paints Tanzania Limited	385,637	441,000	-
Crown Paints Rwanda Limited	141,001	119,001	22,000
Crown Paints Allied Industries Limited	44,592	46,845	-
	<b>938,892</b>	<b>1,021,846</b>	<b>22,000</b>
<b>Year ended 31 December 2022</b>			
Impairment loss Subsidiary	Carrying amount KShs'000	Recoverable amount KShs'000	Impairment loss KShs'000
Regal Paints Uganda Limited	367,662	396,000	-
Crown Paints Tanzania Limited	385,637	422,000	-
Crown Paints Rwanda Limited	163,978	141,001	22,977
Crown Paints Allied Industries Limited	97,000	44,592	52,408
	<b>1,014,277</b>	<b>1,003,593</b>	<b>75,385</b>
Inputs used:	<b>Regal Paints Uganda Limited</b>	<b>Crown Paints Tanzania Limited</b>	<b>Crown Paints Rwanda Limited</b>
Discount rate - weighted average cost of capital	24.6%	21.2%	21.8%
Terminal growth rate in perpetuity	5.3%	5.7%	5.0%

Regal Paints Uganda Limited, Crown Paints Rwanda Limited and Crown Paints Tanzania Limited have a history of losses. Further, the subsidiaries rely on the parent company for provision of working capital and their ability to continue as a going concern depends on the continued support they receive from the parent company. During the year ended 31 December 2023, an impairment assessment was carried out by management and as tabulated above, the recoverable amount of three subsidiaries was higher than the carrying amount whereas for Crown Paints Rwanda Limited the recoverable amount was lower than the carrying amount. The recoverable amount of the CGU's (cash generating units) for each entity is the value in use which was estimated using the discounted cash flows.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **6. INVESTMENT IN SUBSIDIARIES (continued)**

Revenue growth was projected taking into account the average growth levels experienced over the past three years and the estimated sales volume and price growth for the next five years which also includes the company's marketing plans.

An impairment loss was recognised in the statement of profit or loss for the year ended 31 December 2023.

The assumptions used includes the following;

##### **Regal Paints Uganda Limited**

- Management anticipates revenue to increase at an average of 12% for the period 2024-2028. Raw material cost is forecast to increase by 15.36% between 2024 - 2028. Gross margin improved from 28.5% in 2022 to 29.6% in 2023 and is forecast to increase at average of 33.6%.
- Operating expenses as a % of revenue has declined in 2023 at 36.2% from 38.9% in 2022. The trend is expected to continue as operating expenses as a % of revenue is expected to average 30.9% in the forecast period.
- The expected volume growth will be 16% in 2024 and thereafter 12% up to 2028 due to;
  - Inflation rates will not exceed 3%. i.e the raw materials cost increase will not exceed 3%
  - Expected annual price increases will be at 4%.
  - No economic nor political factors will affect the projected volumes and sales growth below projections.
  - Projected Sadolin sales volume will not in any way go below stated projections.
- Overheads will be absorbed at UG Shs 300 per litre.
- Annual salaries increase will not exceed 5%.
- Budgets will be adhered to 100%.
- The tolling fee from Sadolin brand sales will be maintained at 9% of raw materials and overheads.
- The Company will maintain 60 days of raw materials.
- Debtors net outstanding days will gradually be reduced to 65 days.
- On average the credit days will be 2.2 months considering shipping period and mix of local creditors.

##### **Crown Paints Tanzania Limited (CPTL)**

- Management anticipates a modest sales volume growth of 30% in 2024 and thereafter 25% in 2025 to 2027. In the macro-economics the growth in GDP is anticipated at 5.6%.
- Management has strategically put in place the following initiatives:
  - Opening a warehouse in Dar es salaam to cater for the new direct dealers reducing the lead times. Also a new showroom opened in Dar to enhance visibility of our products.
  - New production equipment acquired that will see production capacity increase from 500,000 litres to 600,000 litres per month.
  - Change in business model, following discontinuance of the main distributor in Dar es Salaam. We embarked on bringing onboard the distributors' dealers directly to CPTL, about 80 new customers.
  - Painters' training in 2023 reaching over 4,000 painters. This will boost sales due to product knowledge.
- Cost of sales is forecast to increase by 29% due to increase in raw materials in the forecast period between 2024 and 2027. Other costs of sales include royalty/levy which is projected to be incurred in the forecast period at a minimum of USD 50,000 per annum or 3% of Sadolin net sales.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **6. INVESTMENT IN SUBSIDIARIES (continued)**

##### **Crown Paints Tanzania Limited (continued)**

- Gross margin increased from 19% in 2022 to 22% in 2023 and is forecast to increase to an average of 29% between 2024-2027.
- Operating expenses as a % of revenue declined in 2023 to 30% from 19% in 2022. This is expected to improve as operating expenses as % of revenue is expected to average of 21% in the forecast period which is lower than current result.
- An expected growth in the construction sector to USD 5.62 million in 2024 and is expected to reach USD 7.07 million in 2029.
- Enhanced internal controls, better production quality, cost saving in multiple fronts - Staff, factory overheads and stocking requirement and better planning and sourcing of raw materials.
- Team Kubwa to continue to boost the coming years sales.
- Raw materials cost will remain same or proportionate increase with an increase in sales price.
- Exchange rates will remain stable at TZS 2600 to 1 USD, and any change will not have a material impact on raw material cost.
- Annual salaries increase will not exceed 7%.
- Price increase has been estimated to be at 7% in 2024.

##### **Crown Paints Rwanda Limited**

- Management anticipates a growth of sales volume at an average of 18.1% in 2024-2027. Sales revenue is expected to grow by 27.6% in 2024, 26.6% in 2025 and thereafter at an average of 19.5% in 2026-2027 which is foreseen to be growth rate across all product lines. Gross cost of sales is forecast to increase by 21% between 2024-2027. The gross margin is forecast to increase to average of 28.2% 2024-2027. Operating expenses as a % of revenue was at 27% in 2023. However, operating expenses are expected to reduce at average of 3% year on year to 18% in 2027.
- Factory staff costs are considered to have a constant increase of 5% over the years. Factory depreciation remains constant in the fixed asset register as long as there are no disposals and acquisitions. Other costs of production and overheads are considered to have 1% increase across the years. Transport cost to depots given a consideration of 5% increase each year.
- Depot staff costs are considered to have a constant increase of 7% over the years.
- Audit fee was given a consideration of 2% across the years. Legal fee was considered to increase with 5% each year. Insurance is assumed to have a 5% increase each year. Other administration costs are considered to increase with 1% across the years.
- Transport cost was calculated using the budgeted volume and taking into consideration the cost per litre remained constant.
- Travel and entertainment, advertising and promotion and depot costs (security and rent) were given the assumption of 5% increase across the years. Other expenses were given an assumption of 1% while bank charges were considered to increase by 0.5% across the years.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

7. INVENTORIES	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Finished goods and packaging materials	1,190,381	1,096,310	876,658	822,580
Raw materials	1,704,154	2,375,496	1,311,545	1,909,584
Goods in transit	767,682	250,479	762,298	233,263
Work In progress	90,775	113,084	51,825	58,960
	<b>3,752,992</b>	<b>3,835,369</b>	<b>3,002,326</b>	<b>3,024,387</b>
Inventories write-down to NRV	(84,651)	(90,440)	(76,003)	(79,222)
	<b>3,668,341</b>	<b>3,744,929</b>	<b>2,926,323</b>	<b>2,945,165</b>

The amount of inventories write-down reversed during the year was KShs 49,057,000 (2022: KShs 2,169,000) for the group and KShs 41,524,000 for the company (2022: KShs 1,654,000), for inventories carried at net realisable value. This is recognised in other income, Note 21. Reversal of inventory write down occurs when inventory assessed as slow moving is used as input in production or is finally sold. Provision is normally based on the last movement day of the stock item which varies with subsequent sales or use.

See below for the movements in the inventories write-down:

	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
At the beginning of the year	90,440	90,673	79,222	80,876
Provision for the year (note 23)	41,530	3,203	41,524	-
Used in the year – write off	-	(1,793)	-	-
Reversals of write-down (note 21)	(49,057)	(2,169)	(44,743)	(1,654)
Exchange difference	1,738	526	-	-
	<b>84,651</b>	<b>90,440</b>	<b>76,003</b>	<b>79,222</b>

## **8. TRADE AND OTHER RECEIVABLES**

Trade receivables	1,722,374	1,558,797	1,305,526	1,237,580
Other receivables	210,683	181,363	112,322	106,947
Prepayments	135,599	89,060	92,654	66,550
	<b>2,068,656</b>	<b>1,829,220</b>	<b>1,510,502</b>	<b>1,411,077</b>

The average credit period on sales of finished goods is 30 days. Other receivables consist of staff loans, staff floats and deposits with suppliers. Staff loans are issued to staff to purchase motor vehicles at an interest rate of 13%, for a period not exceeding 36 months. The staff loans are secured against the logbooks. Staff floats and deposits with suppliers are made in the ordinary course of business and are non-interest bearing. They are for a period not exceeding two months.

Prepayments were made in the ordinary course of business with regard to insurance premiums and computer software licences.

As at 31 December 2023, the group's trade receivables with initial value of KShs 812,612,000 (2022: KShs 554,855,000) were fully provided for. The company's trade receivables with initial value of KShs 561,823,000 (2022: KShs 376,764,000) were fully provided for.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables are carried net of expected credit losses (ECLs) / impairment losses. The movement in expected credit losses / impairment losses is as set out below:

	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
At the beginning of the year	554,855	502,328	376,764	325,156
Charge for the year	240,358	51,608	185,059	51,608
Recoveries during the year	(1,437)	(9,979)	-	-
Exchange difference	18,836	10,898	-	-
	<b>812,612</b>	<b>554,855</b>	<b>561,823</b>	<b>376,764</b>
Net movement				
Charge for the year	240,358	51,608	185,059	51,608
Recoveries during the year	(1,437)	(9,979)	-	-
	<b>238,921</b>	<b>41,629</b>	<b>185,059</b>	<b>51,608</b>
Ageing analysis of trade receivables:				
Less than 60 days	1,648,140	1,500,290	1,174,900	1,201,697
61 days to 90 days	157,604	122,662	127,077	70,749
Over 90 days	729,242	490,700	565,372	341,898
	<b>2,534,986</b>	<b>2,113,652</b>	<b>1,867,349</b>	<b>1,614,344</b>
Allowance for ECLs / impairment	(812,612)	(554,855)	(561,823)	(376,764)
<b>Net</b>	<b>1,722,374</b>	<b>1,558,797</b>	<b>1,305,526</b>	<b>1,237,580</b>

Trade receivables are non-interest bearing and are generally on 30 days credit terms. In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. An increase/(decrease) in the gross carrying amounts of the trade receivables impacts on the movement in the ECL amounts with a consideration of the relevant probability of defaults (PDs) used in the ECL computation.

Ageing analysis for other receivables:

	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Less than 60 days	194,738	104,082	96,452	29,741
61 days to 90 days	492	7,060	492	7,060
Over 90 days	15,453	70,221	15,378	70,146
	<b>210,683</b>	<b>181,363</b>	<b>112,322</b>	<b>106,947</b>
Impaired	-	-	-	-
<b>Net</b>	<b>210,683</b>	<b>181,363</b>	<b>112,322</b>	<b>106,947</b>

The group's other receivables mainly relate to staff loans. Given the nature of the receivables and the fact that they are recovered through payroll then no ECL has been recognised.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The company is controlled by Crown Paints and Building Products Limited (incorporated in Kenya) which owns 48.42% of the company's shares. Barclay Holdings Limited incorporated in Belize Off-Shore Centre holds 19.37% 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 Plc is Barclay Holdings Limited. The remaining 32.21% of the shares are widely held through the Nairobi Securities Exchange. Crown Paints Allied Industries Limited, Regal Paints Uganda Limited, Crown Paints Rwanda Limited and Crown Paints Tanzania Limited are wholly owned subsidiaries of the company.

(i) Amount due from:	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Crown Paints and Building Products Limited	507,179	921,459	507,179	921,459
Regal Paints Uganda Limited	-	-	73,193	154,008
Crown Paints Allied Industries Limited	-	-	85,735	27,931
Crown Paints Rwanda Limited	-	-	-	14,574
Crown Paints Tanzania Limited	-	-	586,462	578,892
	<b>507,179</b>	<b>921,459</b>	<b>1,252,569</b>	<b>1,696,864</b>
Provision for expected credit losses	(301,116)	(262,547)	(870,017)	(972,613)
	<b>206,063</b>	<b>658,912</b>	<b>382,552</b>	<b>724,251</b>

As at 31 December 2023, the Group's related party receivables with initial value of KShs 301,116,000 (2022: KShs 262,547,000) were fully provided for. The Company's related party receivables with initial value of KShs 870,017,000 (2022: KShs 972,613,000) were fully provided for.

Related party receivables are carried net of expected credit losses (ECLs) / impairment. An increase/(decrease) in the gross carrying amounts of related party receivables impacts on the movement in the ECL amounts with a consideration of the relevant probability of defaults (PDs) used in the ECL computation. The decrease in the gross carrying amounts due from related parties is mainly due to receipts during the year. The information about credit exposures are disclosed in Note 31.

The movement in the expected credit losses / impairment is as set out below.

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
At the beginning of the year	262,547	519,555	972,613	1,047,540
Allowance for expected credit losses	40,420	43,619	95,657	225,700
Recoveries during the year	(1,851)	(300,627)	(198,253)	(300,627)
	<b>301,116</b>	<b>262,547</b>	<b>870,017</b>	<b>972,613</b>
Expected credit losses net movement				
Allowance for expected credit losses	40,420	43,619	95,657	225,700
Recoveries during the year	(1,851)	(300,627)	(198,253)	(300,627)
	<b>38,569</b>	<b>(257,008)</b>	<b>(102,596)</b>	<b>(74,927)</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

Ageing analysis	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Less than 60 days	70,811	81,460	144,787	363,965
61 days to 90 days	38,801	78,581	89,508	119,766
Over 90 days	397,567	761,418	1,018,274	1,213,133
	<b>507,179</b>	<b>921,459</b>	<b>1,252,569</b>	<b>1,696,864</b>
Impaired	(301,116)	(262,547)	(870,017)	(972,613)
Neither past due nor impaired	<b>206,063</b>	<b>658,912</b>	<b>382,552</b>	<b>724,251</b>
(ii) Payables to related companies:				
Crown Paints Allied Industries Limited	-	-	140,594	29,072
Daxian Limited	114,918	-	114,918	-
Regal Paints Uganda Limited	-	-	181	11,305
Crown Paints Tanzania Limited	-	-	1,079	-
Crown Paints Rwanda Limited	-	-	3,945	-
Crown Paints and Building Products Limited	46,138	39,617	46,111	35,480
	<b>161,056</b>	<b>39,617</b>	<b>306,828</b>	<b>75,857</b>
The following transactions were carried out with related parties:				
(iii) Sale of goods and services rendered:				
Crown Paints Allied Industries Limited	-	-	72,331	78,650
Crown Paints Rwanda Limited	-	-	45,184	86,334
Regal Paints Uganda Limited	-	-	78,288	160,540
Crown Paints Tanzania Limited	-	-	157,181	205,295
Crown Paints and Building Products Limited	4,749	8,605	4,749	8,605
Purchase of goods:				
Crown Paints Allied Industries Limited	-	-	236,914	138,559
Regal Paints Uganda Limited	-	-	-	1,140
Crown Paints and Building Products Limited	179,500	155,892	157,736	138,448
Services rendered:				
Crown Paints and Building Products Limited	-	10,066	-	10,066
Daxian Limited	138,645	130,069	138,645	130,069

Daxian Limited is a wholly owned subsidiary of the ultimate parent, Barclay Holdings Limited.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(iv) Payments made on behalf of related parties	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
Crown Paints and Building Products Limited	507,179	921,459
Movement in the year:		
At beginning of the year	921,459	519,786
Payments made on behalf of CPBPL	560,250	558,929
Receipts from CPBPL	(974,530)	(157,256)
Gross amount	507,179	921,459
Provision for expected credit losses	(301,116)	(262,547)
<b>As at 31 December- net amount</b>	<b>206,063</b>	<b>658,912</b>
(v) Payments made / (receipts from) on behalf of subsidiaries	COMPANY	
	2023 KShs'000	2022 KShs'000
Crown Paints Allied Industries Limited	763	-
Regal Paints Uganda Limited	-	137
(vi) Key management personnel compensation	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
Short term employee benefits	246,572	193,491
Defined contribution plan	8,020	5,188
	<b>254,592</b>	<b>198,679</b>
(vii) Directors' remuneration	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
Fees for services as directors	18,503	15,864
Other emoluments (included in key management personnel compensation above)	161,948	167,709
	<b>180,451</b>	<b>183,573</b>



# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(viii) Advances to related parties	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
Crown Paints and Building Products Limited	129,096	152,145
Movement in advances to CPBPL:		
At beginning of the year	152,145	99,680
Advances during the year	114,815	209,721
Repayments made during the year	(137,864)	(157,256)
Gross amount	129,096	152,145
Provision for expected credit losses	(122,559)	(102,145)
As at 31 December- net amount	6,537	50,000
(ix) Short term notes due to related parties		
Directors	83,697	361,656

The principal amount of the short-term notes is normally rolled forward on maturity, but interest is most of the times paid out. The total amount of interest paid out during the year amounted to KShs 14,716,000 (2022: KShs 27,067,000).

Terms and conditions of transactions with related parties.

The short-term notes due to related parties are at an interest rate of 15% for a period not exceeding 1 year. The other amounts due from and due to related parties are non-interest bearing and unsecured. There is no fixed repayment schedule for the amounts due.

10. TAX	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
<b>STATEMENT OF FINANCIAL POSITION</b>				
Balance brought forward	(98,024)	(24,932)	(74,668)	9,470
Charge for the year	96,807	275,668	89,505	271,388
Paid during the year	(136,679)	(347,469)	(123,802)	(355,526)
Exchange difference	(1,524)	(1,291)	-	-
<b>Current tax (recoverable) / payable</b>	<b>(139,420)</b>	<b>(98,024)</b>	<b>(108,965)</b>	<b>(74,668)</b>
The amount has been presented in the statement of financial position as follows;				
Current tax payable	-	-	-	-
Current tax recoverable	(139,420)	(98,024)	(108,965)	(74,668)
<b>Net amount</b>	<b>(139,420)</b>	<b>(98,024)</b>	<b>(108,965)</b>	<b>(74,668)</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

10. TAX (continued)	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
<b>PROFIT OR LOSS</b>				
Current tax at 30% (2022: 30%) on the taxable profit for the year	96,807	275,668	89,505	271,388
Deferred tax (credit) / charge (note 14)	(53,464)	(26,813)	(53,464)	(26,813)
	<b>43,343</b>	<b>248,855</b>	<b>36,041</b>	<b>244,575</b>
<b>Reconciliation of tax expense to tax based on accounting profit</b>				
Accounting profit before tax	<b>14,213</b>	<b>1,072,870</b>	<b>149,934</b>	<b>771,106</b>
Tax at applicable rate of 30% (2022: 30%)	4,264	321,861	44,980	231,332
Tax effect on items not eligible for tax purposes	2,997	(65,778)	(8,939)	13,243
Minimum tax liability - Tanzania	4,553	4,285	-	-
Deferred tax not recognised- subsidiaries (note 14)	31,529	(11,513)	-	-
	<b>43,343</b>	<b>248,855</b>	<b>36,041</b>	<b>244,575</b>

	GROUP		COMPANY	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
<b>Tax effect on items not eligible for tax purposes can be summarised as follows:</b>				
Depreciation	170	1,770	170	1,770
Amortization intangible assets	-	165	-	-
Amortization of right of use assets	5,407	80	-	80
Staff benevolent costs	332	319	328	316
Bad debts written off	(1,010)	(327)	-	-
Donations	305	131	288	131
Sponsorship	3,687	4,189	3,687	4,189
Fines and penalties	247	437	134	420
School fees	1,841	1,369	1,781	1,213
Inventory write off	273	-	-	-
Corporate social responsibility	132	101	38	52
Pension scheme administration costs	1,448	1,379	1,448	1,379
Company staff program	598	561	-	-
Excess pension contribution	5,637	4,563	5,625	4,515
Allowance for expected credit losses for amount owing from related parties	(12,913)	(77,102)	(30,779)	(22,477)
Overheads - other	(7,020)	(3,872)	(2,122)	(1,420)
Club membership subscriptions	3,863	459	3,863	459
Impairment loss on investment in subsidiaries	-	-	6,600	22,616
	<b>2,997</b>	<b>(65,778)</b>	<b>(8,939)</b>	<b>13,243</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

11. SHARE CAPITAL	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
Authorised: 163,707,000 (2022: 163,707,000) ordinary shares of KShs. 5 each	818,535	818,535
Issued and fully paid: 142,362,000 (2022: 142,362,000) ordinary shares of KShs. 5 each	711,810	711,810

The company's authorized share capital is divided into 163,707,000 ordinary shares of KShs 5 each (this includes 21,345,000 ESOP shares).

12. RESERVES	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Share premium	392,097	392,097	392,097	392,097
Revaluation reserve	45,430	77,707	33,827	53,214
Foreign currency translation reserve	154,742	106,701	-	-
Retained earnings	1,834,731	2,401,032	2,081,887	2,518,055
	<b>2,427,000</b>	<b>2,977,537</b>	<b>2,507,811</b>	<b>2,963,366</b>

The share premium arose from the issue of 8,630,000 ordinary shares to the public in 1992 and from a rights issue of 71,181,000 new ordinary shares at a price of KShs 10 per share in June 2021. Any excess of the cash received from shareholders over the ordinary share nominal amount is recorded in the share premium.

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.

The foreign currency translation reserve arose on translation differences of foreign subsidiaries balances from their functional currencies to the presentation currency. The foreign currency translation reserve is non-distributable.

The retained earnings balance represents the amount available for dividend distribution to the shareholders of the company.

13. DIVIDENDS	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
<b>Dividend declared:</b> Final dividend for 2022 KShs 4.00 per share (2021: KShs 4.00 per share)	569,448	569,448
<b>Split as below:</b> Declared and paid	205,328	499,422
Declared but not paid/ capitalised	364,120	70,026
	<b>569,448</b>	<b>569,448</b>

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **13. DIVIDENDS (continued)**

	<b>GROUP &amp; COMPANY</b>	
	<b>2023 KShs'000</b>	<b>2022 KShs'000</b>
<b>Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December):</b>		
Dividend on ordinary shares 2023: KShs Nil (2022: KShs 4.00) per share	-	<b>569,448</b>

- (i) Dividend per share is arrived at by dividing the total dividends by the outstanding 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.

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**14. DEFERRED TAX ASSET- GROUP**

	Balance at 1 January KShs'000	Profit or loss KShs'000	Utilised tax loss during the year KShs'000	Other comprehensive income KShs'000	Balance at 31 December KShs'000
Movements in deferred tax during the year were as follows:					
<b>Year ended 31 December 2023</b>					
Accelerated capital allowances	124,464	23,013	-	-	147,477
Unrealised exchange loss	(4,229)	(22,071)	-	-	(26,300)
Unrealised exchange gain	12,270	8,846	-	-	21,116
Interest expense	-	(4,138)	-	-	(4,138)
Revaluation reserve	67,449	(9,563)	-	-	57,886
Allowance for expected credit losses - third parties	(166,457)	(77,327)	-	-	(243,784)
Leases	(9,863)	(5,344)	-	-	(15,207)
Provision for staff leave	(6,937)	(2,423)	-	-	(9,360)
Provision for contingent liability	(2,282)	(1,336)	-	-	(3,618)
Provision for obsolete inventories	(27,130)	1,737	-	-	(25,393)
Provision for penalties and other items	(28,359)	25,268	-	-	(3,091)
Tax losses	(314,338)	(42,732)	21,077	-	(335,993)
	<b>(355,412)</b>	<b>(106,070)</b>	<b>21,077</b>	-	<b>(440,405)</b>
Deferred tax not recognised - subsidiaries	336,655	52,606	(21,077)	-	368,184
	<b>(18,757)</b>	<b>(53,464)</b>	-	-	<b>(72,221)</b>
<b>Year ended 31 December 2022</b>					
Accelerated capital allowances	114,284	10,180	-	-	124,464
Unrealised exchange loss	(6,607)	2,378	-	-	(4,229)
Unrealised exchange gain	2,382	9,888	-	-	12,270
Revaluation reserve	80,856	(13,407)	-	-	67,449
Allowance for expected credit losses - third parties	(151,453)	(15,004)	-	-	(166,457)
Leases	(9,389)	(474)	-	-	(9,863)
Provision for staff leave	(6,915)	(22)	-	-	(6,937)
Provision for contingent liability	(5,224)	2,942	-	-	(2,282)
Provision for obsolete inventories	(27,202)	72	-	-	(27,130)
Provision for penalties and other items	(23,644)	(4,715)	-	-	(28,359)
Tax losses	(307,200)	(18,876)	11,738	-	(314,338)
	<b>(340,112)</b>	<b>(27,038)</b>	<b>11,738</b>	-	<b>(355,412)</b>
Deferred tax not recognised - subsidiaries	348,168	225	(11,738)	-	336,655
	<b>8,056</b>	<b>(26,813)</b>	-	-	<b>(18,757)</b>

**CROWN PAINTS KENYA PLC AND SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**14. DEFERRED TAX ASSET- COMPANY**

	Balance at 1 January KShs'000	Profit or loss KShs'000	Other comprehensive income KShs'000	Balance at 31 December KShs'000
Movements in deferred tax during the year were as follows:				
<b>Year ended 31 December 2023</b>				
Accelerated capital allowances	100,996	9,732	-	110,728
Unrealised exchange loss	(271)	(21,345)	-	(21,616)
Unrealised exchange gain	-	2,885	-	2,885
Revaluation reserve	54,559	(8,308)	-	46,251
Allowance for expected credit losses – third parties	(113,029)	(55,518)	-	(168,547)
Leases	(5,186)	(1,650)	-	(6,836)
Provision for staff leave	(6,598)	(2,071)	-	(8,669)
Provision for contingent liability	(2,282)	(1,336)	-	(3,618)
Provision for obsolete inventories	(23,765)	966	-	(22,799)
Provision for penalties	(23,181)	23,181	-	-
	<b>(18,757)</b>	<b>(53,464)</b>	-	<b>(72,221)</b>
<b>Year ended 31 December 2022</b>				
Accelerated capital allowances	108,966	(7,970)	-	100,996
Unrealised exchange loss	(1,823)	1,552	-	(271)
Revaluation reserve	62,734	(8,175)	-	54,559
Allowance for expected credit losses – third parties	(97,546)	(15,483)	-	(113,029)
Leases	(5,011)	(175)	-	(5,186)
Provision for staff leave	(6,598)	-	-	(6,598)
Provision for contingent liability	(5,224)	2,942	-	(2,282)
Provision for obsolete inventories	(24,261)	496	-	(23,765)
Provision for penalties	(23,181)	-	-	(23,181)
	<b>8,056</b>	<b>(26,813)</b>	-	<b>(18,757)</b>

No provision has been made for a deferred tax asset on tax losses relating to the subsidiaries amounting to KShs 334,222,000 (2022: KShs 314,338,000) because it is not expected that the companies will have taxable profits in the near future against which the temporary differences and tax losses can be utilised. The accumulated tax losses for the subsidiaries amount to KShs 1,114,074,000 (2022: KShs 1,047,794,000) and can be carried forward for a maximum period of 5 years in accordance with Rwandan tax laws and indefinitely for Kenya, Tanzania and Uganda. The other temporary differences relating to the subsidiaries for which no deferred tax has been recognized amount to KShs 113,206,000 (2022: KShs 74,389,000).

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 15. BANK OVERDRAFT

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Bank overdraft	594,696	507,715	541,238	495,877

The bank overdraft facility is to the extent of: Kenya Commercial Bank Limited (KCB) - KShs 400 million and USD 300,000 and NCBA Bank - KShs 110 million and USD 1,000,000 letters of guarantee/ letters of credit/ import bill financing. The KCB and NCBA facilities are secured by debenture of KShs 571 million and USD 4.2 million over the assets of the group supported by a supplementary charge over LR 209/5792 along Mogadishu road, LR 209/4275 along Likoni road and LR 209/4479 along Dar es Salaam road.

The weighted average interest rate on the overdraft at year-end was 16% (2022: 12%), while letters of guarantee had a weighted average interest rate of 11.2% (2022: 9.5%). The bank overdrafts are reviewed annually and are payable on demand.

#### 16. BANK LOANS

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Long term loans:				
KCB Loan - Kenya	105,809	411,074	105,809	411,074
NCBA Loan - Kenya	142,050	-	142,050	-
Bank of Africa Loan - Uganda	3,840	6,700	-	-
I&M Loan - Uganda	50,110	57,469	-	-
I&M Loan - Tanzania	10,574	19,129	-	-
KCB Loan - Tanzania	-	11,691	-	-
	<b>312,383</b>	<b>506,063</b>	<b>247,859</b>	<b>411,074</b>
Short term borrowings:				
NCBA PIF facility	14,495	70,559	14,495	70,559
KCB PIF facility	483,850	451,145	483,739	402,629
	<b>498,345</b>	<b>521,704</b>	<b>498,234</b>	<b>473,188</b>
Total bank loans	<b>810,728</b>	<b>1,027,767</b>	<b>746,093</b>	<b>884,262</b>
Due within 1 year	<b>626,691</b>	<b>912,888</b>	<b>576,486</b>	<b>807,885</b>
Due after 1 year	<b>184,037</b>	<b>114,879</b>	<b>169,607</b>	<b>76,377</b>
Movements during the year:				
At 1 January	1,027,767	517,821	884,262	396,770
Additional loan received	291,969	787,404	239,404	627,020
Accrued interest	88,135	67,850	78,525	65,571
Interest payments	(88,135)	(67,850)	(78,525)	(65,571)
Loan repayments	(541,957)	(280,147)	(377,573)	(139,528)
Foreign exchange difference	32,949	2,689	-	-
<b>At 31 December</b>	<b>810,728</b>	<b>1,027,767</b>	<b>746,093</b>	<b>884,262</b>

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **16. BANK LOANS (continued)**

The amounts due within one year relates to post import financing from Kenya Commercial Bank Limited and NCBA Bank for a period not exceeding 6 months and is secured pari-passu by debenture of KShs. 110 million and USD 2 million over the assets of the group supported by a supplementary charge over LR 209/5792 along Mogadishu road, LR 209/4275 along Likoni road and collateral charge over LR 209/4479 along Dar es Salaam road. Further, this is also secured by a corporate guarantee and indemnity for KShs 210 million and USD 2 million duly executed by Crown Paints and Building Products Limited. The weighted average interest rate on the loans at year-end was 16% (2022: 12%). The amount due in 1 year also includes the current portion of the long-term loans due within 12 months amounting to KShs 128 million (2022: KShs 391 million) for the group, company KShs 78 million (2022: 335 million).

The long term loans from Kenya Commercial Bank Limited relate to financing for the construction of warehouses and offices, landed costs of vehicles, equipment, fixtures and fittings for a new factory erected on property L.R. No. Kisumu/Ojola/4790 and asset based finance loan for the purchase of new machinery and motor vehicles. The facilities shall be repaid in 77 months and 48 months consecutive monthly instalments inclusive of interest and other charges. The corporate term loan from NCBA relate to purchase of land and is payable in 60 months from 14 October 2023.

The loan from I&M Bank Limited (Uganda) is a letter of credit cum term loan for the purchase of machinery required in the ordinary course of business. The interest on the term loan is at the Bank's USD prime lending rate minus 1% effective 9% per annum and the facility shall be repaid in 60 months consecutive monthly instalments commencing after an initial moratorium period on repayment of principal amount of 24 months inclusive of interest and other charges. The loan is secured by fixed and floating debenture for an amount of USD 3,099,000 over all the assets of Regal Paints Uganda Limited and corporate guarantee and indemnity of Crown Paints Kenya Plc for USD 3,099,000.

The long term loan from Bank of Africa (Uganda) is an asset finance facility of USD 88,000 repayable in 36 equal monthly instalments at an effective minimum interest rate of 9% per annum. The loan is secured by chattels mortgage/specific charge to the tune of USD 88,000 over the truck being financed by the Bank and a fixed and floating charge to the tune of USD 88,000 over current and future assets of the company. The composite facility import loan/ short term loan from KCB Bank Uganda is a facility of USD 450,000 at a rate of 9% to finance the working capital needs of the business. The facility is available for a period of 12 months and each drawdown under this limit run for a maximum period of 120 days.

The loan from I&M Bank Tanzania Limited is an import and asset based financing for the purchase of machinery drawn down under the USD 2,051,830 facility. The interest on the term loan is at the Bank's USD prime lending rate minus 1% effective 9% per annum and the facility shall be repaid in 84 months consecutive monthly instalments commencing after an initial moratorium period on repayment of principal amount of 24 months inclusive of interest and other charges. The loan is secured by fixed and floating debenture for an amount of USD 2,564,787 over all the assets of Crown Paints Tanzania Limited, corporate guarantee of Crown Paints Kenya Plc for USD 2,052,000 and personal guarantee of Mhamud Charania for USD 2,052,000. The revolving post import loan from KCB Bank Tanzania, is a facility of USD 100,000 to facilitate importation of raw materials. The loan is payable at the rate of 10% being the USD base lending rate of 9% plus 1% margin and is available for a period of 12 months. The loan is secured by a debenture instrument of USD 400,000, joint and several guarantee and indemnity of directors and corporate guarantee by Crown Paints Kenya Plc.



# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 17. SHORT TERM NOTES

	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
Amounts falling due within one year	<b>239,018</b>	<b>798,263</b>
Movement in the year:		
At 1 January	798,263	527,574
Additional loan received	75,815	419,266
Accrued interest	72,364	61,418
Interest payments	(14,716)	(27,067)
Loan repayments	(692,708)	(182,928)
<b>At 31 December</b>	<b>239,018</b>	<b>798,263</b>

The short-term notes are non-secured facilities from private lenders and related party and are repayable on maturity of the facilities. The interest rate on the short-term notes is at 91day treasury bills interest rate plus 1.5% and the short-term notes are for 365 days period.

### 18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Amounts falling due within one year				
Trade payables	3,359,828	2,113,349	2,876,498	1,805,815
Other payables	78,758	143,032	34,037	127,127
Accruals	541,689	453,631	150,355	259,095
	<b>3,980,275</b>	<b>2,710,012</b>	<b>3,060,890</b>	<b>2,192,037</b>

#### Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables represent outstanding payroll costs and unidentified bank deposits and 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.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 19. REVENUE FROM CONTRACT WITH CUSTOMERS

#### GROUP

#### COMPANY

	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Following revenue arose from sale of goods:				
Decorative paints	9,693,620	8,808,827	8,999,247	8,281,194
Industrial paints	1,454,664	1,392,691	1,361,605	1,314,378
Automotive paints	904,229	791,540	231,477	215,660
Adhesives	440,309	395,750	375,356	346,863
	<b>12,492,822</b>	<b>11,388,808</b>	<b>10,967,685</b>	<b>10,158,095</b>

Revenue from the sale of the paint is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the paint at the customer's location. Refer to note 33 for revenue information based on locations per customers.

### 20. COST OF SALES

#### GROUP

#### COMPANY

	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Raw materials	7,394,776	6,641,018	6,588,505	5,935,416
Salaries and wages	304,801	262,862	239,078	213,290
Depreciation on plant and machinery	68,130	60,813	40,597	37,852
Machinery repairs and maintenance	93,221	75,808	85,952	70,855
Fuel, water and electricity	31,291	29,563	22,982	18,214
Safety and environmental costs	51,380	48,950	50,538	47,226
Amortization on right of use asset	7,468	9,421	-	-
Transport costs	2,330	3,017	2,195	2,924
Others	15,499	12,167	1,663	1,677
	<b>7,968,896</b>	<b>7,143,619</b>	<b>7,031,510</b>	<b>6,327,454</b>

### 21. OTHER INCOME

Gain on disposal of property and equipment	-	87	-	-
Gain on lease termination	4,141	206	4,141	206
Interest income	6,710	7,757	637	934
Miscellaneous income	205,704	218,667	196,006	185,496
Operating lease revenue	18,087	35,479	18,087	35,479
Reversal of inventory write down (Note 7)	48,361	2,169	44,743	1,654
Foreign exchange gain	101,215	67,950	25,285	14,318
Decrease in provision for contingent liabilities	-	9,808	-	9,808
Surcharge sales	1,425	1,573	1,425	1,573
Tolling fees – revenue from contracts with customers	72,784	67,907	-	-
	<b>458,427</b>	<b>411,603</b>	<b>290,324</b>	<b>249,468</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 21. OTHER INCOME (continued)

Miscellaneous income relates to income earned from apply and supply services which is recognised when all the contractual obligations have been met usually upon completion of the paint job. Also included in the income is reversal of accruals no longer required and sale of scrap materials.

### 22. ADMINISTRATION AND ESTABLISHMENT

#### EXPENSES

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Staff costs (Note 25)	1,338,828	1,123,978	1,096,222	947,553
Depreciation on property and equipment	200,687	170,911	167,934	143,656
Auditors' remuneration	15,109	13,641	9,089	8,740
Directors' emoluments:				
As directors	18,503	15,864	18,503	15,864
As executives	161,948	167,709	161,948	167,709
Legal and professional fees	32,062	46,690	23,451	43,364
Amortisation of intangible assets	22,710	25,499	21,444	23,733
Insurance	65,035	61,812	49,466	48,663
Loss on disposal of property and equipment	294	904	-	904
Foreign exchange loss	432,988	278,622	405,403	258,232
Office expenses	62,820	44,561	55,702	36,961
Consultancy fees	43,865	36,835	34,453	26,732
Computer costs	124,409	84,183	118,179	78,408
Travel	69,579	37,545	47,956	26,013
Subscriptions and donations	14,229	17,338	13,838	13,589
Bank charges	40,538	41,772	33,922	37,212
Others	70,301	55,142	42,664	52,040
	<b>2,713,905</b>	<b>2,223,006</b>	<b>2,300,174</b>	<b>1,929,373</b>

### 23. SELLING AND DISTRIBUTION EXPENSES

Transport	476,605	350,491	369,832	269,448
Advertising and promotion	824,979	646,523	733,157	590,144
Inventory write-downs (Note 7)	41,530	3,203	41,524	-
Bad debts written off during the year	5,638	6,343	-	-
Depot expenses	210,703	166,923	192,012	151,323
Amortization on right of use asset	152,723	173,161	95,775	111,555
Others	7,996	13,541	5,485	12,427
	<b>1,720,174</b>	<b>1,360,185</b>	<b>1,437,785</b>	<b>1,134,897</b>

### 24. FINANCE COSTS

Interest on loans and overdraft	140,140	116,008	127,757	102,147
Interest on lease liability (Note 30)	44,068	38,684	34,023	29,102
Interest on short term notes (Note 17)	72,363	61,418	72,363	61,418
	<b>256,571</b>	<b>216,110</b>	<b>234,143</b>	<b>192,667</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 25. STAFF COSTS

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Salaries and wages	1,030,643	905,009	835,610	763,832
Defined contribution plan	21,498	17,082	4,827	4,595
Leave provision	7,050	-	6,903	-
Medical benefits	11,744	11,056	8,315	9,142
Insurance	117,918	104,788	107,223	94,580
Staff general costs	108,881	70,805	98,598	63,935
Training and development	41,094	15,238	34,746	11,469
<b>Staff costs (Note 22)</b>	<b>1,338,828</b>	<b>1,123,978</b>	<b>1,096,222</b>	<b>947,553</b>
Salaries and wages (Note 20)	304,801	262,862	239,078	213,290
<b>Total staff costs</b>	<b>1,643,629</b>	<b>1,386,840</b>	<b>1,335,300</b>	<b>1,160,843</b>

### 26. PROFIT BEFORE TAX

The profit before tax is stated after charging

Depreciation of property, plant and equipment (Note 3)	268,275	231,459	208,704	181,243
Amortisation of right of use assets (Note 5)	160,191	182,847	95,510	111,820
Amortisation of intangible assets (Note 4)	22,710	25,499	21,444	23,733
Directors' emoluments:				
As directors (Note 22)	18,503	15,864	18,503	15,864
As executives (Note 22)	161,948	167,709	161,948	167,709
Auditors' remuneration (Note 22)	15,109	13,641	9,089	8,740
Loss on disposal of property, plant and equipment (Note 22)	294	904	-	904
Finance costs (Note 24)	256,571	216,110	234,143	192,667
Foreign exchange loss (Note 22)	432,988	278,622	405,403	258,232
And after crediting: -				
Interest income (Note 21)	6,710	7,757	637	934
Operating lease income (Note 21)	18,087	35,479	18,087	35,479
Gain on disposal of property, plant and equipment (Note 21)	-	87	-	-
Foreign exchange gain (Note 21)	101,215	67,950	25,285	14,318

### 27. BASIC AND DILUTED EARNINGS PER SHARE

Net (loss) / profit attributable to ordinary shareholders (KShs'000)	<b>(29,130)</b>	<b>824,015</b>	<b>113,893</b>	<b>526,531</b>
Weighted average number of ordinary shares in '000'	<b>142,362</b>	<b>142,362</b>	<b>142,362</b>	<b>142,362</b>

Basic and diluted earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders by the weighted average number of ordinary shares in issue during the year.

There were no dilutive potential shares as at 31 December 2023 and as at 31 December 2022.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 28. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Cash in hand	8,529	3,841	615	615
Bank balances	757,680	575,148	531,353	468,547
Bank overdraft (Note 15)	(595,306)	(507,715)	(541,238)	(495,877)
<b>Cash and cash equivalents</b>	<b>170,903</b>	<b>71,274</b>	<b>(9,270)</b>	<b>(26,715)</b>

## 29. PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

### a. Operating lease commitments

#### (i) As lessor:

The group has entered into commercial property leases on its surplus office and manufacturing building and certain items of machinery. These non-cancellable leases have remaining term of three years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Within 1 year	12,896	12,896	12,896	12,896
Within 5 years	-	-	-	-
	<b>12,896</b>	<b>12,896</b>	<b>12,896</b>	<b>12,896</b>

### b. Provisions

The group is involved in a number of legal proceedings which are yet to be concluded upon. The directors evaluate the status of these exposures on a regular basis to assess the probability of incurring related liabilities. Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Of the KShs 79.6 million estimate (2022: KShs 79 million), KShs 12.1 million has been provided for (2022: KShs 7.6 million).

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 29. PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES (continued)

### b. Provisions (continued)

	GROUP & COMPANY	
	2023 KShs'000	2022 KShs'000
At 1 January	7,603	17,411
Reversal of provision (Note 21)	-	(9,808)
Provision during the year	4,450	-
<b>At 31 December</b>	<b>12,053</b>	<b>7,603</b>

c. The group's capital commitments as at year end were nil (2022: Nil).

### d. Bank facilities

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Letters of credit	170,282	11,354	170,282	11,354
Avalised bills	31,728	29,710	31,728	29,710
Documentary collections	513,029	247,373	91,842	247,373
Guarantees given by bankers	14,785	25,371	14,785	25,371
	<b>729,824</b>	<b>313,808</b>	<b>308,637</b>	<b>313,808</b>

The guarantees are issued by the group's bankers in favour of third parties and the group has entered into counter - indemnities with the same banks. These guarantees are part of the borrowing facilities disclosed in Notes 15 & 16 above and are issued in the normal course of business.

### e. Contingent liabilities and IFRIC 23 Income Tax Uncertainties

Regal Paints Uganda Limited received an assessment of US\$ 3,741,720,936 relating to Customs assessment for the period January 2017 to December 2019. The company objected to the assessment and the matter was appealed at the Tax Appeals Tribunal and determined on 22 September 2023. In the ruling, the court ruled in favour of the company taxes amounting to US\$ 3,171,078,262 while taxes assessed relating to Dr. Fix-it products amounting to US\$ 570,642,674 in favour of Uganda Revenue Authority. The company has appealed against Dr. Fix-it ruling at the High Court and awaits hearing dates to be fixed.

Crown Paints Tanzania Limited received an assessment of TZ\$ 798,173,922 for the financial period January 2014 to December 2022 relating to various taxes including Corporate tax, Value Added Tax, Withholding tax and Miscellaneous taxes. The company has objected the full amount and as of the date of these financial statements, the matter remain unresolved and currently pending hearing in the Court of Appeal.

As per management's evaluation, the appeals/objections are more likely than not, to be determined in favour of the respective entities, and therefore no provision has been made in the financial statements.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 30. LEASE LIABILITY

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
At 1 January	424,510	292,616	349,084	177,627
Additions	105,832	311,954	14,338	288,004
Interest charge (Note 24)	44,068	38,684	34,023	29,102
Exchange difference	8,891	5,677	-	-
Lease terminations	(32,840)	(5,613)	(32,840)	(5,614)
Interest payments	(29,424)	(30,534)	(19,553)	(20,952)
Lease principal payments during the year	(167,314)	(188,274)	(93,674)	(119,083)
<b>At 31 December</b>	<b>353,723</b>	<b>424,510</b>	<b>251,378</b>	<b>349,084</b>
Non-current	206,338	286,266	177,612	277,621
Current	147,385	138,244	73,766	71,463
<b>Total</b>	<b>353,723</b>	<b>424,510</b>	<b>251,378</b>	<b>349,084</b>

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's financial liabilities comprise bank loans and overdrafts, short term notes, amounts due to related parties, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to raise finance for the group's operations. The group's financial assets include trade and other receivables, amounts due from related parties and cash and short-term deposits, which arise directly from its operations.

	GROUP		COMPANY	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Financial assets measured at amortised cost				
Cash and bank balances	766,209	578,989	531,968	469,162
Trade and other receivables	1,832,385	1,611,660	1,356,627	1,251,988
Amounts due from related companies	206,065	658,912	382,554	724,251
	<b>2,804,659</b>	<b>2,849,561</b>	<b>2,271,149</b>	<b>2,445,401</b>
<b>Financial liabilities measured at amortised cost</b>				
Bank overdraft	595,306	507,715	541,238	495,877
Bank loans	810,728	1,027,767	746,093	884,262
Short term notes	239,018	798,263	239,018	798,263
Lease liabilities	353,723	424,510	251,378	349,084
Amounts due to related companies	161,056	39,617	306,828	75,857
Trade and other payables	3,397,078	2,195,287	2,907,820	1,876,424
	<b>5,556,909</b>	<b>4,993,159</b>	<b>4,992,375</b>	<b>4,479,767</b>

The amounts in the table above are the carrying amounts of the financial instruments at the reporting date. All the financial assets are classified as financial assets measured at amortized cost. All financial liabilities are classified as financial liabilities measured at amortized cost.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 loans, bank overdraft and short term notes. The group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The group's exposure to the risks associated with changes in interest rates is minimal as its borrowings are pegged to bank's base rate. The base rate does not vary significantly over time.

	NCBA	KCB
Bank overdraft KShs	Base rate plus 1% p.a.	Base rate plus 1.8% p.a.
Bank overdraft USD	Base rate plus 0.5% p.a	Base rate p.a.
Bank loan KShs	Base rate plus 1% p.a.	Base rate plus 2.25% p.a.
Bank loan USD	Base rate plus 0.5% p.a.	Base rate p.a.

Currently, the NCBA and KCB KShs base lending rates are 13% and 13.2%, respectively. NCBA USD base lending rate is 10.5% and KCB 10.6%. The interest on the short-term note is at 91 day treasury bills interest rate plus 1.5%.

The following sensitivity analysis shows how profit and equity would change if the interest rate had been different on the reporting date, with all other variables held constant.

		GROUP		COMPANY	
		Effect on profit before tax KShs'000	Effect on equity KShs'000	Effect on profit before tax KShs'000	Effect on equity KShs'000
2023	Increase by 2%	(32,901)	(23,031)	(30,527)	(21,369)
	Decrease by 2%	32,901	23,031	30,527	21,369
2022	Increase by 2%	(46,675)	(32,672)	(43,568)	(30,498)
	Decrease by 2%	46,675	32,672	43,568	30,498

#### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. 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 group has no collateral holdings as there is no significant concentration of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due.



# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off after all efforts have been exhausted.

The amounts that best represent the group's and company's maximum exposure to credit risk as at 31 December 2023 were as follows:

#### GROUP

As at 31 December 2023	Less than 60 days KShs'000	61-90 days KShs'000	Over 90 days KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	1,811,690	75,405	647,891	(812,612)	1,722,374
Other receivables	98,619	492	10,900	-	110,011
Amount due from related companies	70,811	38,801	397,567	(301,116)	206,063
Bank balances	757,680	-	-	-	757,680
	<b>2,738,800</b>	<b>114,698</b>	<b>1,056,358</b>	<b>(1,113,728)</b>	<b>2,796,128</b>

The group's credit risk exposure as demonstrated by the provision matrix is tabulated below.

As at 31 December 2023	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Trade receivables:						
Expected credit loss rate (%)	5%	56%	57%	62%	100%	
Estimated total gross carrying amount - third party	1,724,150	87,541	75,405	54,138	(593,752)	2,534,986
Expected credit loss	(93,290)	(49,023)	(42,981)	(33,566)	(593,752)	(812,612)
	<b>1,630,860</b>	<b>38,518</b>	<b>32,424</b>	<b>20,572</b>	<b>-</b>	<b>1,722,374</b>

As at 31 December 2023	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Amount due from related companies:						
Expected credit loss rate (%)	44%	47%	49%	53%	64%	
Estimated total gross carrying amount - related parties	33,817	36,992	38,801	49,310	348,259	507,179
Expected credit loss	(14,880)	(17,386)	(19,012)	(26,134)	(223,704)	(301,116)
	<b>18,937</b>	<b>19,606</b>	<b>19,789</b>	<b>23,176</b>	<b>124,555</b>	<b>206,063</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

##### COMPANY

As at 31 December 2023	Less than 60 days KShs'000	61-90 days KShs'000	Over 90 days KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	1,338,450	44,878	484,021	(561,823)	1,305,526
Other receivables	50,609	492	-	-	51,101
Amount due from related companies	190,866	20,659	1,041,044	(870,017)	382,552
Bank balances	531,353	-	-	-	531,353
	<b>2,111,278</b>	<b>66,029</b>	<b>1,525,065</b>	<b>(1,431,840)</b>	<b>2,270,532</b>

As at 31 December 2023	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Trade receivables:						
Expected credit loss rate (%)	5%	55%	56%	61%	100%	
Estimated total gross carrying amount - third party	1,322,020	16,430	44,878	47,542	436,479	1,867,349
Expected credit loss	(62,179)	(9,078)	(42,981)	(25,217)	(28,870)	(812,612)
	<b>1,259,841</b>	<b>7,352</b>	<b>19,661</b>	<b>18,672</b>	<b>-</b>	<b>1,305,526</b>

As at 31 December 2023	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Amount due from related companies:						
Expected credit loss rate (%)	8%	53%	58%	64%	80%	
Estimated total gross carrying amount - related parties	149,739	41,127	20,659	20,641	1,020,403	1,252,569
Expected credit loss	(11,368)	(21,929)	(12,010)	(13,294)	(811,416)	(870,017)
	<b>138,371</b>	<b>19,198</b>	<b>8,649</b>	<b>7,347</b>	<b>208,987</b>	<b>382,552</b>

The amounts that best represent the group's and company's maximum exposure to the credit risk as at 31 December 2022 were as follows:

##### GROUP

As at 31 December 2022	Less than 60 days KShs'000	61-90 days KShs'000	Over 90 days KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	1,500,290	122,662	490,700	(554,855)	1,558,797
Other receivables	34,883	7,060	10,919	-	52,862
Amount due from related companies	81,460	78,581	761,418	(262,547)	658,912
Bank balances	575,148	-	-	-	575,148
	<b>2,191,781</b>	<b>208,303</b>	<b>1,263,037</b>	<b>(817,402)</b>	<b>2,845,719</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

#### GROUP (continued)

As at 31 December 2022	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Trade receivables:						
Expected credit loss rate (%)	4%	8%	19%	26%	100%	
Estimated total gross carrying amount - third party	1,130,552	369,738	122,662	46,084	444,616	2,113,652
Expected credit loss	(45,372)	(29,579)	(23,306)	(11,982)	(444,616)	(554,855)
	<b>1,085,180</b>	<b>340,159</b>	<b>99,356</b>	<b>34,102</b>	<b>-</b>	<b>1,558,797</b>

As at 31 December 2022	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Amount due from related companies:						
Expected credit loss rate (%)	5%	11%	17%	24%	32%	
Estimated total gross carrying amount - related parties	27,846	53,614	78,581	29,478	731,940	921,459
Expected credit loss	(1,392)	(5,898)	(13,359)	(7,075)	(234,823)	(262,547)
	<b>26,454</b>	<b>47,716</b>	<b>65,222</b>	<b>22,403</b>	<b>497,117</b>	<b>658,912</b>

#### COMPANY:

As at 31 December 2022	Less than 60 days KShs'000	61-90 days KShs'000	Over 90 days KShs'000	Impaired KShs'000	Total KShs'000
Trade receivables	1,201,697	70,749	341,898	(376,764)	1,237,580
Other receivables	7,348	7,060	-	-	14,408
Amount due from related companies	363,965	119,766	1,213,133	(972,613)	724,251
Bank balances	468,547	-	-	-	468,547
	<b>2,041,557</b>	<b>197,575</b>	<b>1,555,031</b>	<b>(1,349,377)</b>	<b>2,444,786</b>

As at 31 December 2022	< 30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Trade receivables:						
Expected credit loss rate (%)	3%	8%	19%	26%	100%	
Estimated total gross carrying amount - third party	927,172	274,525	70,749	32,670	309,228	1,614,344
Expected credit loss	(23,638)	(21,962)	(13,442)	(8,494)	(309,228)	(376,764)
	<b>903,534</b>	<b>252,563</b>	<b>57,307</b>	<b>24,176</b>	<b>-</b>	<b>1,237,580</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

#### COMPANY (continued)

As at 31 December 2022	<30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>121 days KShs'000	Total KShs'000
Amount due from related companies:						
Expected credit loss rate (%)	15%	28%	45%	56%	71%	
Estimated total gross carrying amount - related parties	268,793	95,172	119,766	79,686	1,133,447	1,696,864
Expected credit loss	(40,319)	(26,648)	(53,895)	(44,624)	(807,127)	(972,613)
	<b>228,474</b>	<b>68,524</b>	<b>65,871</b>	<b>35,062</b>	<b>326,320</b>	<b>724,251</b>

#### 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	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Assets in foreign currencies				
Trade and other receivables	-	829	-	-
Cash and bank balances	69,090	7,494	8,808	2,543
Foreign currency assets	69,090	8,323	8,808	2,543
Liabilities in foreign currencies				
Payables	(1,954,385)	(866,902)	(1,723,730)	(757,837)
Bank overdraft	(271,344)	(136,215)	(241,819)	(124,376)
Bank loans	(563,538)	(549,795)	(498,233)	(473,188)
Foreign currency liabilities	(2,789,267)	(1,552,912)	(2,463,782)	(1,355,401)
Net foreign currency liability position	<b>(2,720,177)</b>	<b>(1,544,589)</b>	<b>(2,454,974)</b>	<b>(1,352,858)</b>

The group makes sales in other countries in American Dollars (USD). 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).

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Foreign currency risk (continued)

USD	GROUP		COMPANY		
	Effect on profit before tax KShs'000	Effect on equity KShs'000	Effect on profit before tax KShs'000	Effect on equity KShs'000	
2023	Increase in US\$ by 4%	(108,807)	(76,165)	(98,199)	(68,739)
	Decrease in US\$ by 4%	108,807	76,165	98,199	68,739
2022	Increase in US\$ by 4%	(61,784)	(43,249)	(54,114)	(37,880)
	Decrease in US\$ by 4%	61,784	43,249	54,114	37,880

#### Liquidity risk

This is the risk that the company and the group will encounter difficulties in meeting its financial commitments from its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management includes maintaining sufficient cash to meet the company's and group's obligations.

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 group's financial liabilities 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 amounts, as the impact of discounting is not significant.

#### GROUP

At 31 December 2023	<30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>120 days KShs'000	>365 days KShs'000	Total KShs'000
Financial liabilities							
Bank overdraft	(595,306)	-	-	-	-	-	(595,306)
Lease liability	(23,199)	(23,405)	(26,229)	(22,510)	(158,632)	(230,559)	(484,534)
Bank loans	(101,103)	(209,421)	(182,241)	(23,633)	(165,398)	(238,220)	(920,016)
Short term notes	(88,442)	(100,124)	(54,732)	-	-	-	(243,298)
Trade payables	(2,391,523)	(567,688)	(185,145)	(128,843)	(86,630)	-	(3,359,829)
Other payables	(37,250)	-	-	-	-	-	(37,250)
Amounts due to related companies	(58,779)	(15,750)	(18,307)	-	(68,220)	-	(161,056)
Total financial liabilities	<b>(3,295,602)</b>	<b>(916,388)</b>	<b>(466,654)</b>	<b>(174,986)</b>	<b>(478,880)</b>	<b>(468,779)</b>	<b>(5,801,289)</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk (continued)

GROUP At 31 December 2022	<30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>120 days KShs'000	>365 days KShs'000	Total KShs'000
Financial liabilities							
Bank overdraft	(507,715)	-	-	-	-	-	(507,715)
Lease liability	(22,095)	(22,529)	(11,750)	(21,019)	(124,104)	(326,093)	(527,590)
Bank loans	(198,405)	(221,444)	(272,031)	(243,186)	(117,045)	(130,287)	(1,182,398)
Short term notes	(179,340)	(262,834)	(370,586)	(1,095)	-	-	(813,855)
Trade payables	(1,627,350)	(185,643)	(89,290)	(106,441)	(104,625)	-	(2,113,349)
Other payables	(81,938)	-	-	-	-	-	(81,938)
Amounts due to related companies	(21,474)	(10,268)	(7,875)	-	-	-	(39,617)
<b>Total financial liabilities</b>	<b>(2,638,317)</b>	<b>(702,718)</b>	<b>(751,532)</b>	<b>(371,741)</b>	<b>(345,774)</b>	<b>(456,380)</b>	<b>(5,266,462)</b>

COMPANY At 31 December 2023	<30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>120 days KShs'000	>365 days KShs'000	Total KShs'000
Financial liabilities							
Bank overdraft	(541,238)	-	-	-	-	-	(541,238)
Lease liability	(9,277)	(9,198)	(9,118)	(9,039)	(50,011)	(206,088)	(292,731)
Bank loans	(96,302)	(204,738)	(177,563)	(18,961)	(129,578)	(220,658)	(847,800)
Short term notes	(88,442)	(100,124)	(54,732)	-	-	-	(243,298)
Trade payables	(1,955,539)	(563,995)	(177,801)	(119,098)	(60,065)	-	(2,876,498)
Other payables	(31,322)	-	-	-	-	-	(31,322)
Amounts due to related companies	74,622)	(39,490)	(44,748)	(35,282)	(112,686)	-	(306,828)
<b>Total financial liabilities</b>	<b>(2,796,742)</b>	<b>(917,545)</b>	<b>(463,962)</b>	<b>(182,380)</b>	<b>(352,340)</b>	<b>(426,746)</b>	<b>(5,139,715)</b>

COMPANY At 31 December 2022	<30 days KShs'000	31-60 days KShs'000	61-90 days KShs'000	91-120 days KShs'000	>120 days KShs'000	>365 days KShs'000	Total KShs'000
Financial liabilities							
Bank overdraft	(495,877)	-	-	-	-	-	(495,877)
Lease liability	(14,379)	(16,969)	(6,190)	(13,303)	(75,204)	(316,818)	(442,863)
Bank loans	(173,846)	(219,305)	(269,065)	(118,457)	(65,284)	(86,676)	(932,633)
Short term notes	(179,340)	(262,834)	(370,586)	(1,095)	-	-	(813,855)
Trade payables	(1,358,980)	(169,092)	(87,261)	(105,916)	(84,566)	-	(1,805,815)
Other payables	(70,609)	-	-	-	-	-	(70,609)
Amounts due to related companies	(57,741)	(4,994)	(391)	-	(12,731)	-	(75,857)
<b>Total financial liabilities</b>	<b>(2,350,772)</b>	<b>(673,194)</b>	<b>(733,493)</b>	<b>(238,771)</b>	<b>(237,785)</b>	<b>(403,494)</b>	<b>(4,637,509)</b>

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

#### **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.

### **32. FAIR VALUE OF ASSETS AND LIABILITIES**

#### **a. Comparison by class of the carrying amounts and fair values of the financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 32. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Management assessed that the fair value of trade receivables, amounts due from related companies, cash and cash equivalents, trade payables, short term notes, current bank loans and amounts due to related companies approximate their carrying amounts largely due to the short-term maturities of these instruments.

#### b) Fair value hierarchy

The group measures all property, plant and equipment except land and capital work in progress (WIP) at fair value. The fair value information on the assets measured at fair value is included below by level of the fair value hierarchy. These are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- i. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices)
- iii. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Assets measured at fair value:

GROUP	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2023 ASSETS Property, plant and equipment	-	-	1,730,772	1,730,772
31 December 2022 ASSETS Property, plant and equipment	-	-	1,695,940	1,695,940
COMPANY	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2023 ASSETS Property, plant and equipment	-	-	1,396,463	1,396,463
31 December 2022 ASSETS Property, plant and equipment	-	-	1,392,617	1,392,617

There were no transfers between levels 1, 2 and 3 in the year.



# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 32. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

#### b) Fair value hierarchy (continued)

Reconciliation of level 3 assets

	GROUP		COMPANY	
	2023 KShs 000	2022 KShs 000	2023 KShs 000	2022 KShs 000
At 1 January	1,695,940	1,714,007	1,392,617	1,410,601
Additions	253,015	212,933	211,984	177,782
Transfer from WIP	-	3,506	-	-
Disposals	(1,076)	(14,751)	-	(14,523)
Exchange difference	50,603	11,704	-	-
Depreciation charge	(267,709)	(231,459)	(208,138)	(181,243)
<b>At 31 December</b>	<b>1,730,773</b>	<b>1,695,940</b>	<b>1,396,463</b>	<b>1,392,617</b>

The fair values of property, plant and equipment presented in the table above are based on valuations performed by Sterling Valuers, accredited independent valuers, on 31 January 2021 plus purchases during the year, net of depreciation charge and assets disposed. Fair value is used on a non-recurring basis to reflect the market value of property, plant and equipment.

Basis of valuation:

Assets were valued on basis of Open Market Value which is defined as the most probable amount for which the property/ asset would reasonably be expected to sell at the date of valuation between a willing buyer and a willing seller in an arm's length transaction after a proper and reasonable marketing period wherein the parties under negotiation have each acted knowledgeably, prudently and without compulsion.

In arriving at the value of the various assets, the valuers considered value in exchange (the probable price an asset would exchange for in the open market) and value in use (value a specific property has for a specific user) and therefore non-market related sometimes.

Methodology:

The following methods were used in the valuation of different assets as appropriate:

- Comparable Approach:** This method considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.
- Depreciated Replacement Cost:** Is the current cost of reproduction or replacement of an asset less deductions for physical deterioration, and all relevant forms of obsolescence and optimization.

# **CROWN PAINTS KENYA PLC AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

### **32. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

Significant unobservable valuation inputs:

- i. Range of rental income per square feet KShs 18 – KShs 45
- ii. Reconstruction period – 18 months
- iii. Range of construction cost per square meter KShs 18,000 – 40,000
- iv. Capitalisation yield – 7.5%

Significant increases (decreases) in each of the valuation input above in isolation would result in a significantly higher (lower) fair value on a linear basis.

Fair values of financial instruments

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

### **33. OPERATING SEGMENT INFORMATION**

The group's risks and rate of return 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 Executive Management Committee comprising of the executive directors is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Operating Segments

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

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

The adhesives segment manufactures and sells adhesives.

Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated on consolidation.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 33. OPERATING SEGMENT INFORMATION (continued)

Segment information is as presented below.

<b>31 December 2023</b>				
<b>Assets and liabilities</b>	<b>Paints KShs '000</b>	<b>Adhesives KShs '000</b>	<b>Elimination KShs '000</b>	<b>Total KShs '000</b>
Segment assets	9,400,248	214,713	(323,992)	9,290,969
Investment in subsidiary	916,892	-	(916,892)	-
<b>Total assets</b>	<b>10,317,140</b>	<b>214,713</b>	<b>(1,240,884)</b>	<b>9,290,969</b>
Segment liabilities	<b>6,877,208</b>	<b>167,844</b>	<b>(892,893)</b>	<b>6,152,159</b>
<b>Other segment information</b>	<b>Paints KShs '000</b>	<b>Adhesives KShs '000</b>	<b>Elimination KShs '000</b>	<b>Total KShs '000</b>
Capital expenditure - property, plant and equipment and intangible assets	<b>417,124</b>	<b>8</b>	-	<b>417,132</b>
Depreciation and amortisation	<b>450,517</b>	<b>659</b>	-	<b>451,176</b>
Revenue				
Sales to external customers	12,052,513	440,309	-	12,492,822
Inter segment sales	506,121	238,333	(744,454)	-
Interest income	6,710	-	-	6,710
Other income	449,767	1,950	-	451,717
Interest expense	<b>255,047</b>	<b>1,524</b>	-	<b>256,571</b>
Impairment loss on investment in subsidiaries	<b>(22,000)</b>	-	-	<b>(22,000)</b>
Results				
Operating results	200,575	10,040	(196,403)	14,213
Income tax expense	(40,675)	(2,668)	-	(43,343)
<b>(Loss) / profit for the year</b>	<b>159,900</b>	<b>7,372</b>	<b>(196,403)</b>	<b>(29,130)</b>

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 33. OPERATING SEGMENT INFORMATION (continued)

31 December 2022

Assets and liabilities	Paints KShs '000	Adhesives KShs '000	Elimination KShs '000	Total KShs '000
Segment assets	9,195,576	116,599	(107,341)	9,204,834
Investment in subsidiary	938,892	-	(938,892)	-
<b>Total assets</b>	<b>10,134,468</b>	<b>116,599</b>	<b>(1,046,233)</b>	<b>9,204,834</b>
Segment liabilities	<b>6,255,790</b>	<b>77,104</b>	<b>(817,407)</b>	<b>5,515,487</b>
Other segment information	Paints KShs '000	Adhesives KShs '000	Elimination KShs '000	Total KShs '000
Capital expenditure - property, plant and equipment and intangible assets	<b>274,179</b>	<b>335</b>	-	<b>274,514</b>
Depreciation and amortisation	<b>439,183</b>	<b>623</b>	-	<b>439,806</b>
Revenue				
Sales to external customers	10,993,058	395,750	-	11,388,808
Inter segment sales	531,960	138,559	(670,519)	-
Interest income	7,757	-	-	7,757
Other income	402,861	985	-	403,846
Interest expense	<b>214,495</b>	<b>1,615</b>	-	<b>216,110</b>
Impairment loss on investment in subsidiaries	<b>(75,385)</b>	-	-	<b>(75,385)</b>
Results				
Operating results	1,080,342	(7,472)	-	1,072,870
Income tax expense	(248,860)	5	-	(248,855)
<b>Profit / (loss) for the year</b>	<b>831,482</b>	<b>(7,467)</b>	-	<b>824,015</b>

Revenue from external customers	2023 KShs '000	2022 KShs '000
Kenya	10,486,620	9,658,200
Uganda	909,962	700,810
Tanzania	909,796	854,949
Rwanda	186,444	174,849
<b>Total revenue</b>	<b>12,492,822</b>	<b>11,388,808</b>

The revenue information above is based on the locations of the customers.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 33. OPERATING SEGMENT INFORMATION (continued)

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	2023 KShs '000	2022 KShs '000
Kenya	1,939,121	1,915,562
Uganda	300,911	240,926
Tanzania	94,753	88,242
Rwanda	35,273	31,273
	<b>2,370,059</b>	<b>2,276,003</b>

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

### 34. STATUS OF THE COMPANY AND SUBSIDIARY COMPANIES

Regal Paints Uganda Limited and Crown Paints Allied Industries Limited were profitable in the current year however, they continued to rely on the parent company for provision of working capital. Crown Paints Tanzania Limited and Crown Paints Rwanda Limited however, reported a loss for the year. The subsidiaries' ability to continue as a going concern depends on the continued support, they receive from the parent company.

The parent company has confirmed its commitment to continue giving financial support to the subsidiaries and has issued an undertaking in this respect to each of the subsidiaries. The undertaking affirms the parent company's commitment to continue providing sufficient financial support, if necessary, to enable the subsidiaries to meet their financial obligations, as and when they fall due, and to ensure they continue trading in the foreseeable future.

Further, the directors have assessed business outlook of the subsidiaries and they are confident that their financial performance will improve, and they will become profitable in the foreseeable future. The directors have no immediate plan to cease operations for any of the subsidiaries and /or liquidate them. Thus, their authorisation for the guarantee by the parent company to the subsidiaries.

The consolidated financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis of preparation presumes that the company and group will realize its assets and discharge its liabilities in the ordinary course of business.

# CROWN PAINTS KENYA PLC AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2023

### 35. CAPITAL RISK MANAGEMENT

The group manages its capital to ensure that it will be able to continue as a going concern while optimising the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the group consists of debt, which includes borrowings, cash and cash equivalents, issued capital and retained earnings.

The group's capital requirements are currently met through internally generated funds from operations and external borrowing in the form of bank loans and short-term notes. To maintain its capital structure, the group may adjust dividend payment to shareholders.

Consistent with others in the industry, the group 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.

	2023 KShs'000	2022 KShs'000
Share capital	711,810	711,810
Share premium	392,097	392,097
Retained earnings	1,834,731	2,401,032
<b>Equity</b>	<b>2,938,638</b>	<b>3,504,939</b>
Total borrowings	1,049,746	1,826,030
Less cash and cash equivalents (Note 28)	(170,903)	(71,274)
<b>Net debt</b>	<b>878,843</b>	<b>1,754,756</b>
<b>Total capital</b>	<b>3,817,481</b>	<b>5,259,695</b>
<b>Gearing ratio</b>	<b>23%</b>	<b>33%</b>

### 36. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any event after the reporting date, as defined by IAS 10 Events after the Reporting Period, that require disclosure in or adjustments to the financial statements as at the date of this report.



To  
The Registrar  
Custody & Registrar Services Limited  
IKM Place, Tower B  
1st Floor, 5th Ngong Avenue  
P. O. Box 8484 – 00100  
NAIROBI

**PROXYFORM  
CROWN PAINTS KENYA PLC**

I/We.....

Share A/c No.....

of (address).....

being a member/members of Crown Paints Kenya Plc hereby appoint.....

.....of

(email address).....and

(mobile number).....

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Sixty Seventh Annual General Meeting of the Company to be held on Thursday, 27th June 2024 at 11.00 am and at any adjournment thereof.

As witness I/We lay my/our hand (s) this .....day of .....2024.

Signature .....

Signature.....











If you like it...Crown it!

**OVER 11,000 COLOR  
SHADES AVAILABLE  
IN A VARIETY OF IN-  
TERIOR AND EXTERI-  
OR FINISHES.**

CrownPaintsPLC





If you like it...Crown it!



# TEAM KUBWA

**POKEA POINTS NA  
RANGI ZA CROWN**

## GET POINTS



- 1. Enroll as a member on the app
- 2. Download the app and log in to your account. You will be asked to provide your details and create a password.
- 3. Start playing the game and earn points.

#yourMob #CrownIt

## How to join Team Kubwa



**Dial  
\*538#**

or



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the Team  
Kubwa App**



or



**Call  
07288229929**