

20



RIGHTS ISSUE

ABRIDGED INFORMATION
MEMORANDAM.





A leader in the East African paint industry, Crown Paints Kenya PLC has achieved over 60 years of growth and success since 1958. Not only are we the largest paint company in the region but we also proudly hold a position of trust and integrity.

Our commitment to innovation continues to be unprecedented, as our consistent output of world-class paint solutions keeps on transforming lifestyles and adding a touch of beauty all around. As we move forward, dedication to our customers is a priority that we will fulfill by providing superior service, innovative and quality products.

With sincere efforts, we will continue to contribute to social and environmental causes.



To win customers and retain them by manufacturing consistently high quality products.



To be the most preferred innovative and colourful brand.



Transforming lifestyles by providing world-class coating solutions whilst caring for the environment and community.



Integrity | Transparency | Think big | Ownership | Innovation

CROWN PAINTS KENYA PLC

ABRIDGED INFORMATION MEMORANDUM

In respect of the Rights Issue of 71,181,000 New Ordinary Shares at an Offer Price of KES 10.00 in the ratio of 1 New Ordinary Share for every 1 Ordinary Share held.

(19 May 2021)

If you are in any doubt about this Abridged Information Memorandum, the Rights Issue or any information contained in this document, please consult your stockbroker, investment adviser, banker, financial consultant or other professional adviser, who specializes in advising on the acquisition of shares and other securities.

The Capital Markets Authority has approved the Rights Issue. As a matter of policy, the CMA does not assume responsibility for the correctness of any statements or opinions made or reports contained in this Abridged Information Memorandum. Approval of the Rights Issue and/or listing is not to be taken as an indication of the merits of Crown Paint Kenya plc or the securities.

This document is not for sale. This document is important and requires your attention.

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1 Corporate Information

PRINCIPAL PLACE OF BUSINESS

Mogadishu Road
P.O. Box 78084 - 00507
Nairobi, Kenya

REGISTERED OFFICE

LR No. 209/5792
Mogadishu Road
P.O. Box 78084 - 00507
Nairobi, Kenya

BANKERS

Kenya Commercial Bank PLC
P.O. Box 311 - 00567
Nairobi, Kenya

NCBA Bank Kenya PLC
P.O. Box 30437 - 00100
Nairobi, Kenya

Absa Bank Kenya PLC
P.O. Box 46661 - 00100
Nairobi, Kenya

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

SHARE CAPITAL

SUBSIDIARIES

SECRETARY

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

REGISTRARS

Custody and Registrar Services Ltd
IKM Place, Tower B, 1st Floor,
5th Ngong Avenue, Off Bishops Road,
P.O. Box 8484 - 00100
Nairobi, Kenya

AUDITORS

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

The share capital of the Company prior to the Rights Issue is KES 818,535,000.00 divided into 163,707,000 ordinary shares with a par value KES 5.00 each.

Crown Paints Allied Industries Limited (Kenya)
Regal Paints Uganda Limited (Uganda)
Crown Paints Tanzania Limited (Tanzania)
Crown Paints Rwanda Limited (Rwanda)

2 Transaction Advisers

Transaction Adviser	<p>Faida Investment Bank Limited Crawford Business Park State House Rd P.O. Box 45236 - 00100 Nairobi Kenya</p> <p>Telephone: 020 7606026 Contact person: Rina Hicks Email: rina.hicks@fib.co.ke</p>
Legal Adviser	<p>Anjarwalla & Khanna LLP ALN House Eldama Ravine Close, Off Eldama Ravine Road Westlands P.O. Box 200 - 00606 Nairobi, Kenya Contact person: Dominic Rebelo Email: djr@africalegalnetwork.com</p>
Receiving Bank	<p>Absa Bank Kenya plc (ABSA Bank) P.O. Box 46661 - 00100 Nairobi, Kenya</p>
Reporting Accountant	<p>Ernst & Young LLP Kenya-Re Towers, Upper Hill P.O. Box 44286 - 00100 Nairobi, Kenya</p>
Share Registrar	<p>Custody and Registrars Services Ltd</p> <p>IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Off Bishops Road, P.O. Box 8484 – 00100 Nairobi, Kenya</p> <p>Telephone: Tel: +254 20 8690360 Contact Person: Purity Kairuthi Email: purity@candrgroup.co.ke</p>
Sponsoring Broker	<p>Faida Investment Bank Limited Crawford Business Park State House Rd P.O. Box 45236 - 00100 Nairobi, Kenya</p> <p>Telephone: 020 7606026 Contact person: Rina Hicks Email: rina.hicks@fib.co.ke</p>

3 Important Notice

This document is important for considering what action to take and requires your careful attention.

Abridged Information Memorandum: This document is an Abridged Information Memorandum with respect of an invitation to the shareholders of Crown Paints Kenya PLC (the **Company or Crown**) and potential investors to subscribe for the New Shares (hereinafter defined) in Crown under the terms outlined herein. Complete details of the Rights Issue are set out in the full Information Memorandum, which is available from Crown's website: www.crownpaints.co.ke and the Sales Agents. This Abridged IM does not contain all the information generally required of a prospectus or form of application and the Company recommends that you review the full Information Memorandum. In the case of any issues, disputes or inconsistencies, the terms and conditions of the full information memorandum shall apply.

If you have sold or transferred all or some of your Existing Shares in the Company, please forward this Abridged Information Memorandum and the Provisional Allotment Letter (the **PAL**) to the purchaser or transferee, or to the stockbroker or agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

The Rights Issue was approved by the directors and the shareholders of the Company through resolutions dated 6 October and 30 October 2020 respectively.

The individual members of the Board of Directors of the Company (the **Directors**) being the persons named in paragraph 11.3 (*Board of Directors*) of this Abridged Information Memorandum have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are true and accurate in all material respects, and there are no other material facts the omission of which would make any statement herein, whether of fact or opinion, misleading. All the Directors of the Company accept responsibility accordingly.

Pursuant to section 338(2) of the Companies Act, an Eligible Shareholder has the right to renounce their Entitlement to New Shares in favour of third parties or the Eligible Shareholders. The Rights Issue relates to New Shares that are in all respects uniform with and rank *pari passu* to the Existing Shares currently issued. Therefore, this Abridged Information Memorandum may not contain all the information generally required of a prospectus or form of application.

The Capital Markets Authority (the **CMA**) has approved the Rights Issue. As a matter of policy, the CMA does not assume responsibility for the correctness of any statements or opinions made or reports contained in this Abridged Information Memorandum. Approval of the Rights Issue and/or listing is not to be taken as an indication of the merits of the Company or the securities.

This Abridged Information Memorandum and the accompanying PAL are presented to you to enable you make an informed decision on the Rights Issue. The procedure for acceptance and payment is set out in this Abridged Information Memorandum and the PAL. Enquiries concerning this Abridged Information Memorandum or the PAL may be made to the Company or the Transaction Adviser whose contact details are set out above.

This Abridged Information Memorandum is dated: 19 May 2021.

4 Chairman's Statement

On behalf of the Board of Directors of Crown Paints Kenya PLC, it is my pleasure to invite you to participate in the rights issue both in Kenya and regionally. We are truly living through a defining moment, and as we approach our 63rd year, here at Crown, it has become clear to us that the way we will respond to this challenge will determine our present and future. Therefore, we are raising up to KES 711,810,000 (before expenses) as we conduct a cash call through a rights issue to shore up our balance sheet.

At our recent annual general meeting, shareholders agreed with Board sentiment that we need to remain cautious and defensive with our balance sheet and voted to approve an increase in the nominal share capital of the company by the creation of an additional 71,181,000 new shares. This we feel will be adequate to give us financial flexibility to meet the challenges and grab the opportunity in coming months as they emerge.

Drawing from our mission, we remain steadfast about transforming people's lives and our commitment remains strong. Therefore, in response to the challenge before us, we commit greater effort to harness and leverage on our relationships with employees, customers, partners and the government. Our aspiration is to ensure our future remains sustainable.

Overall, before the onset of the COVID-19 pandemic, the Group had experienced mixed results in 2019, with subsidiaries Crown Paints Tanzania Limited and Regal Paints Uganda Limited fairing below expectations, while Crown Paints Rwanda Limited exhibited improvement to self-sustainable levels. Turnover growth was marginal at 3% (KES 288,000,000), compared to a growth of 13% (KES 964,000,000) in 2018 on the back of a harsh economic environment. Profit performance registered 33.4% profit increase from KES 395,000,000 recorded in 2018 to KES 527,000,000 in 2019 driven by various strategic management initiatives ranging from cost management, products engineering and innovation among others.

The real estate sector in the region continued to register low demand due to economic and liquidity challenges. Furthermore, prolonged rains made conditions for construction unfavorable and thereby also affecting uptake of our products. Additionally, the slow down on public sector initiatives, for instance, Kenya Government's Big 4 agenda on affordable housing has negatively affected our growth plans.

Looking forward, during these uncertain times, new business practices and strategies will continue to be explored and adopted to guarantee profitability. Some of these strategies are captured in the ensuing statement:

a) Improved Customer Experience

To begin with, we continue to nurture a culture of innovation and productivity and have reaffirmed our relationship with our customers by placing them at center of our operations. We want our customers to immerse themselves in what we do, and possibly to play a part in the evolution of our products. Presently, all employees and partners are integrated into our product and process quality improvement. Here, they are coopted and engaged in the ideation, evaluation and implementation of new products or processes. It has been a big success for us, and I am happy to report that our efforts in this regard, have not gone

unnoticed. We were crowned winners of the coveted Innovation and Productivity Award 2019, during the Federation of Kenya Employers, Employer of the year awards.

b) Digital Transformation Agenda

Our digital transformation agenda, which is tailored to improve efficiency, and allow for a stress-free user experience, has already borne fruit. In deploying robotic process automation across the Group, we have increased service delivery across board. For instance, one of our reward programs in Kenya and now in Uganda, has reduced its processing time from four (4) hours to a few seconds. We envisage that our continued adoption of the digital platforms will not only improve service delivery across the Group but will also improve product uptake.

c) Harnessing and Developing Synergies

We know we cannot do amazing things alone, but as the African proverb says, *'if you want to go fast go alone, if you want to go far, go together.'* To drive business growth and exploit untapped market segments, we intend to work with our strategic alliances to harness and develop synergies, for our mutual benefit. Through our German based partner, Wacker Chemie PLC, a leading company in the specialty chemical division; we launched the Wacker Silicone Sealants to tap into the sealants market. Additionally, we have partnered with Italian brand Candis to offer another first, from Crown, a range of designer interior paint finishes to tap into the growing demand for unique finishes in high end housing.

In Tanzania, we have changed our business model and engaged a strategic partner with a well-entrenched network to execute our distribution strategy. This will reduce our overheads and should result in the overall Group's profitability.

d) Corporate Governance

The Board remains committed to the values of good corporate governance. To this end, we enhanced our risk management practices that identified and ensured that the management proactively dealt with any risks that may have occurred during the year.

e) Looking Forward

The Board continues to think and act for the long term and remains focused on the principles and values that have enabled Crown attain the brand of choice status. Whereas profitability continues to be one of our core objectives, the spread of the Coronavirus worldwide which has disrupted economies, spread fear and led to deaths of millions of people around the world, it is imperative that we recognize the impact it has on our customers, staff, business and the economy in general. The health of everyone in our ecosystem is paramount to the success that we put all our efforts towards business sustainability. Crown will hence continue to pivot on innovations, seek new raw material sources, substitution alternatives, and leverage on our brand's strength and networks, to deliver value to the shareholders.

On behalf of my fellow board members, I wish to kindly request you to participate fully in the rights issue by taking up your allotted shares and help assure that Crown remains well placed, as the leading paint

brand in the region for growth opportunities and a hinged on a performance-driven culture on ongoing success.

Mhamud Charania

Chairman

19 May 2021

5 Group Chief Executive Officer's Statement

Dear Shareholders,

In my over 15 years tenure with Crown, I have witnessed the Company evolve from just a paint company to diversifying its range of quality-driven products to include designer, textured, automotive, wood, road marking and industrial paints, adhesives, waterproofing solutions and paint accessories catering for a variety of tastes as well as budgets. In doing this, we have remained the preferred choice for homeowners, painters, architects and professionals.

While all this has been fine historically, the world we operate in with COVID-19 pandemic has made us cautious about the future prospects. We are increasingly cautious of managing our high leverage levels, working capital employed in the business and supporting our subsidiaries in Uganda, Tanzania and Rwanda in this new world order. It is against this backdrop, that we are seeking the funds from this Rights Issue.

While we have experienced a calm political environment in the region and favorable exchange rates benefiting Crown's reliance on imported raw materials. In Kenya however, interest rate capping had affected small and medium enterprises which faced a reduction in access to credit or funding for their businesses. Some of these enterprises are in our dealer network and in the construction sector and therefore affected our business negatively. Additionally, we experienced an increasingly competitive trading environment that is resulting in us registering diverse performances in the region we operate.

The East Africa building and construction industry only grew at a muted rate in 2019 affected by prolonged rainy season that made conditions for construction activities quite un-favorable. Additionally, many companies faced liquidity challenges that will lead not only to a lower uptake of our goods but also our receivables bloating. Crown Paints Rwanda Limited (Rwanda) is now on the path to recovery and Regal Paints Uganda Limited (Uganda) and Crown Paints Tanzania Limited (Tanzania) are expected to catch up in a similar trajectory in 2021. In line with this expected growth the cash injection from funds raised will support the growth of these subsidiaries.

In this post-COVID world, our strategy execution journey will continue our key initiatives such as cost savings, expansion, growth of painter loyalty program and introduction of new products to meet the ever-changing market needs.

Some key product launches include an economy auto paint Crown Motocryl for the Jua Kali sector. The Premium end of the market saw the introduction of the Candis range of Italian interior designer finishes and Crown Ultraguard Protect offering superior exterior wall protection from extreme weather conditions that cause dilapidation of buildings and loss of value in the property market.

We are retaining our most extensive dealer network in Kenya in both semi-urban and rural areas, including depots and Crown Décor world class showrooms countrywide. Our growth and expansion journey remains a focus to ensure we not only get closer to our customers but in new innovative ways for instance, we introduced 6 new depots and showrooms across the region. Additionally, we purposed to make the purchase experience more immersive and launched a mini-showroom concept in partnership with existing dealers for a shop in shop model offering paint through a mix as you wait and product sample displays, to meet the changing customer needs. This has proved to be a success with most dealers recording increased traffic to their shops.

We have already extended the successful painter loyalty program “*Team Kubwa*” to Regal Paints Uganda Limited (Uganda). The number of painters has grown to a record high of over 150,000 across the region, continuously engaging them through enhanced training programs on latest paint technologies and offering them rewards for purchase of our products. To deliver convenience to painters, we introduced instant shopping vouchers for redemption for purchase of Crown paints products.

Our people remain our most important asset. They are the custodians of our vision and mission. In this regard, we have put in place a high-performance management process that will ensure we retain the best talent with the skills and experience needed to drive us forward. The development of our staff through training remains a key strategy; where we balance between business and personal needs while focusing on service excellence. 95% of Crown employees have gone through the ‘*Up Your Service*’ training as part of our employee development strategy. In return for this commitment, we guarantee a safe environment for our employees to work and this was enhanced in line with the outbreak of the COVID-19 pandemic.

Our business relies on partnerships with stakeholders and communities in which we operate. At Crown, we take pride in the positive contribution we make in our society by providing jobs and education while caring for the environment. Unemployment remains a key challenge in the region and we endeavour to empower the youth through technical skills for instance painter training to foster self-employment. In 2019 we upskilled over 10,000 youths across East Africa in this initiative and intend to keep this going in this new world we are in.

We remain committed to protecting our staff, customers and the environment guided by our Safety, Health and Environment policy while we continue to produce ecofriendly products.

Staying as the number 1 brand is a continuous challenge especially with the current world that is changing at a breathtaking pace influenced by digital and social dynamics let alone the impact of the COVID-19 pandemic. So too are our customers necessitating a change in how we engage and do business. This confluence of market shifts, demands that we think and act differently; to move faster, to evolve and to embrace new ways to engage our employees, customers, and other stakeholders in their entirety. In our continued effort to better serve our diverse and increasingly global, astute customer base, we shall need to develop new and innovative products and services that match their changing needs.

However, against the backdrop of the COVID-19 pandemic and its effects on the economy, the immediate future is uncertain. We are aware that challenges loom. Nevertheless, we are committed to realizing sustainable growth by providing superior value through developing and implementing of adaptive strategies.

Let me close by a sincere thanks to you, our shareholders, for your continued trust and confidence in us and hope you will support us in this rights issue.

Dr. Rakesh Rao
Group CEO

19 May 2021

6 Directors' Statement

The Board accepts responsibility for the information in this Abridged Information Memorandum. To the best of our knowledge and belief, the Board has taken reasonable care to ensure that the information contained in this Abridged Information Memorandum is in accordance with the facts and the information required to be included in this Abridged Information Memorandum under the Capital Markets Act and regulations thereunder and does not omit anything likely to affect the import of such information.

In accordance with paragraph 17(2) of the Fourth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations 2002), the Board declares that all the information in this Abridged Information Memorandum and the statements contained in this Abridged Information Memorandum are correct, and neither the Board's minutes, audit reports or any other internal documents contain information that could distort the interpretation of this Abridged Information Memorandum.

Signed by



Mhamud Charania, Chairman



Dr. Rakesh Rao, Group Chief Executive Officer

7 Definitions

All terms and expressions used in this Abridged Information Memorandum have been defined and published in the full Information Memorandum.

8 Timelines of the Offer¹

No.	Item	Timeline
1.	Record Date	Monday, 31 May 2021
2.	Circulation of Abridged Information Memorandum, full Information Memorandum and ancillary documents on Rights Issue to Eligible Shareholders.	Tuesday, 8 June 2021

¹ The Company reserves the right to revise the timelines if required in accordance with applicable laws.

No.	Item	Timeline
3.	Upload of entitlement into CDSC accounts	Wednesday, 9 June 2021
4.	Opening date of the Rights Issue	Thursday, 10 June 2021
5.	Commencement of trading of Rights on the NSE	Thursday, 10 June 2021
6.	Last day of renunciation by way of private transfer (Private Transfer Renunciation Date)	Wednesday, 23 June 2021
7.	Last date for trading of nil paid Rights on the NSE	Wednesday, 23 June 2021
8.	Rights Issue Closes Last date of submission of PALs, and Application Money or Bank Guarantee	Wednesday, 30 June 2021
9.	Final Date for confirmation of payment for New Shares to Receiving Bank for applications against Irrevocable Bank Guarantees	Wednesday, 14 July 2021
10.	Announcement of Rights Issue results	Wednesday, 14 July 2021
11.	Update of the Register and electronic crediting of CDSC accounts with New Shares	Thursday, 15 July 2021
12.	Refund of amounts in respect of where applications for the New Shares is in excess of the Additional Shares	Thursday, 15 July 2021
13.	Date of listing and commencement of trading of the New Shares on the NSE	Thursday, 15 July 2021

8.1 The dates set out above are indicative only and may be changed at the discretion of the Board subject to the approval of the CMA. The Company reserves the right, subject to the CMA's approval to close the Offer early, to extend the Closing Date or to withdraw the Offer. Any extension of the Closing Date will have a consequential effect on the date of the issue of New Shares. Any changes or amendments shall be announced/published in the media.

8.2 All references to times are Kenyan local time. If any date falls on a day which is not a Business Day, the applicable date shall be the next Business Day.

9 The Offer

This section contains a summary of the terms and conditions of the Rights Issue. You should read this Abridged Information Memorandum and the full Information Memorandum along with other documents available for inspection for a full appreciation of the Offer.

9.1 The Offer/The Rights Issue

The Company is offering a total of 71,181,000 New Shares to raise KES 711,810,000 (before expenses), in the ratio of 1 New Share for every 1 Existing Share held as at the Record Date. The

shareholders on register at the Record Date are being granted Rights in the Rights Issue that will entitle shareholders that qualify as Eligible Shareholders to subscribe for New Shares at the Offer Price of KES 10.00 per share.

The number of New Shares that an Eligible Shareholder is entitled to is shown in the PAL.

The Rights are renounceable, which means that Eligible Shareholders who do not wish to take up all or part of their New Shares may choose to transfer their Rights to a third party or sell their Rights on the NSE on or before Private Transfer Renunciation Date. Eligible Shareholders may also sell their Rights to a third party on or before the last date for trading of Rights *i.e.* the Closing Date. Eligible Shareholders may choose not to take any action; in which case their respective Rights will lapse.

9.2 Rights Issue Statistics

Entitlement Ratio	1 New Share for every 1 Existing Shares held on the Record Date
Offer Price	KES 10.00 per New Share
Total number of New Shares offered	71,181,000 ordinary shares, to rank <i>pari passu</i> in all respects with the Existing Shares
Total amount to be raised before expenses	KES 711,810,000/-
Net proceeds of the Rights Issue (after deducting estimated transaction costs)	KES 653,810,000/-

9.3 Minimum Subscription

The Rights Issue is subject to a minimum subscription of 50% of the New Shares (*i.e.* a minimum subscription for 35,590,500 New Shares) with full payment for a total consideration of KES 355,905,000 received on or before the Closing Date.

9.4 Intention of the Principal Shareholders

2 of the Company's top 5 major shareholders, (i) Crown Paints and Building Products Limited and (ii) Barclay Holdings Limited whose shareholding aggregates 62.05% of the entire issued share capital of the Company, have indicated to the Board their intention acquire all their Entitlements.

9.5 Potential dilutive impact of the Offer for Shareholders who renounce their Rights

Shareholders who transfer, or who do not timely or validly exercise any of their Rights granted under the Rights Issue, and assuming that all of the New Shares are fully subscribed, will suffer a dilution of their proportionate ownership and voting rights of 50% as a result of the issue of the New Shares.

Share Price Performance on the NSE:

The Company's share price has traded on the NSE in a range of KES 53.00 to KES 41.00 per share between May 2020 and October 2020. The high and low prices of the Company's shares on the NSE

for each of the past six (6) months prior to the date on which the Board approved the key terms of the Rights Issue are shown below:

Month	High (KES)	Low (KES)	Volume Weighted Average Price (KES)
May 2020	53.00	45.00	49.24
June 2020	49.50	48.00	48.83
July 2020	48.95	46.75	47.63
August 2020	47.00	42.50	45.88
September 2020	49.00	41.85	44.43
October 2020	43.00	41.00	42.14
Six-month period VWAP			47.69**
Price on 18 May 2021*	40.00	36.00	

Source: Bloomberg

*being the latest practicable date prior to the publication of the IM

**Based on 180 Trading Days

9.6 Underwriting

The Offer is not being underwritten.

10 Terms and Conditions of the Offer

This section contains the terms and conditions of the Offer. Please read this Abridged Information Memorandum and full Information Memorandum in full along with other Inspection Documents which are available for inspection for a full understanding of terms and conditions.

- 10.1 The Company is offering a total of seventy one million one hundred and eighty one thousand (71,181,000) New Shares at Kenya Shillings ten (KES 10.00) per share (the **Offer Price**) to raise Kenya Shillings seven hundred and eleven million, eight hundred and ten thousand (KES 711,810,000) (before expenses) under the Information Memorandum on the basis of one (1) New Share for every one (1) Existing Share held on the Record Date (the **Offer**).
- 10.2 Rights are renounceable, which means that Eligible Shareholders who do not wish to take up all or part of their New Shares may choose to renounce their Rights subject to the provisions of the Information Memorandum. Eligible shareholders can renounce their rights by way of private of transfer, trading at the NSE or choosing to take no action.
- 10.3 The Directors of the Company are of the opinion that the Company requires an additional Kenya Shillings seven hundred and eleven million eight hundred and ten thousand (KES 711,810,000) (before expenses) in the Rights Issue whose purpose and proceeds are to bring the Group's indebtedness to a more sustainable level and to position it to take advantage of its long-term growth opportunities and gain market share in the East African region.

Specifically, the Company will continue to invest in its Subsidiaries while maintaining prudent financial discipline with the objectives of:

- 10.3.1 ensuring each Subsidiary attains and retains a top two (2) position in each of their respective markets;
- 10.3.2 driving profitability from the Subsidiaries;
- 10.3.3 reducing reliance on the parent company balance sheet;
- 10.3.4 building brand loyalty and thereby long-term equity value; and
- 10.3.5 driving sustainability and long-term success for all our stakeholders

10.4 Basis of the Offer Price

Proforma impact section: This assumes the Rights Issue is fully subscribed and should list the proforma impact of gross proceeds on Crowns financial statements.

CROWN PAINTS KENYA LTD
BALANCE SHEET AS AT:

Account Name	15/06/2021 rights issue '000)	post (KES	CHANGE net issue proceed (KES '000)	30-Jun-20 (KES '000)
Assets				
101 - NON CURRENT ASSETS				
10101 - LAND		7,033		7,033
10102 - PROPERTY PLANT & EQUIPMENT		1,518,653		1,518,653
10103 - WORK IN PROGRESS		-		-
10104 - INVESTMENT IN SUBSIDIARY		-		-
10105 - LONG TERM INVESTMENTS		-		
Right-of-Use - Leases		154,826		154,826
10106 - INTANGIBLE ASSETS		50,603		50,603
20201 - DEFERRED TAX		55,790		55,790
		-		
Total 101 - NON CURRENT ASSETS		1,786,904	-	1,786,904

102 - CURRENT ASSETS

10201 - STOCKS		1,818,387		1,818,387
10202 - DEBTORS		1,429,059		1,429,059

CROWN PAINTS KENYA LTD

BALANCE SHEET AS AT:

10203 - RELATED PARTY	76,299		76,299
10204 - BANK & CASH	1,055,336	650,000	405,336
10205 - SHORT TERM INVESTMENTS	-		
Tax Recoverable	8,176		8,176
	-		
Total 102 - CURRENT ASSETS	3,737,256		3,737,256
	-		
	-		
Total Assets	6,174,160	650,000	5,524,160
202 - NON CURRENT LIABILITIES			
20201 - DEFERRED TAX	-		
20201 - DEFERRED TAX	-		
20301 - Long term loan	352,574		352,574
20302 - SHORT TERM LOANS & ADVANCES	648,574		648,574
20303 - OTHER FINANCING	967,300		967,300
20304 - CREDITORS & ACCRUALS	1,819,936		1,819,936
Lease Liability - ROU	175,197		175,197
20306 - INTERCOMPANY CREDITORS	-		
	-		
Total 202 - NON CURRENT LIABILITIES	3,963,581	-	3,963,581
301 - SHARE CAPITAL & RESERVES			
30101 - SHARE CAPITAL	711,810	355,905	355,905
30102 - RESERVES	1,498,715	294,095	1,204,620
30103 - DIVIDENDS	55		55
	-		
Total 301 - SHARE CAPITAL & RESERVES	2,210,580	650,000	1,560,580

Profit Period

CROWN PAINTS KENYA LTD

BALANCE SHEET AS AT:

	6,174,160	650,000	5,524,160
			-
			0
			-
			0

10.4.1 The basis of the Offer Price is:

- (a) financial results of the Company for the year ending 31 December 2019 and half year results for the period ending 30 June 2020;
- (b) the Board's estimation of the current regional macro-economic environment and impact of the COVID-19 pandemic;
- (c) the Board's view of the state of the paint industry in the region; and
- (d) the Company's strengths and strategic plans; and
- (e) current investor interest in the NSE

10.4.2 **Key Financial Information on the Company and the Rights Issue:**

No	Key Financial Information on the Company and the Rights Issue	
1.	Par value of each share as at the Record Date	KES 5.00 each
2.	Total number of the authorised shares of the Company prior to the Rights Issue	163,707,000 ordinary shares
3.	Total number of Existing Shares prior to the Rights Issue	71,181,000 ordinary shares
4.	Authorised share capital of the Company prior to the Rights Issue	KES 818,535,000
5.	Issued and paid up share capital prior to the Rights Issue	KES 355,905,000
6.	Net Profit for the year ended 31 December 2019	KES 317,236,000.00
7.	Total dividends declared and paid for the year ended 31 December 2019	Nil
8.	Earnings per share (EPS) for the year ended 31 December 2019	KES 4.46
9.	Dividend per share (DPS) for the year ended 31 December 2019	Nil
10.	Net asset value per share for the year ended 31 December 2019	KES 1,307,310.000
11.	Offer Price for the Rights Issue	KES 10
12.	Number of the New Shares in the Rights Issue	71,181,000 ordinary shares
13.	Gross proceeds of the Offer (assuming all Rights are taken up)	KES 711,810,000.00
14.	Net proceeds of the Offer	KES 653,181,000.00

No	Key Financial Information on the Company and the Rights Issue	
15.	Total number of issued and fully paid up shares after the Rights Issue assuming all Rights are taken up	142,362,000 ordinary shares
16.	Issued and fully paid up share capital of the Company after the Rights Issue (par value)	KES 711,810,000

10.5 Explanation with respect to the change in the authorised share capital of the Company prior to the Rights Issue

10.5.1 Following the approval of the shareholders at the Company's annual general meeting held on 30 October 2020 and after obtaining board approval on 6 October 2020, the Company increased its authorised share capital by:

- (a) 21,345,000 ordinary shares with respect to but not limited to an employment share ownership plan, pursuant to the issue and conversion of convertible loan notes or any other equity-linked financing; and
- (b) 71,181,000 ordinary shares with respect to the Rights Issue.

10.5.2 This means that the Company's authorised shares has been increased to 163,707,000 ordinary shares, of these shares 92,526,000 ordinary shares remain unissued and unallotted.

10.5.3 The directors and the company secretary confirm that the issued and allotted share capital and shares (Existing Shares) of the Company has not changed. The unissued and unallotted shares (*i.e.* the shares not constituting the Existing Shares) will only be issued and allotted in accordance with the Capital Markets Act, Capital Markets Regulations and after obtaining the relevant approvals from the CMA.

10.5.4 The table below depicts the change in the authorised share capital/shares of the Company:

Authorised share capital 2020	Authorised share capital 2021 (including the issued 21,345,000 ESOP shares and the 71,181,000 Rights Issue shares)	Issued, allotted and paid up share capital 2020	Current issued, allotted and paid up share capital 2021 (before Rights Issue)
KES 355,905,000	KES 818,535,000	KES 355,905,000	KES 355,905,000

Authorised shares 2020	Authorised shares 2021 (including the issued 21,345,000 ESOP shares and the 71,181,000 Rights Issue shares)	Issued, allotted and paid up share capital 2020	Current issued, allotted and paid up share capital 2021 (before Rights Issue)
71,181,000 ordinary shares	163,707,000 ordinary shares	71,181,000 ordinary shares of KES 5 each	71,181,000 ordinary shares of KES 5 each

10.6 CMA Approval of the Rights Issue

The CMA approved the Rights Issue on 5 May 2021 in line with the requirements of the Fourth Schedule of the CMA Public Offer Regulations.

10.7 Application for the New Shares

Applicants should carefully read the terms and conditions of application for the New Shares which are set out below.

- 10.7.1 Eligible Shareholders may take up more than, all, some, or none of their Rights.
- 10.7.2 Eligible Shareholders wishing to take up all or some of their Rights are required to follow the procedures set out in paragraph 10.12 (*Acceptance Procedure*).
- 10.7.3 Eligible Shareholders wishing to renounce some or all of their Rights are invited to follow the steps set out in paragraph 10.14 (*Renunciation of Rights*).
- 10.7.4 Eligible Shareholders wishing to apply for Additional Shares must do so in the manner set out in paragraph 10.13 (*Application for Additional Shares and Allocation Policy*).
- 10.7.5 Eligible Shareholders may also, at their option, choose not to take any action at all. If an Eligible Shareholder has not taken any action by the Closing Date their Rights will be deemed forfeited and the Board, in accordance with the Allocation Policy will proceed to treat such Rights as Untaken Rights and allocate them in accordance with the Information Memorandum.
- 10.7.6 Fractions of the New Shares that result from applying the Entitlement Ratio will be treated as Untaken Rights.

10.8 Ranking of the New Shares

The New Shares will be designated as ordinary shares and will rank *pari passu* in all respects with the Existing Shares including the right to vote in general meetings and to receive dividends and other distributions payable in respect of the Existing Shares.

10.9 Opening and Closing Date of the Rights Issue

The Rights Issue will open at 9:00 a.m. on the Record Date and close at 5:00 p.m. on the Closing Date. The Rights Issue remains open for the Offer Period.

10.10 Entitlement

- 10.10.1 The number of the New Shares that you are entitled to (*i.e.* your Entitlement) is shown on the PAL and shall not be altered. There shall be no preferential treatment in relation to the Entitlements by virtue of the position held by a person in the Company.
- 10.10.2 The number of the New Shares offered to the Eligible Shareholders has been calculated on a *pro rata* basis on the basis of the Entitlement Ratio and no restrictions were placed on the number of the Existing Shares to be held before the Entitlement accrues. The computation of the Entitlement of the Eligible

Shareholders might result in fractional Entitlements to the New Shares and in such an event, fractions shall be rounded downwards to the nearest whole number and the Eligible Shareholder will be allotted the proportion of the New Shares after rounding down.

10.10.3 Fractions of the New Shares that result from applying the Entitlement Ratio will form part of the Untaken Rights.

10.10.4 Eligible Shareholders will be notified of their Rights through the PAL.

10.11 Eligible Shareholders without CDS accounts

10.11.1 It is not mandatory for an Eligible Shareholder to open a CDS Account. However, without a CDS Account, an Eligible Shareholder will not be able to trade their New Shares on the NSE. Eligible Shareholders who do not have CDS Accounts but wish to open one are requested to submit duly completed and signed CDS 1 Account opening form. The Eligible Shareholders are then required to submit a CDS 2 Immobilization Form together with their PAL to the Authorised Selling Agents for submission to the Share Registrar by 5.00 p.m. on the Closing Date to enable crediting of their proportion of the New Shares to the newly opened CDS accounts.

10.12 Acceptance Procedure

10.12.1 Acceptance of the Offer, once given by an existing Shareholder or third party, is irrevocable in respect of the Rights accepted.

10.12.2 Eligible Shareholders that wish to apply for their New Shares must complete their Provisional Allotment Letter (**PAL**), the format of which is set out in Schedule 1.

10.12.3 Copies of the Information Memorandum may be obtained from the Authorised Selling Agents referred to in Schedule 7 to the Information Memorandum. A copy of the Information Memorandum and the Inspection Documents in relation to the Rights Issue may also be found on the Company's website accessible at www.crownpaints.co.ke.

10.12.4 Except in the case of gross negligence or wilful default on the part of the Company, their advisers or the Authorised Selling Agents, neither the Company nor any of the advisers nor the Authorised Selling Agents shall be under any liability whatsoever should the duly completed PAL not be received by the Closing Date.

10.12.5 Acceptance of the Offer may only be communicated by submitting a duly completed PAL together with the Application Money and/or the Bank Guarantee in respect of the number of the New Shares and Additional Shares applied for, which cannot be withdrawn and constitutes a binding application for the number of the New Shares specified in the PAL on the terms set out in the Information Memorandum. The PAL must be signed to be binding. The Company reserves the right to reject any PAL which is not signed to be binding.

Allotment of Additional Shares is subject to the rump mechanism in paragraph 10.20 of the Information Memorandum.

- 10.12.6 The PAL, once duly completed and signed, must be returned to the Company either directly or through any Authorised Selling Agent, together with the Application Money and/or Bank Guarantee in respect of the number of New Shares and all Additional Shares applied for. Payment of the Application Money by an Eligible Shareholder must be made as specified in paragraph 10.15 (*Application Money*) or Schedule 3 (*Bank Guarantee*) no later than 5.00 p.m. on the Closing Date.
- 10.12.7 Any New Shares or the Additional Shares in respect of which duly completed and signed PALs together with the relevant Application Money and/or Bank Guarantee, paid or issued in accordance with paragraph 10.12.6 above, which are not received by the Company or an Authorised Selling Agent by the dates and times stipulated in paragraph 10.12.6 above will be deemed not to have been duly subscribed for the New Shares or Additional Shares and any Rights in connection with the same will be treated as Untaken Rights.
- 10.12.8 Eligible Shareholders who wish to take up their full Entitlement are required to duly complete the section entitled 'Full Acceptance of New Shares' (Part 1A of the PAL) as well as other relevant sections of the PAL. Eligible Shareholders wishing to accept only part of their Entitlement are required to duly complete the section of the PAL entitled 'Partial Acceptance of New Shares' (Part 2 of the PAL) as well as other relevant sections of the PAL.

10.13 Application for Additional Shares and Allocation Policy

- 10.13.1 Eligible Shareholders who have taken up all their Entitlement in full may apply for Additional Shares by completing the section for Application for Additional Shares on their PAL and returning the duly completed and signed PAL together with the Application Money and/or the Bank Guarantee in respect of their full Entitlement and such Additional Shares. The Company or the relevant Authorised Selling Agent should receive these not later than 5.00 p.m. on the Closing Date.
- 10.13.2 Additional Shares applied for by the Eligible Shareholders will be allocated by the Board in accordance with the Allocation Policy to the extent only of the Untaken Rights. Payment in respect of any Additional Shares applied for and not allocated will be refunded in accordance with paragraph 10.18 (*Refund Policy*) and no interest shall be payable in respect of such refund amounts.
- 10.13.3 Subject to paragraph 10.22 (*Regulatory Restrictions*), the Untaken Rights will be allocated on a *pro rata* basis based on the Entitlement to the New Shares until the earlier of the allocation of all the Untaken Rights or all the Eligible Shareholders receiving the maximum number the Additional Shares they applied for. If, after this allocation of Untaken Rights on a *pro rata* basis, there are any additional Untaken Rights then the remaining Untaken Rights shall lapse.

10.13.4 If an Eligible Shareholder applies for Additional Shares which might trigger the regulatory restrictions and obligations set out in paragraph 10.22 (*Regulatory Restrictions*) of this paragraph, the Board reserves the right, at their sole discretion, not to allocate any Additional Shares to any such person unless all required regulatory approvals are duly obtained.

10.13.5 Eligible Shareholders wishing to take up Additional Shares are required to duly complete the section entitled 'Application for Additional Shares' in the PAL as well as other relevant sections of the PAL.

10.14 Renunciation of Rights

10.14.1 The Rights are renounceable. Accordingly, the Eligible Shareholders may elect to:

- (a) sell their Rights; or
- (b) decline to take up their Rights, all in accordance with the procedures set out below; or
- (c) by way of private transfer

10.14.2 Renunciation by Rights Trading on the NSE

- (a) The Rights of the Eligible Shareholders with CDS accounts will be credited to their CDS accounts and shall constitute a security tradeable on the NSE.
- (b) Eligible Shareholders may sell their Rights on the NSE. A buyer of the Rights must ensure that the Entitlement Form (Form E) is duly completed and signed as this will be *prima facie* proof of the purchase of the Rights.
- (c) Eligible Shareholders and third parties with CDS accounts will be permitted to trade in the Rights. In such an event, Eligible Shareholders who wish to sell their Rights in this way the Eligible Shareholder may instruct any Authorised Selling Agent to dispose any or all of such Rights by way of sale on the NSE.
- (d) Rights may be traded on the NSE before the Closing Date. Following the Closing Date, any buyer of such Rights shall be entitled to take up the Rights to the New Shares.
- (e) Once the trade in Rights on the NSE is completed, the buyer or transferee of such Rights is required to submit the duly completed and signed Form E together with proof of payment of the applicable Application Money to the Company or the relevant Authorised Selling Agent not later than 5.00 p.m. on the Closing Date. Failure to do so shall result in such Rights lapsing and the associated New Shares shall be treated as Untaken Rights.
- (f) The trading of the Rights on the NSE may attract a brokerage commission plus other statutory costs payable by the seller and buyer of such Rights.

10.14.3 Renunciation by Declining

- (a) Eligible Shareholders who wish to decline their Rights need not take any further action. Any Rights not taken up by such Eligible Shareholders will as of the Closing Date will automatically be treated as Untaken Rights.

10.14.4 Renunciation by Private Transfer

- (a) Eligible Shareholders are advised to contact an Authorised Selling Agent for the purposes of effecting the renunciation by private transfer.
- (b) Eligible Shareholders wishing to transfer their nil paid Rights to a close relative, may do so by way of private transfer, as per NSE rules.
- (c) A close relative means a relationship supported by documentary evidence of a spouse, parent, sibling, child, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandchild or spouse of a grandchild.
- (d) In order to effect a private transfer, both the Eligible Shareholder and the person to whom the Rights are being transferred to must have a CDS account and must duly complete a CDS Form 7 (Private Transfer Form).
- (e) If an Eligible Shareholder accepts some Rights and renounces the remainder by way of private transfer in the manner specified above, and where such renunciation is done via CDS Form 7, such Eligible Shareholder shall be required to submit the PAL Form, in addition to the resulting Form R, both duly completed and executed and accompanied with the Application Money in connection with the accepted Rights to the relevant Authorised Selling Agent or Receiving Agent, not later than on the Closing Date.
- (f) The last date and time for renunciation by way of private transfer is 4.00 p.m. on the Private Transfer Renunciation Date.

10.15 Application Money

10.15.1 Payment of an Eligible Shareholder's Application Money for the New Shares shall be made in Kenya Shillings (KES) by:

- (a) mobile money transfer (M-PESA, Airtel Money and T-Kash) to paybill number which will be provided by the Authorised Selling Agent with the account number being the PAL No appearing on the PAL for amounts of up to KES 140,000;
- (b) a banker's cheque for values that are under Kenya Shillings one million (KES 1,000,000);
- (c) RTGS for values that are above Kenya Shillings one million (KES 1,000,000); or
- (d) irrevocable bank guarantee in the form stipulated in Schedule 3 of the Information Memorandum for values that are above Kenya Shillings one million (KES 1,000,000).

10.15.2 Authorised Selling Agents on behalf of Eligible Shareholders (Global Payment System or GPS) may also make payment. Bankers cheques for each PAL must be in Kenya Shillings and drawn on a licensed commercial bank that is a member of the Central Bank of Kenya Clearing House, and should be made payable to

“Crown Paints Kenya plc Rights Issue - PAL No [insert no]” and be crossed “A/C Payee Only”. Each banker’s cheque received by ABSA Bank will be deposited immediately for collection. Please note that no interest will be payable by ABSA Bank on money received. Any Eligible Shareholders applying for any New Shares may provide an irrevocable Bank Guarantee in the form stipulated in Schedule 3 of the Information Memorandum, for the full amount payable for the relevant proportion of the New Shares, provided that such application is for a value of Kenya Shillings one million (KES 1,000,000) and above. The irrevocable Bank Guarantee must be authenticated by the guaranteeing bank via a SWIFT message sent to ABSA Bank before 3:00 p.m. on the Closing Date. The Eligible Shareholder must attach the original irrevocable bank guarantee to the PAL at the time of submission by 5:00 p.m. on the Closing Date.

10.15.3 Payments made in accordance with paragraph 10.15.1 above will, upon receipt by ABSA Bank/the Company of the relevant amount in cleared funds, constitute acceptance of the Rights Issue upon the terms and condition set out in the Information Memorandum and in the PAL.

10.15.4 Eligible Shareholders with CDS Accounts are required to pay the Application Money in accordance with the PAL plus a separate fee of KES 35.00 payable directly to their Authorised Selling Agents in accordance with the Central Depositories (Regulation of Central Depositories)(Amendment) Rules, 2008.

10.16 Rejection Policy

10.16.1 Any application will be rejected for the following reasons:

- (a) The PAL is missing or incomplete;
- (b) The cheque payment, RTGS and/or irrevocable bank guarantee is in respect of an amount less than the value of the New Shares applied for;
- (c) the cheque, RTGS or irrevocable bank guarantee is defective for any reason;
- (d) the irrevocable bank guarantee has been varied from the form of Bank Guarantee in Schedule 3;
- (e) missing or illegible name of primary applicant/joint applicant/corporate applicant in any application;
- (f) missing or illegible identification number, including company registration number;
- (g) missing account number or name for nominee applications;
- (h) insufficient documentation;
- (i) missing or illegible postal address and postal code;
- (j) missing bank details and verification documents where mode of refund is indicated as electronic fund transfer and the bank mandate details are not provided (the refund will be defaulted to a cheque payment);

- (k) missing or inappropriately signed PAL including:
 - (i) primary signature missing from signatures box;
 - (ii) joint signature missing from signature box;
 - (iii) one or both of the directors/official or a director and company secretary has/have not signed in the case of a corporate application; or
 - (iv) application bears stamps from two different agents,
- (l) payment
 - (i) personal cheques will not be accepted;
 - (ii) cash payments will not be accepted;
 - (iii) post-dated or stale cheques will not be accepted;
 - (iv) amount in words does not correspond with amount in figures;
 - (v) amount on cheque does not correspond with amount on Application Form;
 - (vi) cheque is not signed;
 - (vii) cheque carries alterations;
 - (viii) mutilated or cancelled cheques;
 - (ix) endorsed cheques will not be accepted; or
 - (x) multiple types of payment for one application

10.17 Bank Guarantees

- 10.17.1 Eligible Shareholders may approach a financier for loan facilities to facilitate its participation and payment of the full amount due in respect of the Rights Issue.
- 10.17.2 The extension of loan facilities by any financier is a decision to be made by such financier, at its sole and absolute discretion and risk.
- 10.17.3 The applicant and Financing Bank must complete a CDS Securities Pledge form (CDS 5 form) and record the pledge details on the PAL form.
- 10.17.4 This Bank Guarantee will be submitted together with the CDS Securities Pledge form (CDS 5 form) and the PAL.
- 10.17.5 Neither the Company nor the Board offers any advice, recommendation or guarantee in respect of an Eligible Shareholder seeking to approach or secure such financing.

10.18 Refund Policy

- 10.18.1 No interest shall be paid on any Application Money to any Eligible Shareholder or other person taking the Rights. Any interest earned, if any, on any Application

Money is payable to the CMA Investor Compensation Fund on the basis of the average Central Bank of Kenya inter-bank overnight lending rate for the period between the Closing Date and the date of crediting of accounts or issuing refund cheques.

- 10.18.2 Refunds in respect of applications for Additional Shares, where the allotted value is less than that applied for shall be in the form of refund cheques, Mpesa or by way of Electronic Funds Transfer (**EFT**) by the Company/ABSA Bank (where an Eligible Shareholder has valid EFT details in the PAL or has provided accurate EFT details to the Authorised Selling Agents).
- 10.18.3 In the event an Eligible Shareholder has no valid EFT details on the PAL, the refund will be made by cheque through the ABSA Bank. The Company will begin refunds to Eligible Shareholders from Friday, 11 June 2021.
- 10.18.4 Eligible Shareholders are required to choose their preferred option of refund: (a) by EFT, against confirmation of bank details if such details are not mandated in the register or (b) collected by the Eligible Shareholder from ABSA Bank or the Authorised Selling Agent (as designated by the Eligible Shareholder on the PAL for that purpose) against proof of identity.
- 10.18.5 Where a financier has advanced money to an Eligible Shareholder to subscribe for New Shares, refunds will be made to or for the account of such financier.
- 10.18.6 Neither ABSA Bank nor any Authorized Selling Agent will be responsible for any refund not received using method chosen and account details provided by the Eligible Shareholder.

10.19 Issuance of the New Shares

- 10.19.1 Eligible Shareholders with CDS Accounts who comply with the procedures for acceptance as set out in the Information Memorandum, will receive their New Shares in electronic form by way of credit to their respective CDS Accounts. It is the responsibility of Eligible Shareholders to ensure that their CDS Account details set out in the PAL are correct.
- 10.19.2 Eligible Shareholders, without CDS Accounts who comply with the procedures for acceptance as set out in the Information Memorandum will need to open a CDS Account in accordance with paragraph 10.11 (*Eligible Shareholders without CDS accounts*) of the Information Memorandum.
- 10.19.3 New Shares will be admitted on the NSE on Monday, 14 June 2021 with dealings of New Shares commencing on the same date.

10.20 Untaken Rights and Allocation Policy

- 10.20.1 All Eligible Shareholders who apply and pay for their New Shares in full shall receive the full number of New Shares indicated in their PAL. New Shares not taken up shall be treated as the Untaken Rights. The Untaken Rights shall be allocated as Additional Shares in accordance with the Allocation Policy set out

in paragraph 10.13 (*Application for Additional Shares and Allocation Policy*) to Eligible Shareholders who duly submit applications for Additional Shares in accordance with paragraph 10.13 (*Application for Additional Shares and Allocation Policy*).

10.20.2 The Board may, in their sole discretion, subject to paragraph 10.22 (*Regulatory Restrictions*) allot any Untaken Rights and if not so allotted, such Untaken Rights will lapse.

10.20.3 If the results for the subscription make the above Allocation Policy impractical, then an amendment of the Allocation Policy may be made and such amendment will be announced within 24 hours of Board approval.

10.21 Foreign Investors

Foreign investors should refer to Section 10.21 of the full Information Memorandum for selling and transfer restrictions.

10.22 Regulatory Restrictions

10.22.1 Eligible Shareholders are requested to note that the Company is subject to the provisions of the Capital Markets Act, which, for the purposes of the Rights Issue are the provisions summarised below. Due to the Company owning subsidiaries in Tanzania, Rwanda and Uganda allocation of Additional Shares may require competition approval from the respective competition regulators in those countries. Eligible Shareholders are required to seek their own advice in connection with these matters. The Board may take the said provisions into account when determining the allocation of any Untaken Rights to applicants for New Shares.

10.23 Tax Implications

10.23.1 Eligible Shareholders interested in participating in the Rights Issue should consult their tax advisers of any possible tax implications connected with the Rights Issue. None of the Company, the Board or the Advisers have provided any advice or recommendation to an Eligible Shareholder in respect of the taxation consequences in connection with the Rights Issue.

10.23.2 None of the Company, the Board or the Advisers accepts any liability for any tax obligations of Eligible Shareholders in connection with the Rights Issue.

10.23.3 As at the date of this Abridged Information Memorandum, local investors are subject to withholding tax on dividends at the rate of 5%. Foreign investors will be subject to a withholding tax rate of 15% on dividends.

10.24 Expenses of the Offer

No.	Expenses	Total (KES)*
1.	Transaction Adviser	2,000,000.00
2.	Authorised Selling Agents	9,000,000.00

No.	Expenses	Total (KES)*
3.	Legal Costs	12,500,000.00
4.	Registrar and Secretarial Fees	2,500,000.00
5.	CMA Approval Fees	500,000.00
6.	NSE approval fees	500,000.00
7.	Reporting Accountants Costs	10,000,000.00
8.	Marketing and Public Relations Consultant	12,500,000.00
9.	Printing Costs	2,500,000.00
10.	Miscellaneous/Contingency	6,000,000.00
	Total	58,000,000.00

* These figures are inclusive of VAT (where applicable) and may be subject to change.

The transaction costs account for Kenya Shillings fifty-eight million KES 58,000,000 (8.15%) of the Offer amount.

- 10.25 The purpose of the Information Memorandum is to set out the detailed terms and conditions of the Offer, to provide you with background information relating to the Offer and to supply the Eligible Shareholders with the documentation required to review and if acceptable, accept the Offer.

11 General Company Information

11.1 History and Background of the Company

- 11.1.1 The Company was established in 1958 as Jason & Nicholson (EA) Limited and has undergone several names changes to become Crown Paints Kenya PLC.
- 11.1.2 The Company has undergone steady growth with expansion into the neighbouring East African countries and employs over 1,100 staff. The Company's headquarters are on Likoni Road, Industrial Area, Nairobi, with a further manufacturing facility along Mogadishu Road and a more recent facility on the Kisumu to Busia Road in Kisumu County. Additionally, the Company has regional depots in Mombasa, Kisumu, Eldoret and Nyeri.
- 11.1.3 The company is the leading paints producer in Kenya and has over the years expanded its operations regionally to Tanzania in 2012, to Uganda in 2006 and to Rwanda in 2014. The company currently produces about 44,000,000 litres of paints products per annum in the region and is considered among the more innovative paint company in East Africa providing bespoke solutions to the construction and retail segments of the market with innovative products, services and after-sales support. The company's offerings are augmented by international brands partnerships to collectively provide a comprehensive product range.

11.2 Subsidiaries

11.2.1 The Company has the following wholly owned subsidiaries in the East African Region all with in-country manufacturing capacities to produce paints and related products:

- (a) Regal Paints Limited in Uganda which was incorporated in 2006;
- (b) Crown Paints Tanzania Limited in Tanzania which was incorporated in 2012; and
- (c) Crown Paints Rwanda Limited in Rwanda which was incorporated in 2014.

11.3 Board of Directors

Name	Position	Nationality
Mhamud Charania	Chairman	Mozambican
Hussein Ramji	Vice-Chairman	British
Rakesh Rao	Chief Executive Officer	Indian
Patrick Mwati	Finance Director	Kenyan
Francis Maina	Non-Executive Director	Kenyan (deceased)
Stephen Oundo	Non-Executive Director	Kenyan
Alice Owuor	Non-Executive Director	Kenyan (appointed wef 10 March 2021)
Nicholas Kathiari	Non-Executive Director	Kenyan (appointed wef 10 March 2021)

11.4 Operational Overview

11.4.1 The Company and its subsidiaries have the following installed capacity: 3,200,000 litres in Kenya (2,500,000 litres in Nairobi and 700,000 litres in Kisumu); 525,000 litres in Tanzania, 925,000 litres in Uganda.

11.4.2 The Company's quality is underpinned by its recognition from the certifications below:



11.4.3 The Company's ICT and System data handling ERP capability is supported by SAP Business One 9.1, MSSQL Database with some 200 users, SAP B1 threshold of 250 users and SAP Hana on B1 of up to 500-1000 users.

11.5 Product Overview

11.5.1 The Company's product range is wide-ranging from the premium end to the budget conscious consumer. The trend has shifted in consumer preference for

paint which hitherto had been regarded as an occasional commodity product to now being a lifestyle statement via colour schemes. Products long accepted as the standard are now in decline due to their environmental damage. As such, the Company has broadened its product range and palette to include specialist and designer products.

11.5.2 The Company's key product ranges are shown below by category within its decorative paint product range.

Super Premium Quality Range

Wall Finishes	Wood Finishes	Skimming / Putty	Undercoats / Primer
Permacoat Ultraguard Silicone	Aquavar Wood Finishes	Wall Care Cement Putty	

Premium Quality Range

Wall Finishes	Wood Finishes	Skimming / Putty	Undercoats / Primer
Permacote Emulsion With Teflon - Dust Resistance Paint	Timber Master - Ultimate Wood Stain	Wallcare Acrylic putty	Acrylic Primer Sealer
Permaplast Exterior	2 Pack Polyurethane	Crown Gplast GymSum Base Putty	Alkali Resisting Wall Primer
Vinyl Matt Emulsion - Luxury	Multipurpose Varnish		Penetrating Primer
Crown Silk Emulsion			Universal Undercoat
Covermatt			Wood Primer
Covermatt +2			Alluminium Wood Primer
Crown Supergloss Emulsion			
Transeal-Acrylic Clear Wall Finish			

Crown High Performance Texture Finishes

Ruff N Tuff Normal	Crown Glass Plaster	Crown Stone Elegance
Ruff N Tuff Inbuilt Stoneless	Crown Glass Variation	Crown Variation

Crown Rockfast Hi Built	Crown Strong Hold	Crown Superlac Topcoat
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Crown Designer Finishes

Crown Italia Series	Crown Duotone Solvent Base	Crown Colour Creations
Crown Metallica	Crown Duotone Water Base	

Vesta Range (Suitable for interior only)

Wall Finishes	Wood Finishes	Skimming / Putty	Undercoats / Primer	Thinners
Vesta Gloss Enamel	Economy Varnish Stain	Vesta Polyfila	Wall Undercoat	White Spirit
			Vesta Wall Primer	Hi Gloss
Vesta Emulsion				Standard Thinner

Ngao Budget Value Range (Suitable for interior only)

Wall Finishes	Wood Finishes	Skimming / Putty	Undercoats / Primer	Thinners
Ngao Gloss Enamel	Ngao Varnish Stain		Ngao Undercoat	Hi Gloss
Ngao Emulsion			Ngao Red Oxide Primer	Standard Thinner

12 Financial Performance

12.1 Statement of Comprehensive Income (Profit and Loss) for the last five (5) years - Consolidated

Item	2015	2016	2017	2018	2019
	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000
Revenue	6,737,108	7,347,557	7,351,326	8,315,910	8,603,652
Cost of Sales	<u>(3,956,493)</u>	<u>(4,401,444)</u>	<u>(4,552,750)</u>	<u>(5,284,624)</u>	<u>(5,185,676)</u>
Gross profit	2,780,615	2,946,113	2,798,576	3,031,286	3,417,976
Other income	<u>233,954</u>	<u>260,293</u>	<u>386,808</u>	<u>655,379</u>	<u>300,732</u>
	<u>3,014,569</u>	<u>3,206,406</u>	<u>3,185,384</u>	<u>3,686,665</u>	<u>3,718,708</u>

Item	2015	2016	2017	2018	2019
EXPENSES:					
Net allowance for expected credit losses third party	-	-	-	(9,718)	(74,368)
Net allowance for expected credit losses related parties	-	-	-	29,071	145,494
Administration and establishment	(1,684,167)	(1,695,616)	(1,606,545)	(1,764,045)	(1,840,929)
Selling and distribution	(958,172)	(906,472)	(971,508)	(1,251,621)	(1,115,577)
Finance costs	(155,533)	(209,726)	(209,202)	<u>(275,064)</u>	<u>(305,354)</u>
Revaluation loss on property, plant & equipment	-	<u>(122,549)</u>	<u>-</u>	-	
	<u>(2,797,872)</u>	<u>(2,934,363)</u>	<u>(2,787,255)</u>	<u>(3,290,730)</u>	<u>(3,190,734)</u>
PROFIT BEFORE TAX	216,697	272,043	398,129	395,935	527,974
TAX EXPENSE	<u>(185,949)</u>	<u>(140,247)</u>	<u>(174,835)</u>	<u>(212,122)</u>	<u>(210,738)</u>
PROFIT FOR THE YEAR	<u>30,748</u>	<u>131,796</u>	<u>223,294</u>	<u>183,813</u>	<u>317,236</u>
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translation of foreign operations	<u>28,956</u>	<u>50,810</u>	<u>6,371</u>	<u>(9,293)</u>	136
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>28,956</u>	<u>50,810</u>	<u>6,371</u>	<u>(9,293)</u>	136
Other comprehensive income not to be reclassified to profit				-	-

Item	2015	2016	2017	2018	2019
or loss in subsequent periods:					
Revaluation gain of property, plant & equipment	=	72,600	-		
Deferred income tax on revaluation	=	(21,780)	=		
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:	=	<u>50,820</u>	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME	<u>28,956</u>	<u>101,630</u>	<u>6,371</u>	<u>(9,293)</u>	136
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>59,704</u>	<u>233,426</u>	<u>229,665</u>	<u>174,520</u>	317,372
ATTRIBUTABLE TO:					
Owners of the parent	59,704	233,426	229,665	174,520	317,372
Non- Controlling interest	-	-	=	=	-
	<u>59,704</u>	<u>233,426</u>	<u>229,665</u>	174,520	317,372
Basic and diluted earnings per share (KES)	<u>0.43</u>	<u>1.85</u>	<u>3.14</u>	<u>2.58</u>	<u>4.46</u>

12.2 Statement of Financial Position (Balance Sheet) for the last five (5) years – Consolidated

Item	2015	2016	2017	2018	2019
	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	1,177,776	1,214,145	1,281,117	1,501,813	1,545,745
Right of use assets	-	-	-	-	234,229
Intangible assets	45,703	36,635	35,923	37,505	50,419
Prepaid leases on land	8,229	7,964	7,699	7,434	-

Item	2015	2016	2017	2018	2019
Deferred tax	<u>13,933</u>	<u>18,540</u>	<u>1,501</u>	<u>35,117</u>	<u>55,790</u>
	<u>1,245,641</u>	<u>1,277,284</u>	<u>1,326,240</u>	<u>1,581,869</u>	<u>1,886,183</u>
CURRENT ASSETS					
Inventories	1,615,261	1,503,554	1,884,274	2,140,212	1,853,155
Trade and other receivables	1,260,264	1,468,849	1,764,680	1,249,593	1,224,017
Amounts due from related companies	309,514	475,673	559,607	95,943	87,677
Cash and cash equivalents	108,468	205,632	214,222	364,136	442,793
Current tax recoverable	-	<u>128,037</u>	<u>122,584</u>	<u>43,940</u>	<u>27,716</u>
	<u>3,293,507</u>	<u>3,781,745</u>	<u>4,545,367</u>	<u>3,893,824</u>	<u>3,635,358</u>
TOTAL ASSETS	<u>4,539,148</u>	<u>5,059,029</u>	<u>5,871,607</u>	<u>5,475,693</u>	<u>5,521,541</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	355,905	355,905	355,905	355,905	355,905
Reserves	<u>996,877</u>	<u>1,206,211</u>	<u>1,401,711</u>	<u>670,955</u>	<u>951,405</u>
	<u>1,352,782</u>	<u>1,562,116</u>	<u>1,757,616</u>	<u>1,026,860</u>	<u>1,307,310</u>
NON-CURRENT LIABILITIES					
Lease liability			-		
Bank loan	<u>209,903</u>	<u>246,703</u>	<u>296,107</u>	-	137,251
				<u>604,760</u>	<u>438,782</u>
	<u>209,903</u>	<u>246,703</u>	<u>296,107</u>	<u>604,760</u>	<u>576,033</u>
CURRENT LIABILITIES					
Lease liability	-	-	-	-	96,551
Bank overdraft	160,840	134,374	328,898	31,872	53,550
Bank loans	305,755	467,889	435,168	606,534	623,000
Short term notes	650,989	507,403	757,379	1,105,756	1,033,212
Amounts due to related companies	216,910	299,095	147,787	243,228	16,498
Trade and other payables	1,589,205	1,840,289	2,148,356	1,848,572	1,779,487
Provisions				7,915	15,680
Current tax payable	<u>52,764</u>	<u>1,160</u>	<u>296</u>	<u>196</u>	<u>20,220</u>
	<u>2,976,463</u>	<u>3,250,210</u>	<u>3,817,884</u>	<u>3,844,073</u>	<u>3,638,198</u>

Item	2015	2016	2017	2018	2019
TOTAL EQUITY AND LIABILITIES	<u>4,539,148</u>	<u>5,059,029</u>	<u>5,871,607</u>	<u>5,475,693</u>	<u>5,521,541</u>

12.3 Cash flow Statements for the last five (5) years - Consolidated

	2015	2016	2017	2018	2019
OPERATING ACTIVITIES	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000	Kenya Shillings (KES) '000
Profit before tax	216,697	272,043	398,129	395,935	527,974
Adjustments for:-					
Depreciation of property, plant and equipment	142,782	157,020	118,956	142,668	183,062
Revaluation loss on property, plant and equipment	-	122,549	-	-	-
Amortisation of intangible assets	13,325	15,144	14,830	14,893	14,207-
Amortisation of prepaid leases on land	265	265	265	265	-
Amortisation on right of use of assets	-	-	-	-	99,035
Unrealised foreign exchange loss	134,818	109,063	8,776	44,363	32,813
Unrealised foreign exchange gain	(24,812)	(78,629)	(15,829)	(52,501)	(26,078)
Interest expense	155,533	209,726	209,202	275,064	305,354
Interest income	(2,183)	(1,728)	(1,103)	(2,270)	(12,217)
Allowance for bad debts	98,985	111,404	114,856	-	-
Allowance for bad debts- third parties	-	-	-	177,779	259,778
Allowance for bad debts- related parties	-	-	-	14,345	13,262
Bad debts written off	5,334	191	17,733	5,903	6,649
Leave accrual write back	-	(10,920)	(2,629)	(790)	(14,068)
Inventory write-down	40,774	34,533	38,938	41,600	36,657
Reversals of inventory write down	(803)	(29,633)	(39,821)	(41,776)	__(23,008)
Provision for legal cases	=	=	=	_7,915	7,765

	2015	2016	2017	2018	2019
Loss/(gain) on disposal of property, plant and equipment	389	(1,190)	2,533	1,021	(3,388)
Operating profit before working capital changes	781,104	909,838	864,836	1,024,414	1,407,797
Increase in trade and other receivables	(165,594)	(320,179)	(428,421)	(143,221)	(247,739)
(Increase)/decrease in inventories	(370,192)	106,807	(379,838)	(255,762)	273,408
Increase in trade and other payables	423,909	262,002	310,699	(298,995)	(55,017)
Increase in amounts due from related party balances	(90,654)	(166,158)	(83,934)	(31,847)	(4,996)
(Increase)/decrease in amounts due to related party balances	70,292	82,185	(151,308)	95,442	(226,730)
Cash generated from operations	648,865	874,495	132,034	390,031	1,146,723
Income tax paid	(143,170)	(327,658)	(145,238)	(81,885)	(189,377)
Interest received	2,183	1,728	1,103	2,270	12,217
Interest paid	(168,352)	(218,253)	(209,202)	(275,064)	(305,352)
Net cash (Used)/generated from operating activities	339,526	330,312	(221,303)	35,352	664,211
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(379,675)	(246,084)	(192,566)	(367,898)	(241,327)
Purchase of intangible assets	(18,097)	(6,685)	(14,096)	(16,751)	(27,106)
Proceeds on sale of property, plant and equipment	1,316	5,977	1,363	1,178	17,264
Net cash used in investing activities	(396,456)	(246,792)	(205,299)	(383,471)	(251,169)
FINANCING ACTIVITIES					

	2015	2016	2017	2018	2019
Proceeds from bank loan	1,465,019	1,501,265	1,560,915	2,680,305	1,395,116
Repayments of bank loan	(1,213,465)	(1,302,331)	(1,544,490)	(2,199,423)	(1,545,171)
Proceeds from short term notes	2,961,939	2,089,591	2,875,530	424,652	968,488
Repayments of short term notes	(2,921,203)	(2,233,177)	(2,625,554)	(76,275)	(1,041,032)
Lease liability payments	-	-	-	-	(85,129)
Dividends paid on ordinary shares	<u>(41,522)</u>	<u>(42,709)</u>	<u>(42,709)</u>	<u>(42,709)</u>	<u>(42,709)</u>
Net cash (used in)/generated from financing activities	<u>250,768</u>	<u>12,639</u>	<u>223,692</u>	<u>786,550</u>	<u>(350,437)</u>
Net (decrease)/increase in cash and cash equivalents	193,838	96,159	(202,911)	438,431	62,605
Cash and cash equivalents at the beginning of the year	(172,132)	(52,372)	71,258	(114,676)	332,264
Effect of exchange rate changes on cash and cash equivalents	<u>(74,078)</u>	<u>27,471</u>	<u>16,977</u>	<u>8,509</u>	<u>(5,626)</u>
Cash and cash equivalents at the end of the year	<u>(52,372)</u>	<u>71,258</u>	<u>(114,676)</u>	<u>332,264</u>	<u>389,243</u>

12.4 The Company's annual accounts are audited by an independent external auditor.

12.5 Detailed Intended Use of the Funds arising from the Rights Issue

The Group's management is of the opinion that the additional Kenya Shillings seven hundred and eleven million eight hundred and ten thousand (KES 711,810,000), inclusive of transactions costs, will be required to facilitate the Group's development of new products, retiring of current facilities, and funding regional expansion. The proceeds of the Rights Issue is set out below:

No.	Use of Proceeds	Price (KES)
	Repayment of Commercial Paper	200,000,000
	Repayment of Bank Borrowing	150,000,000
	Anticipated Working Capital Increase Requirement	100,000,000
	Working capital Loan to Regal Paints Uganda	50,000,000
	Working capital Loan to Crown Paints Tanzania	50,000,000
	Factory and Warehouse- Capital Expenditure	60,000,000
	Additional Dealer and Depots Showrooms	40,000,000

	Issue Expenses	58,000,000
	Contingency	4,810,000
Total		KES 711,810,000

13 Material Risks

- 13.1 Risk is the potential for an adverse impact on the performance of the Company. The Company's activities expose it to a variety of general and industry related risks. All of these factors are contingencies, which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.
- 13.2 The Company's operating results, financial condition and prospects could be materially and adversely affected by any of the risks described in this section. This section describes the risk factors that the Company considers to be material in relation to the Rights Issue.
- 13.3 These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Company or which the Company currently deem immaterial, may also have an adverse effect on the Company's operating results, financial condition and prospects.
- 13.4 Prospective investors should consider carefully the risks and uncertainties described in this section together with all other information contained in this Abridged Information Memorandum and the information incorporated by reference herein, along with their personal circumstances, before making any investment decision.
- 13.5 Prospective investors should read the full Information Memorandum in full to obtain a complete overview of the risks involved before making any investment decision.
- 13.6 The Board applies risk management practices that identify and ensure management proactively deals with risks. The Board has the overall responsibility for the Group's risk management and for designing, implementing and maintaining such internal control as the Board determines necessary.
- 13.7 Some of the risks highlighted in the full Information Memorandum the Group faces strategic and operational risks including:
- 13.7.1 credit risk;
 - 13.7.2 interest rate risk;
 - 13.7.3 financial risk;
 - 13.7.4 liquidity risk;
 - 13.7.5 foreign currency risk;
 - 13.7.6 operational risk; and
 - 13.7.7 capital risk,
- which are reviewed in further detail below.

13.8 Credit risk

13.8.1 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.

13.8.2 The customers under the fully performing category are paying their debts as they continue trading. Debts that are overdue are not impaired and continue to be paid. The credit department actively follows up these debts.

13.9 Interest rate risk

13.9.1 Interest rate risk relates to the risk that the financial performance of the Company will be affected by variations of interest rates. 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 on bank overdraft is minimal as its borrowings are pegged to central bank rate plus 4% and the central bank rate does not vary materially. Interest on the Company's loans denominated in Kenya Shillings is charged at central bank rate plus 4% prevailing from time to time, while those denominated in USD interest is charged at the bank's base USD rate + 0.4%. Currently, the NCBA and KCB KES base lending rates are 11.25% and 12%, respectively. NCBA USD base lending rate is 9.25% and KCB 9.875%. The interest on the short-term note is at 91 day treasury bills interest rate plus 1.5%.

13.10 Financial risk

13.10.1 The financial risk relates to the risk that the Company will not be able to meet its financial obligation in relation to servicing debt. The Group's financial liabilities comprise bank loans and overdrafts, short term notes and trade 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 and cash and short-term deposits, which arise directly from its operations.

13.11 Liquidity risk

13.11.1 This is the risk that 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 Group's obligations.

13.11.2 The responsibility for liquidity risk management rests with the Board, 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, bank facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

13.12 Foreign currency risk

13.12.1 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 Group makes sales in other countries in US Dollars. It is thus exposed to movements in foreign currency exchange rates.

13.13 Operational risk

13.13.1 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.

13.13.2 The Group's objective is to manage operational risk 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.

13.13.3 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:

- (a) requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- (b) requirements for the reconciliation and monitoring of transactions;
- (c) compliance with regulatory and other legal requirements;
- (d) documentation of controls and procedures;
- (e) requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- (f) requirements for the reporting of operational losses and proposed remedial action;
- (g) development of contingency plans;
- (h) training and professional development; and

- (i) ethical and business standards

13.14 Capital risk

- 13.14.1 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 optimisation of the debt and equity balance.
- 13.14.2 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 based on 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.
- 13.14.3 The Group does not have a gearing ratio target and is not subject to any externally imposed capital requirements.


13.15 There are also risks associated with this Rights Issue which are as follows:

- 13.15.1 **Suitability of Investment:** Each existing Shareholder should determine the suitability of the Rights Issue based on own their circumstances. In particular, each existing Shareholder should:
 - (a) have sufficient knowledge and experience to make a meaningful evaluation of the shares, the merits and risks of investing in the shares and the information contained or incorporated by reference in this Information Memorandum;
 - (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their overall investment portfolio;
 - (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the shares;
 - (d) thoroughly understand and be familiar with the performance of the relevant financial markets; and
 - (e) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect their investment in the company and their ability to bear the applicable risks.
- 13.15.2 **Volatility of price:** The price of quoted equities are subject to frequent variations and adverse market movements in response to many variables such as anticipated variations in the Company's operating results, changes in the business environment or adverse market movements.

14 Reporting Accountants Report

- 14.1 Ernst & Young LLP acted as auditors of the Group for the five years ended 31 December 2019. Unqualified audit reports were issued for each of the five years to 31 December 2019. The audit reports for 2015, 2016, 2017 and 2018, however, drew attention to the existence of a material uncertainty related to the ability of the Company and the Group to continue as a going concern.
- 14.2 Ernst & Young LLP, as the Reporting Accountants have prepared and produced a Reporting Accountant's Report, the full contents of which are included in the full Information Memorandum. The Reporting Accountant's Report has been submitted in accordance with the Fourth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (the **Regulations**).
- 14.3 Ernst & Young have not expressed an audit opinion in the Reporting Accountant's Report. However, based on their review, Ernst & Young has confirmed that they are not aware of any material items not mentioned in the Information Memorandum regarding the Rights Issue at the Nairobi Securities Exchange, which could influence the evaluation by the investors of the assets, liabilities and financial performance of the Group.

**Schedule 1 Provisional Allotment Letter
USE BLOCK LETTERS TO COMPLETE THE FORM**

		THE PROVISIONAL ALLOTMENT LETTER (PAL) IS OF VALUE AND IS ISSUED PURSUANT TO AN INFORMATION MEMORANDUM DATED 19 May 2021. PLEASE CONSULT YOUR ADVISER. READ NOTES ON THE REVERSE OF THIS PAL. RIGHTS ISSUE OPENS AT 9:00 A.M. ON Thursday 10, June 2021 AND CLOSES AT 5:00 P.M. ON Wednesday, 30 June 2021.		PAL No:	
		RIGHTS ISSUE 2021		Sales Agent Stamp	
OFFICIAL USE ONLY	Eligible Shareholders Name and Address		BOX 1 Existing Shares as of the Record Date		OFFICIAL USE ONLY
			BOX 2 New Shares provisionally allotted to you		
			BOX 3 Amount payable (KES) in full		
			(Empty space for Box 1-3)		
ATTORNEY		Eligible Shareholders who wish to appoint an attorney to deal with the Rights Issue may do so via the Appointment of Attorney Form available from a Sales Agent or downloaded from www.crownpaints.co.ke .			
PART 1A	FULL ACCEPTANCE. I/We hereby accept in full, subject to the terms of the Information Memorandum, this PAL and the Memorandum and Articles of Association of Crown Paints Kenya plc, the number of New Shares above in Box 2 for the value in Box 3 above.			Tick <input checked="" type="checkbox"/>	
PART 1B	ADDITIONAL SHARES. Having accepted all the New Shares in Part 1A above, I/we hereby apply for Additional Shares, subject to the terms of the Information Memorandum, this PAL and the Articles of Association of Crown Paints Kenya plc, the number of Additional Shares in Box 4 for the value in Box 5 herein.		BOX 4 Number of Additional Shares	BOX 5 Amount payable (KES) (multiply figure in Box 4 by KES 10.00)	
PART 1C	TOTAL SHARES. Having accepted all the New Shares in Part 1A above and applied for Additional Shares in Part 1B above (where applicable), I/we hereby apply for the total New Shares in Box 6 for the value in Box 7 herein (including KES 30 for the CDSC Fee).		BOX 6 Number of total New Shares (Box 2 + Box 4)	BOX 7 Amount payable (KES) (Box 3 + Box 5 + KES 30 CDSC Fee)	

PART 2	PARTIAL ACCEPTANCE. IF PART 1 ABOVE IS NOT ACCEPTED. I/We hereby accept in part, subject to the terms of the Information Memorandum, this PAL and the Articles of Association of Crown Paints Kenya plc the number of New Shares specified in Box 8 for the value set out in Box 9 herein (including KES 30 for the CDSC Fee).					BOX 8 Number of New Shares accepted in part	BOX 9 Amount payable (KES) (multiply figure in Box 8 by KES [10.00])+ KES 30 CDSC Fee)
PART 3 PAYMENT	Tick ✓		1 Direct Amount Payment	KES.		Chq/ Transfer Ref No./ Deposit Ref No.	Bank Name & Branch
	Tick ✓		2 Mobile Money	KES.		Mobile Money Reference No.	
	Tick ✓		3 Irrevocable: Bank Guarantee			4 FINANCIER DETAILS	
					CDS Form 5 Serial No		
					Institution and Branch		
PART 4 *Mandat	Account Name (as per statement)				Bank Name		Branch Code
	Country & Swift if not Kenya				Account Number (full account No.)		
	MPESA or Mobile money transfer option						
	Mobile No:						
PART 5	SIGNATURE of Eligible Shareholder or Authorised Attorney						
	Sign					Date:	
PART	Email:						
	Mobile No:						

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CROWN PAINTS KENYA PLC – RIGHTS ISSUE 2021- PAL RECEIPT	PAL No.	Eligible Shareholder	Sales Agent
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Notes on filling the Provisional Allotment Letter

General Instructions

- Please complete the Provisional Allotment Letter (PAL) in **BLOCK LETTERS**.
- A copy of the Information Memorandum and the abridged Information Memorandum can be obtained from the Company's website at this link www.crownpaints.co.ke.
- The PAL is subject to the terms and conditions in the Information Memorandum.

- Capitalised terms in the Information Memorandum shall have the same meaning in this PAL unless otherwise defined.
- For advice on the Rights Issue and completion of this PAL, the Eligible Shareholder should consult their stockbroker, investment adviser, banker, financial consultant or other professional adviser, who specialises in advising on the acquisition of shares and other securities.
- The PAL may be rejected as per the policy set out in the Information Memorandum.
- All alterations on the PAL, other than the deletion of alternatives, must be authenticated by the signature of the Eligible Shareholder.
- Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any application.
- A completed PAL must be physically returned to a Sales Agent. Once returned, it is irrevocable and may not be withdrawn.
- The PAL and proof of payment of the Application Money should be received by the Sales Agents by 5:00 p.m. on Wednesday 30 June 2021 (**Closing Date**) and neither the Company, nor any of the advisers nor any of the Sales Agents shall be under any liability whatsoever should a PAL not be received by 5.00pm on the Closing Date.
- This PAL and the Information Memorandum shall be governed by and construed in accordance with the laws of Kenya.

PART 1 FULL ACCEPTANCE ADDITIONAL SHARES, TOTAL SHARES

1. FULL ACCEPTANCE. Tick PART 1A if accepting in full all New Shares as in Box 2.
2. ADDITIONAL and TOTAL.
 - a. Application for Additional Shares shall only be made if all New Shares in Box 2 were accepted in full in Part 1A. To apply for Additional Shares (Part 1B): fill in Box 4 and fill in the amount due for these Additional Shares in Box 5 by multiplying the number in Box 4 by KES 10.00 per New Share.
 - b. Complete total number of New Shares applied for in Box 6 in PART 1C, i.e. Box 6 = Box 2 + Box 4.
 - c. Complete the total value of New Shares applied for in Box 7 in PART 1C, i.e. Box 7 = Box 3 + Box 5.
3. Acceptance and allotment is subject to terms and conditions in the Information Memorandum.

PART 2 PARTIAL ACCEPTANCE

1. Complete this Part 2 if you wish to accept a portion of the New Shares to which you are entitled. You must not have completed PART 1.
2. Enter number of New Shares you would like to accept into Box 8 with this number being less than the number in Box 2.
3. Enter the amount due for the New Shares in Box 9 by multiplying the number in Box 8 with KES 10.00 per New Share.

PART 3 PAYMENT

1. All payments of the Application Money must be made in Kenya Shillings (KES).
2. Paragraph 10.15 in the Information Memorandum sets out details on Modes of Payment.
3. Complete paragraph 1 with the funds transfer number or Banker's cheque number and name of remitting/paying bank.
4. Complete paragraph 2 with the mobile money reference number if this mode is used to make payment.

5. If payment for Additional Shares is via Irrevocable Bank Guarantee, tick the box provided and attach the Bank Guarantee to the PAL.
6. If a bank is involved, complete section labelled '4. Financier Details' by providing the CDS Form 5 Reference and bank's name and branch.
7. All Application Money must be paid in cleared funds on or before 5:00 P.M. on Wednesday, 30 June 2021 (Closing Date).

PART 4 REFUND

1. A bank account is mandatory for eligible investors.
2. Please refer to paragraph 10.18 in the Information Memorandum for details on Refunds.
3. If you have applied for Additional Shares by filling Part 1B, please provide bank details or a mobile number registered to the shareholder for Mpesa in Part 4 that will be used in the event of a refund.

PART 5 SIGNATURE

The PAL must be signed. For companies and legal entities, signatures can be affixed by the authorised signatories.

PART 6 EMAIL and/or MOBILE No.

A space in Part 6 has been provided to insert this information so that contact can be established if required.


<p>SALES AGENTS: [insert Sales Agents].</p> <p>or for assistance contact: [insert company email address for rights issue] or [insert any other email queries can be addressed]</p>

-----*Tear off*-----*Tear off*-----

<p>PAL RECEIPT. Eligible Shareholder must ensure that this tear off this section stamped by the Sales Agent and returned to the Eligible Shareholders for their safe custody together with the proof of payment.</p>

The last date and time for acceptance and payment of the New Shares is on or before 5:00 P.M. on Wednesday 30 June 2021. If no action is taken on the Rights, they will lapse and be subject to paragraph 10.20 (Untaken Rights) in the Information Memorandum.

Schedule 2 Renunciation Form
USE BLOCK LETTERS TO COMPLETE THE FORM

		THE PROVISIONAL ALLOTMENT LETTER (PAL) IS OF VALUE AND IS ISSUED PURSUANT TO AN INFORMATION MEMORANDUM DATED 19 May 2021. PLEASE CONSULT YOUR ADVISER. READ NOTES ON THE REVERSE OF THIS PAL. RIGHTS ISSUE OPENS AT 9:00 A.M. ON Thursday 10, June 2021 AND CLOSSES AT 5:00 P.M. ON Wednesday, 30 June 2021.		PAL No:	
RIGHTS ISSUE 2021		Sales Agent Stamp		CDS A/C	
OFFICIAL USE ONLY	Eligible Shareholders Name and Address		BOX 1 Existing Shares as of the Record Date		OFFICIAL USE ONLY
			BOX 2 New Shares provisionally allotted to you		
			BOX 3 Amount payable (KES) in full		
ATTORNEY		Eligible Shareholders who wish to appoint an attorney to deal with the Rights Issue may do so via the Appointment of Attorney Form available from a Sales Agent or downloaded from www.crownpaints.co.ke .			
PART 1A	FULL ACCEPTANCE. I/We hereby accept in full, subject to the terms of the Information Memorandum, this PAL and the Memorandum and Articles of Association of Crown Paints Kenya plc, the number of New Shares above in Box 2 for the value in Box 3 above.			Tick <input type="checkbox"/>	
PART 1B	ADDITIONAL SHARES. Having accepted all the New Shares in Part 1A above, I/we hereby apply for Additional Shares, subject to the terms of the Information Memorandum, this PAL and the Articles of Association of Crown Paints Kenya plc, the number of Additional Shares in Box 4 for the value in Box 5 herein.		BOX 4 Number of Additional Shares		BOX 5 Amount payable (KES) (multiply figure in Box 4 by KES 10.00)
PART 1C	TOTAL SHARES. Having accepted all the New Shares in Part 1A above and applied for Additional Shares in Part 1B above (where applicable), I/we hereby apply for the total New Shares in Box 6 for the value in Box 7 herein (including KES 30 for the CDSC Fee).		BOX 6 Number of total New Shares (Box 2 + Box 4)		BOX 7 Amount payable (KES) (Box 3 + Box 5 + KES 30 CDSC Fee)

or other professional adviser, who specialises in advising on the acquisition of shares and other securities.

- The Renunciation Form may be rejected as per the policy set out in the Information Memorandum.
- All alterations on the Renunciation, other than the deletion of alternatives, must be authenticated by the signature of the Eligible Shareholder and the Renounee.
- Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any application.
- A completed Renunciation Form must be physically returned to a Sales Agent. Once returned, it is irrevocable and may not be withdrawn.
- The Renunciation Form and proof of payment of the Application Money should be received by the Sales Agents by 5:00 p.m. on Wednesday, 30 June 2021 (**Closing Date**) and neither the Company, nor any of the advisers nor any of the Sales Agents shall be under any liability whatsoever should a Renunciation Form not be received by 5.00 pm on the Closing Date.
- This Renunciation Form and the Information Memorandum shall be governed by and construed in accordance with the laws of Kenya.

ELIGIBLE SHAREHOLDER. Please complete Box 1, Box 2, Box 3, Box 4 and Box 5 and sign in the space provided. **RENOUNCEE.** Please complete Name, ID / Passport No., Relationship, Postal Address and Email address / Mobile No and the parts below in the Renunciation Form.

PART 1 ACCEPTANCE IN FULL, ADDITIONAL SHARES, TOTAL NEW SHARES

1. Tick PART 1A if accepting in full all New Shares as in Box 4.
2. Application for Additional Shares can only be made if all New Shares in Box 4 were accepted in full. To apply for Additional Shares (Part 1B), follow the directions below, otherwise, skip to instruction (5). Fill in Box 6. Fill in the amount due for these Additional Shares in Box 7 by multiplying the number in Box 6 by KES 10.00 per New Share.
3. If you have opted not to apply for Additional Shares, write "0" in both Box 6 and Box 7.
4. Complete the total number of New Shares applied for in Box 8 in PART 1C, i.e. Box 8 = Box 4 + Box 6.
5. Complete the total value of New Shares applied for in Box 9, PART 1C. i.e. Box 9 = Box 5 + Box 7.
6. Acceptance and allotment is subject to terms and conditions in the Information Memorandum.

PART 2 PAYMENT

1. All payments of the Application Money must be made in Kenya Shillings (KES).
2. Paragraph 10.15 in the Information Memorandum sets out details on Modes of Payment.
3. Complete paragraph 1 with the funds transfer number or Banker's cheque number and name of remitting/paying bank.
4. Complete paragraph 2 with the mobile money reference number if this mode is used to make payment.
5. If payment for Additional Shares is via Irrevocable Bank Guarantee, tick the box provided and attach the Bank Guarantee to the PAL.
6. If a bank is involved, complete section labelled '4. Financier Details' by providing the CDS Form 5 Reference and bank's name and branch.
7. All Application Money must be paid in cleared funds on or before 5:00 P.M. on Wednesday, 30 June 2021 (Closing Date).

PART 3 REFUND

1. A bank account is mandatory for eligible investors.

2. Please refer to paragraph 10.18 in the Information Memorandum for details on Refunds.
3. If you have applied for Additional Shares by filling Part 1B, please provide bank details or a mobile number registered to the shareholder for Mpesa in Part 3 that will be used in the event of a refund.

SIGNATURE of RENOUNCEE

The Renunciation Form must be signed. For companies and legal entities, signatures can be affixed by authorised signatories.

ENDORSEMENTS BY SALES AGENT & REGULATOR

Renunciation by private transfer requires certain documentation to support this action by Eligible Shareholders. This section provides for the Sales Agent to confirm documentation is attached.

Renunciation by private transfer requires private transfers to be approved by regulators. This section provides for the regulator to approve the transfer (if applicable).

SALES AGENTS: [Insert Sales Agents].
or for assistance contact: [insert email address] or [insert email address]

-----*Tear off*-----

RENUNCIATION FORM RECEIPT. Renounee must ensure that this is stamped by the Sales Agent and kept in safe custody.

The last date and time for acceptance and payment of the New Shares is on or before 5:00 P.M. on Wednesday, 30 June 2021. If no action is taken on the Rights, they will lapse and be subject to paragraph 10.20 (Untaken Rights) in the Information Memorandum.

Schedule 3 – Form of Bank Guarantee

[On the letterhead of Bank]

Date:

Absa Bank Kenya plc
P.O. Box 46661 - 00100
Nairobi, Kenya

Dear Sirs,

**CROWN PAINTS KENYA PLC – RIGHTS ISSUE
IRREVOCABLE AND UNCONDITIONAL BANK GUARANTEE IN RESPECT OF PAYMENT FOR ALLOCATION OF
SHARES TO [name of INVESTOR]**

WHEREAS [name of investor] (the **Investor**) has by an application form dated [insert date] applied for [insert number] New Shares and [insert number] Additional Shares in the Crown Paints Kenya plc – Rights Issue as set out in the information memorandum dated [insert date] (the **Crown Paints IM**). Capitalised terms used in this Irrevocable Bank Guarantee shall have the meaning and interpretation given to such terms in the Crown Paints IM,

AND WHEREAS it has been stipulated by you in the Crown Paints IM that the Investor shall furnish you with an irrevocable on demand guarantee for the full value of the price of the New Shares and the Additional Shares,

AND WHEREAS we [name of Guarantor] have agreed to give this Irrevocable and unconditional Bank Guarantee,

NOW at the request of the Investor and in consideration of your allocating to the Investor the New Shares and the Additional Shares or such lesser number as you shall in your absolute discretion determine, we hereby irrevocably and unconditionally undertake to pay you, promptly upon your first written demand (vide email, fax, hand delivered letter or SWIFT) and without delay or argument, such sum as may be demanded by you up to a maximum sum of Kenya Shillings _____ without your needing to prove or to show grounds or reasons for your demand or the sum specified therein by way of RTGS within 24 hours of the demand or before 3.00pm on [to insert] whichever occurs earlier.

This Irrevocable Bank Guarantee shall remain in force up to and including 5.00 p.m. on [to insert] and any demand in respect thereof should reach us not later than the above date and time.

This Irrevocable Bank Guarantee shall be governed and construed in accordance with the laws of Kenya.
[due execution by authorised signatories]

CROWN PAINTS KENYA PLC - FORM OF ENTITLEMENT		FORM - E
Agent Stamp & Name	Agent Code	FORM E SERIAL NUMBER
DETAILS OF THE APPLICANT(S):		TEL NO:
APPLICANT'S CITIZENSHIP. KINDLY TICK IN THE APPROPRIATE BOX BELOW KENYA → <input type="checkbox"/> UGANDA → <input type="checkbox"/> TANZANIA → <input type="checkbox"/> OTHER → <input type="checkbox"/>		
FULL NAMES:		
CDS ACCOUNT DETAILS:	CDA ID	Client Account Number (Discard the leading zeros)
	Client Type	

Read carefully and complete PART 1 or PART 2

FULL ACCEPTANCE OF ENTITLEMENT SHARES "PART 1A" I/We hereby accept in full subject to the terms of the Information Memorandum, this Form E and the Memorandum and Articles of Association of Crown Paints Kenya plc, the number of New Shares specified above in Box (1) and for value set out in BOX (2).	BOX (1) NUMBER OF RIGHTS AVAILABLE IN YOUR CDS ACCOUNT	BOX (2) AMOUNT PAYABLE ON FULL ACCEPTANCE
APPLICATION FOR ADDITIONAL NEW SHARES "PART 1B" (Optional) Having accepted all the new shares in "PART 1A" above, I/We hereby apply for Additional New Shares, subject to the terms of the Information Memorandum, this Form E and the Memorandum and Articles of Association of Crown Paints Kenya plc, the number of Additional New Shares specified in BOX (3) and multiplied by KES 10 per New Share giving the value set out in BOX (4) herein, on the understanding that a lesser number or none of the Additional New Shares may be allocated to me/us and any refund amount will be sent via the submitting Authorised Agent.	BOX (3) I/We wish to apply for Additional New Shares shown here below:	BOX (4) Amount for purchase of Additional New Shares
Total Payment Due (PART 1) I/We have indicated herein the total number of New Shares in BOX (5), Comprising the Full Acceptance in BOX (1) and Additional New Shares applied for, if any, in BOX (3). I/we have made the payment in full, shown in BOX (6), to my/our Authorised Agent.	BOX (5) Total number of New shares I/We are applying for (BOX3 + BOX5)	BOX (6) Total Amount for New Shares (BOX4 + BOX6)
PARTIAL ACCEPTANCE OF NEW SHARES "PART 2" For use by an Eligible Shareholder with a provisional allotment of more than 100 New Shares , as specified in BOX(1) above, who is accepting a portion of the New Shares. I/We hereby accept in part, subject to the terms of the Information Memorandum, this Form E and the Memorandum and Articles of Association of Crown Paints Kenya plc, the number of New Shares specified in BOX (7) and multiplied by KES 10 per New Share giving the value set out in BOX (8) herein. I/We have indicated herein the number of New Shares I/We wish to partially accept for which I/we have made the payment in full, shown in BOX (8), to my/our Authorised Agent.	BOX (7) Partial Number of New Shares that I/We are applying for	BOX (8) Total Amount for New Shares In Box 7
IMPORTANT! IF YOU RECEIVED A PAL THEN PLEASE ENSURE THAT YOU HAVE SUBMITTED IT SINCE UNTAKEN RIGHTS ON YOUR PAL ARE NOT INCLUDED HERE		

PAYMENT DETAILS							
IF you prefer making a GLOBAL PAYMENT (combined with other applicants) through your Agent, arrange with your Agent & tick (✓)	You are required to pay a SEPARATE additional KES 30/- through your Agent. However, if the 30/- is INCLUDED in the payment above tick (✓) here →						
	← BANK GUARANTEE Tick	Where payment is financed, insert CDSC Pledge Form 5 Serial No. →					
Applicant's Bankers' Cheque Details:	Bank's Name:	Bank Code:	Branch Name:	Branch Code:	Cheque No.	Cheque Amount (KES):	
<i>Qualifying Investor(s) or Authorised Attorneys signature(s). (All joint holders must sign)</i> Signature: _____ Signature: _____ ID/ PP No. _____ ID/PP No. _____ (Attach a copy) (Attach a copy) Date: _____ Date: _____							
						Company Seal	

ENDORSMENT BY AUTHORISED SELLING AGENT:		We confirm all the above details and sign as below
		(3) Stamp
(1) Signature & ID/PP No. & Date	(2) Signature & ID/PP No. & Date	

Schedule 5 – Form Z – Power of Attorney

FORM Z	APPOINTMENT OF ATTORNEY	PAL NUMBER:
Agent's Name	Agent's Code	Agent's Stamp

Details of the shareholder(s)

Name.....

P O Box.....

Town.....

Code.....

I/we hereby appoint _____ ('attorney') to be my/our attorneys in my name and on my/our behalf to effect sale/purchase/renunciation of the Crown Paints Kenya plc new ordinary shares provisionally allotted to me/us or any part thereof and/or obtain Provisional Allotment Letter(s) on request, complete Form Z and to do all acts which the attorney thinks fit with regard to any and all Provisional Allotment Letters relating to the Crown Paints Kenya plc Rights Issue offer as per the Information Memorandum. I/we agree to ratify everything the attorney does or purport to do in accordance with this Power of Attorney and to indemnify Crown Paints Kenya plc and all its agents against all claims and liabilities arising out of anything lawfully done by the attorney.

Name (Signatory 1)	Name (Signatory 2)	Name of Witness (Authorized Agent)	
Signature or Left Thumbprint	Signature or Left Thumbprint	Signature or Left Thumbprint	Company Seal
ID/PP No.	ID/PP No.	ID/PP No.	
Date	Date	Date	

For Individual Shareholders Signatory 1 is main shareholder and Signatory 2 is the joint holder. Leave the company seal blank.

For Institutional Shareholders Affix the company seal as required by the company's Articles of Association and have the form signed by two Directors, or a Director and the Company Secretary, in Signatory 1 and Signatory 2 respectively.

Attach a certified copy of the ID/PP No for the Shareholders and the Appointed Attorney as well as a certified copy of the share certificate /or CDSC account statement for the Shareholder

Schedule 6 – Form R

FORM R	FORM OF RENUNCIATION	PAL NUMBER:	
Agent's Name	Agent's Code	Agent's Stamp	
I/We hereby renounce my/our Rights to subscribe for all the New Ordinary Shares comprised in the attached Provisional Allotment Letter PAL number indicated above, in favour of person(s) named in this Form relating to such shares			
BOX(1) Number of Rights Available in Renouncer's Name	BOX (2) Number of Rights to be Renounced	BOX (3) Amount payable for Renounced Rights	
<p><u>RENOUNCER</u></p> <p>Name and Address: _____</p> <p>_____</p> <p>Signature _____ Date: _____</p> <p>Joint Signature _____ Date: _____</p>			<p>Renouncer ID/PP Number</p> <p>Renouncer (Joint) ID/PP Number</p> <p>Renouncer Company Seal</p>
<p><u>RENOUNCEE</u></p> <p>Name and Address: _____</p> <p>_____</p> <p>Signature _____ Date: _____</p> <p>Joint Signature _____ Date: _____</p> <p>KENYA UGANDA TANZANIA OTHER</p>			<p>Renounee ID/PP Number</p> <p>Renounee (Joint) ID/PP Number</p> <p>Renounee Company Seal</p>
Read carefully: To be completed by RENOUNCEE			
<p><u>PURCHASE OF RENOUNCED RIGHTS SHARES</u></p> <p>For use by the Investor who is the RENOUNCEE herein.</p> <p>(i) I/We hereby accept in full, subject to the terms of the Information Memorandum, this Form Of Renunciation, the attached PAL and the Memorandum and Articles of Association of Crown Paints Kenya plc, the number of Rights Shares specified above in BOX (2) and for the value set out in BOX (3) above. (ii) I/we have made the payment in full, shown in BOX(5), to my/our Authorised Agent.</p>		<p>BOX(4)</p> <p>Number of Renounced Rights accepted as per BOX(2)</p>	<p>BOX(5) Amount payable for Purchase of renounced Rights as per BOX(3)</p>

Payment Details: (For use when payment is by Banker's Cheque)

Cheque Amount KShs.

Bank

Bank Code

Branch Code

Cheque Number

Subject to approval by Nairobi Stock Exchange here below:

NSE STAMP:

DATE: _____

Schedule 7 Authorised Selling Agents

Faida Investment Bank Ltd	Dyer & Blair Investment Bank Ltd	Francis Drummond & Company Ltd
Crawford Business park, Ground Floor, State House Road,	Goodman Tower, 7th floor,	Hughes Building, 2nd floor,
P. O. Box 45236- 00100	P.O. Box 45396 - 00100	P.O. Box 45465 - 00100
Tel: +254-20-7606026-35	Tel: 0709930000.	Tel: 318690/318689
Email: info@fib.co.ke	Email: shares@dyerandblair.com	Email: info@drummond.co.ke
Web: www.fib.co.ke	Web: www.dyerandblair.com	Web: www.drummond.co.ke
Suntra Investment Bank Ltd	Old Mutual Securities Ltd	SBG Securities Ltd
Nation Centre,7th Floor,	IPS Building, 6th Floor,	CfC Stanbic Centre, 58 Westlands Rd,
P.O. Box 74016 - 00200	P. O. Box 50338 - 00200	P. O. Box 47198 - 00100
Tel: 2870000/247530/2223330/2211846	Tel: 2241379, 2241408	Tel: 3638900
Email: info@suntra.co.ke	Email: info.oms@oldmutualkenya.com	Email: sbgs@stanbic.com
Web: www.suntra.co.ke	Web: www.oldmutual.co.ke	Web: www.sbgsecurities.co.ke
Kingdom Securities Ltd	ABC Capital Ltd	Sterling Capital Ltd
Co-operative Bank House,5th Floor,	IPS Building, 5th floor,	Delta Corner Annex building - 5th Floor, Ring Road,
P.O Box 48231 - 00100	P.O. Box 34137 - 00100	P.O. Box 45080 - 00100
Tel: 3276940/3276256/3276154	Tel: 2246036/2245971	Tel: 2213914/244077/ 0723153219/0734219146
Email: info@kingdomsecurities.co.ke	Email: headoffice@abccapital.co.ke	Email: info@sterlingib.com
		Web: www.sterlingib.com
AIB-AXYS Africa	EFG Hermes Kenya Limited	Standard Investment Bank Ltd
The Promenade 5th Floor, General Mathenge Drive, Westlands ,	Orbit Place, 8th Floor, Westlands Road,	ICEA Building, 16th floor,
P.O. Box 43676 - 00100	P.O Box 349 - 00623	P. O. Box 13714 - 00800
Tel: +254-020-7602525/0202226440	Tel: +254 (020) 3743040	Tel: 2228963/2228967/2228969
Email: info@aib-axysafrica.com	Email: kenyaoperations@EFG-HERMES.com	

Web: www.aib-axysafrica.com	Web: www.EFG-HERMES.com	Email: info@sib.co.ke
Kestrel Capital (EA) Limited	African Alliance Securities	Renaissance Capital (Kenya) Ltd
2nd Floor, Orbit Place, Westlands Road,	Transnational Plaza, 1st Floor, Wing B,	Purshottam Place ,6th Floor, Westland , Chiromo Road,
P.O. Box 40005 - 00100	P.O. Box 27639 - 00506	P.O BOX 40560 - 00100
Tel: 251758/2251893,2251815	Tel: +254 20 276 2000/ +254 20 276 2600	Tel: 3682000
Email: info@kestrelcapital.com	Email: info@africanalliance.com	Email: infokenya@rencap.com
Genghis Capital Ltd	NCBA Investment Bank Limited	Equity Investment Bank Limited
1st Floor, Purshottam Place Building, Westlands Road,	3rd Floor, NCBA Annex, Hospital Road, Upper Hill,	Equity Centre, Hospital Road, Upper Hill,
P.O Box 9959 - 00100, Nairobi Kenya	P.O Box 44599 - 00100, Nairobi	P.O Box 75104 - 00200
Tel: +254 730145000 / +254 709185000	Tel: +254 20 2884444, +254711056444, +254 732 156444	Tel: +254-20-2262477, +254-732-112477
	Email: contact@ncbagroup.com	
Email: info@genghis-capital.com	Web: https://investment-bank.ncbagroup.com	Web: www.equitybankgroup.com
KCB Capital	Absa Securities Limited	Securities Africa Kenya Limited
Kencom House 2nd Floor,	Absa Headquarters, Waiyaki Way,	The Exchange Building, 2nd Floor, Westlands Road,
P.O Box 48400 - 00100	P.O. Box 30120 - 00100	P.O Box 19018 - 00100
Tel: +254 711 012 000 / 734 108 200, +254 20 3270000	Tel: +254(732)130120/ +254(722)130120	Tel: +254-735 571530, +254-714 646406
Email: investmentbanking@kcb.co.ke	Email: absa.kenya@absa.africa	Email: infoke@securitiesafrica.com
Web: kcb.co.ke		Web: www.securitiesafrica.com



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