CROWN PAINTS KENYA PLC

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 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 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.

Our Mission

We are transforming lifestyles by providing world-class coating solutions while caring for the environment and community.

Our Vision

To be the most preferred innovative and colourful brand.

Our Core Values

Integrity, Transparency, Think Big, Ownership, Innovation

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1 Corporate Information

PRINCIPAL PLACE OF BUSINESS	**SECRETARY**
Mogadishu Road P.O. Box 78084 - 00507 Nairobi, Kenya	Conrad Nyukuri Adili Corporate Services Kenya ALN House, Eldama Ravine Close Off Eldama Ravine Road, Westlands P.O. Box 764 - 00606 Nairobi, Kenya
REGISTERED OFFICE	**REGISTRARS**
LR No. 209/5792 Mogadishu Road P.O. Box 78084 - 00507 Nairobi, Kenya	Custody and Registrar Services Ltd IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Off Bishops Road, P.O. Box 8484 - 00100 Nairobi, Kenya
BANKERS	**AUDITORS**
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	Ernst & Young LLP Kenya-Re Towers, Upper Hill P.O. Box 44286 - 00100 Nairobi, Kenya
SHARE CAPITAL	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.
SUBSIDIARIES	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	Faida Investment Bank Limited Crawford Business Park State House Rd P.O. Box 45236 - 00100 Nairobi Kenya Telephone: 020 7606026 Contact person: Rina Hicks Email: rina.hicks@fib.co.ke
Legal Adviser	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
Receiving Bank	Absa Bank Kenya plc (**ABSA Bank**) P.O. Box 46661 - 00100 Nairobi, Kenya
Reporting Accountant	Ernst & Young LLP Kenya-Re Towers, Upper Hill P.O. Box 44286 - 00100 Nairobi, Kenya
Share Registrar	Custody and Registrars Services Ltd IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, Off Bishops Road, P.O. Box 8484 – 00100 Nairobi, Kenya Telephone: Tel: +254 20 8690360 Contact Person: Purity Kairuthi Email: purity@candrgroup.co.ke
Sponsoring Broker	Faida Investment Bank Limited Crawford Business Park State House Rd P.O. Box 45236 - 00100 Nairobi, Kenya Telephone: 020 7606026 Contact person: Rina Hicks Email: rina.hicks@fib.co.ke

3 Important Notice

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

This Rights Issue and the information contained in this document includes legal, market as well as historic, current and future financial information. When considering what action you should take in relation to the Rights Issue, please consult your stockbroker, investment adviser, banker or other financial consultant who specialises in advising on the acquisition of shares and other securities.

If you have sold or transferred all or some of your Existing Shares in Crown Paints Kenya plc (the **Company or Crown**), please forward this 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.

This Information Memorandum is issued by the Company and has been prepared with respect to an invitation to Eligible Shareholders to subscribe for New Shares in the Company under the terms herein being issued under the Company's capital raising exercise (the **Rights Issue**) and subsequent trading of the New Shares on the Nairobi Securities Exchange (the **NSE**). This follows approval of the Rights Issue 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 13.3 (*Board of Directors*) of this 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 Information Memorandum may not contain all the information generally required of a prospectus or form of application.

Section 16 and 17 of this Information Memorandum contain the Reporting Accountant's Report and the Legal Opinion respectively, which constitute statements made by experts. The experts making the statements have not withdrawn their consent to the issue of their report and opinion in the form and context in which they are included in the Information Memorandum.

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 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 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 Information Memorandum and the PAL. Enquiries concerning this Information Memorandum or the PAL may be made to the Company or the Transaction Adviser whose contact details are set out above.

This 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.

Rakesh Rao
Group CEO

19 May **2021**

6 Directors' Statement

The Board accepts responsibility for the information in this Information Memorandum. To the best of our knowledge and belief, the Board has taken reasonable care to ensure that the information contained in this Information Memorandum is in accordance with the facts and the information required to be included in this 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 Information Memorandum and the statements contained in this 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 Information Memorandum.

Signed by

Mhamud Charania, Chairman

Rakesh Rao, Group Chief Executive Officer

7 Definitions

7.1 In this Information Memorandum, the following terms shall have the following meanings:

7.1.1 **Additional Shares** means New Shares applied for by Eligible Shareholders in excess of their Entitlement;

7.1.2 **Application Money** means the monies paid by Eligible Shareholders as consideration for New Shares applied for and allocated by the Company in accordance with this Information Memorandum;

7.1.3 **Authorised Selling Agent/Sales Agent** means an entity licenced by the CMA, duly authorised by the Company to receive PALs or Renunciation Forms together with proof of payment of the Application Money. The selling agents are outlined in Schedule 5 to this Information Memorandum;

7.1.4 **Bank Guarantee** means an irrevocable bank guarantee in respect of the Application Money payable to the Company for the New Shares that an Eligible Shareholder has applied for in the format set out in Schedule 3 of this Information Memorandum;

7.1.5 **Board** means the Company's board of Directors;

7.1.6 **Business Day** means a day (other than a Saturday or a Sunday or gazetted public holiday) on which commercial banks are open for business in Kenya;

7.1.7 **Capital Markets Act** means the Capital Markets Act 485A of the Laws of Kenya;

7.1.8 **CBK** means the Central Bank of Kenya;

7.1.9 **CDS** means the central depository system operated by the CDSC in accordance with the Central Depositories Act, No. 4 of 2000;

7.1.10 **CDS Account** means a securities account opened by the CDSC for purposes of recording dematerialised and immobilised securities;

7.1.11 **CDSC** means the Central Depository and Settlement Corporation Limited;

7.1.12 **Closing Date** means 5.00 p.m. on Friday, 4 June 2021, being the last day for receipt of acceptances in respect of the New Shares from the Eligible Shareholders;

7.1.13 **CMA** means the Capital Markets Authority of Kenya;

7.1.14 **CMA Investor Compensation Fund** means the investor compensation fund established under section 18 of the Capital Markets Act;

7.1.15 **CMA Public Offer Regulations** means the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002;

7.1.16 **Companies Act** means the Companies Act No. 17 of 2015;

7.1.17 **Director** means a director of the Company;

7.1.18 **EFT** means Electronic Funds Transfer;

7.1.19 **Eligible Shareholders** means a shareholder registered as holder of any of the Existing Shares as at the Record Date;

7.1.20 **Entitlement** means the entitlement to New Shares of an Eligible Shareholder pursuant to the Rights issue at the Entitlement Ratio and subject to receipt by the Company of the Offer Price per New Share. The term **Entitlements** shall be construed accordingly;

7.1.21 **Entitlement Ratio** means one (1) New Share for every one (1) Existing Share;

7.1.22 **Existing Shares** means the issued and fully paid ordinary shares of the Company held by Eligible Shareholders as of the Record Date. The term **Existing Share** shall be construed accordingly;

7.1.23 **Form E** means the entitlement form to be used by any person and issued in favour of such person, in the case of Rights purchased on the NSE in the CDS Account or Non Trading Accounts;

7.1.24 **Form R** means a form that is to be completed by the Eligible Shareholder on renunciation and/or transfer of the Rights (or any portion thereof) to a third party through direct renunciation;

7.1.25 **Group** means the Company and the Subsidiaries;

7.1.26 **Inspection Document** means the documents in respect of this Rights Issue which are available for inspection at the Company's registered office namely: the Information Memorandum, the abridged Information Memorandum and the annual report and audited financial statements for the years ending 31 December 2017, 31 December 2018 and 31 December 2019. The term **Inspection Documents** shall be construed accordingly;

7.1.27 **KES** means Kenya Shillings, the lawful currency for the time being of Kenya;

7.1.28 **KNBS** means the Kenya National Bureau of Statistics;

7.1.29 **KRA** means the Kenya Revenue Authority;

7.1.30 **New Shares** means the 71,181,000 new ordinary shares in the capital of the Company ranking *pari passu* with the Existing Shares and to be issued pursuant to the Rights issue;

7.1.31 **NSE** means the Nairobi Securities Exchange Limited of 55 Westlands Road, P.O. Box 43633 - 00100, Nairobi, Kenya;

7.1.32 **Offer** has the meaning ascribed to it in paragraph 10.1 of this Information Memorandum;

7.1.33 **Offer Period** means the period commencing 9.00 a.m. on the Record Date and ending on the Closing Date;

7.1.34 **Offer Price** has the meaning ascribed to it in paragraph 10.1 of this Information Memorandum;

7.1.35 **PAL** means a provisional allotment letter in the format set out in Schedule 1;

7.1.36 **Record Date** Friday, 7 May 2021, being the date for determining entitlements of Eligible Shareholders participating in the Offer;

7.1.37 **Renunciation Form** means a renunciation form in the format set out in Schedule 2;

7.1.38 **Rights** means the number of New Shares offered to an Eligible Shareholder based on the Entitlement Ratio;

7.1.39 **Rights Issue** means the issue of the New Shares by the Company by way of Rights as described in this Information Memorandum and the abridged version of this Information Memorandum;

7.1.40 **RTGS** means Real Time Gross Settlement;

7.1.41 **Subsidiaries** means Crown Paints Allied Industries Limited (Kenya), Regal Paints Uganda Limited (Uganda), Crown Paints Tanzania Limited (Tanzania) and Crown Paints Rwanda Limited (Rwanda); and

7.1.42 **Untaken Rights** means the aggregate of the New Shares not subscribed for by the Eligible Shareholders as at the Closing Date and fractions of the New Shares arising from the application of the Entitlement Ratio.

7.2 Words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof.

8 Timelines of the Offer[1]

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

[1] The Company reserves the right to revise the timelines in accordance with applicable laws.

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 *pari passu* 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

Month	High (KES)	Low (KES)	Volume Weighted Average Price (KES)
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 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 this 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 this 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 post rights issue (KES ‘000)	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
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	-		
	-		

CROWN PAINTS KENYA LTD			
BALANCE SHEET AS AT:			
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			
	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,

Specifically, the Group has had a challenging environment to drive growth against a backdrop of COVID-19 induced economic slowdown. The Group's working capital cycle has been abruptly extended and thereby our need for additional balance sheet funding to keep the Group's operations running smoothly. The Board has made a determination of the amount of funding needed to support the business and it is the amount targeted in the capital raising via the Rights Issue.

In addition, the paint industry across the East African region has had significant competitive pressures and there is a constant need for investment in brand marketing, operations improvement and formulation innovation. The negative economic impact of the COVID-19 pandemic especially in the construction sector will only increase the competitive pressures in the East African paint industry as the rate of construction will decrease in the immediate future.

Our basis for the Offer Price is to meet the above-mentioned challenges and to create an appealing Offer Price to encourage retail participation and the success of the Offer against a backdrop of very low trading volume at the NSE since the onset of the COVID-19 pandemic. The Board wishes to see maximum participation and a widely held stock on the NSE which will bode well for the future of the counter at the NSE. Current investor interest from foreign institutional investors looking to invest in East Africa is lacklustre and our deeply discounted Rights Issue is intended to be attractive. In addition, the Board would like to see a much greater level of average daily trading volume of the counter on the NSE which it believes will be possible following the increased number of shares in public ownership. Having a highly traded share will afford the Company more financial flexibility knowing there is a liquid stock traded on the market with strong investor support.

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
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 unalloted.

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 unalloted 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 this 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 this Information Memorandum may be obtained from the Authorised Selling Agents referred to in Schedule 5 to this Information Memorandum. A copy of this 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 this 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 this 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 Entitlement Form (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 this 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 this 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 Thursday, 15 July 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 this 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 this Information Memorandum will need to open a CDS Account in accordance with paragraph 10.11 (*Eligible Shareholders without CDS accounts*) of this Information Memorandum.

10.19.3 New Shares will be admitted on the NSE on Thursday, 15 July 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**

10.21.1 The Capital Markets (Foreign Investors) Regulations, 2002 (the **Foreign Investor Regulations**) provide that a foreign investor (**Foreign Investor**) is any person who is not a local investor. A local investor is defined to mean:

(a) an individual being a natural person who is a citizen of an East African Community Partner State; or

(b) a body corporate being a company incorporated under the Companies Act or such other similar statute or an East African Community Partner State in which the citizen or the Government of an East African Community Partner State have beneficial interest in 100% of its ordinary shares or any other body corporate established or incorporated in an East African Community Partner State under the provisions of any written law. An East African Community Partner State means States that are members of the East African Community.

10.21.2 Foreign investors wishing to apply for the New Shares must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities are adhered to, and pay any issue, transfer or other taxes due in such territory. Before applying for and purchasing the New Shares, Foreign Investors are advised to consult their own professional advisers as to whether they require any governmental or other approvals or need to observe any applicable legal or regulatory requirements.

10.21.3 This Information Memorandum and accompanying PAL do not, and are not intended to, constitute an offer for the New Shares in any place outside Kenya or in any circumstances where such offer or solicitation is not authorised or is unlawful. In that regard, this Information Memorandum and accompanying PAL may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction (other than Kenya) or in any circumstances where such offer or solicitation is not authorized or is unlawful. The distribution of this Information Memorandum and the accompanying PAL outside of Kenya may be restricted by law and persons who come into possession of this Information Memorandum and the accompanying PAL should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws of any jurisdiction. Any such recipient must not treat this Information Memorandum and PAL as constituting an offer to him, unless in the relevant jurisdiction, such invitation or offer could be made lawfully to him without contravention of any unfulfilled registration or legal requirements.

10.21.4 In particular, the Rights Issue has not been, and will not be, registered under the United States' Securities Act, 1933 or under any other applicable securities laws of any state in the United States of America and, subject to certain exceptions, is not being made in the United States of America or to persons resident in the United States of America. The New Shares will be offered or sold only in an offshore transaction outside the United States of America within the meaning of and in compliance with Regulation S under the United States' Securities Act, 1933[2]. In addition, an offer of New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the United States' Securities Act, 1933 if such offer or sale is made otherwise than in accordance with Rule 144A under the United States' Securities Act, 1933.

10.21.5 Each person who initially acquires New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Transaction Advisor and the Company that:

(a) it and any person for whose account it is subscribing for New Shares are outside the United States and is acquiring such New Shares in an offshore transaction within the meaning of and in compliance with Regulation S under the United States' Securities Act, 1933;

(b) it did not become aware of nor is it making any investment decision with respect to the New Shares as a result of any "directed selling efforts" within the meaning of Rule 902(c) of Regulation S under the United States' Securities Act, 1933; and

[2] (https://www.ecfr.gov/cgi-bin/text-idx?amp;node=17:3.0.1.1.12&rgn=div5#se17.3.230_1144a)

(c) it will not reoffer, re-sell, pledge or otherwise transfer or deliver any New Shares, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States' Securities Act, 1933 and all applicable securities laws of the states and other jurisdictions of the United States.

The Company and the Transaction Advisors and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

10.21.6 Eligible Shareholders with a registered address in Kenya holding the Existing Shares on behalf of persons who are resident in a jurisdiction outside Kenya are responsible for ensuring that taking up the New Shares under the Rights Issue does not breach securities laws in that other jurisdiction. The return of a duly completed PAL in accordance with this Information Memorandum will not be deemed as a representation that there has been no breach of such laws.

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. 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 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
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 this 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 Macroeconomic Review

11.1 Global Overview

11.1.1 According to the International Monetary Fund (**IMF**), global growth significantly slowed down to 2.9% in 2019 from 3.6% recorded in 2018.

11.1.2 The subdued growth, which was synchronized across the world, was occasioned by escalating trade tensions, geopolitical uncertainty, country specific shocks in a number of emerging market economies (South Africa, India & Mexico) and structural issues (particularly aging demographics and low productivity growth) in advanced economies. These factors particularly weighed down growth in trade and manufacturing.

11.1.3 Global growth in 2019 was however supported by a stable services sector across the world.

11.1.4 2019 was also characterized by an accommodative monetary policy across emerging market and advanced economies – influenced in part by the absence of inflationary pressures and the need to spur economic growth.

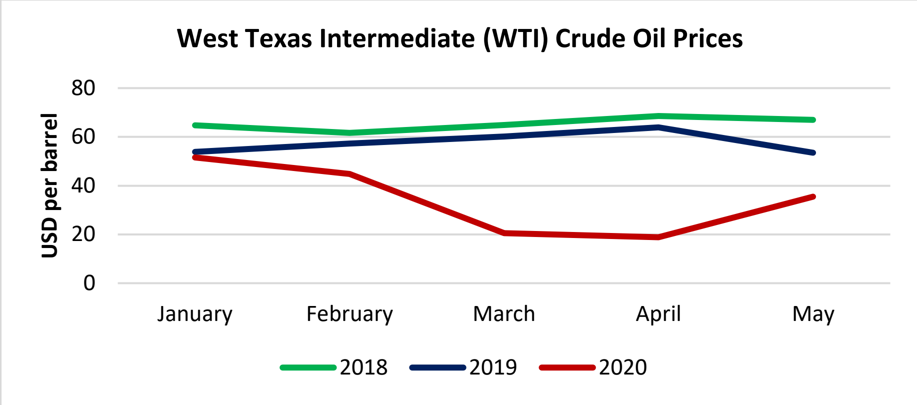
11.1.5 The prospects of the global economy in 2020 have been shattered by the COVID-19 (coronavirus) disease, which originated in China, and was declared a pandemic by World Health Organization (**WHO**).

11.1.6 The COVID-19 health crisis has had an adverse impact on the global economy as the containment measures (lockdowns, suspension of international travel) initiated have reduced economic activities globally.

11.1.7 Currently, most countries are facing a delicate balance between implementing measures that contain the spread of the disease while also lessening the economic impact of the pandemic.

11.1.8 In a bid to support economic growth, most economies have initiated expansionary fiscal and monetary measures.

11.1.9 The lower growth has had an impact on commodity prices in particular, oil prices. In the first four months of 2020, crude oil prices sustained a downward trend culminating in a price crash in April. The price crash in April was occasioned by a price war between Russia and Saudi Arabia. However, in April, OPEC and its oil producing allies agreed to cut production by 9.7 million barrels per day (largest output cut in history). This led to a recovery in oil prices, but currently oil prices remain lower than those witnessed in 2019. Crude oil prices are expected to remain lower in 2020 in comparison to 2019) on the back of reduced global demand due to the expected contraction in the world economy.



Source: Bloomberg

11.1.10 According to the IMF June 2020 economic update, global GDP growth is projected at -4.9% in 2020. Additionally, recovery is projected to be gradual. In 2021, GDP growth is projected at 5.4%.

11.2 Africa Overview

GDP Growth

11.2.1 According to the African Development Bank (**AFDB**), Africa's GDP growth in 2019 was estimated at 3.4% same as in 2018. This growth though slightly higher than the average growth in the last 5 years (3.0%) was still lower than the 10-year average growth (5.0%). However, Africa's growth rate in 2019 was still above that of the global average (2.9%) and the advanced economies (1.7%).

11.2.2 The AFDB notes that growth was weighed down partly by slower growth in the continent's big five economies - Algeria, Egypt, Morocco, Nigeria and South Africa - which jointly grew at an average rate of 3.1% compared to the average rate of 4.0% for the rest of continent's economies.

11.2.3 There were also variations in terms of regional growth rates as highlighted below.

(a) **East Africa**: East Africa was the fastest growing region with an estimated growth of 5.0% in 2019 with Rwanda (9.4%[3]), Ethiopia (7.4%) and Tanzania (6.8%) leading the region. The three countries were among the 10 fastest growing countries globally. South Sudan growth accelerated from 0.5% in 2018 to 5.8% in 2019 as a result of increased oil production following the peace agreement. Kenya's growth however decelerated to 5.4%[4] in 2019 from 6.3% in 2018. However, the region's contribution to growth shrunk from over 32.0% in 2016 to less than 20.0% in 2019.

(b) **North Africa**: Average growth was estimated at 4.1% (second fastest) in 2019. Growth in the region was boosted by growth in Egypt (from 5.3% in 2018 to 5.6% in 2019 due to economic reforms implemented and increase on gas extraction), Algeria (from 1.4% in 2018 to 2.3% in 2019) and Mauritania (from 3.6% in 2018 to 6.7% in 2019). Libya's growth however decelerated from 7.8% to 4.0% due to political instability which has disrupted oil production and provision of essential amenities such as electricity. The region is the biggest contributor to growth accounting for 44.0% of the growth in 2019. Egypt alone was estimated to have contributed 1.1% of the 3.4% growth.

(c) **West Africa**: Average growth was estimated at 3.7% in 2019 from 3.4% in 2018. Notable growth drivers included Ghana (from 6.3% in 2018 to 7.1% in 2019 driven by the mining and petroleum and agricultural sectors), Cote d'Ivoire (7.4% in 2018 and 2019 on the back of increased public investments) and Nigeria (from 1.9% in 2018 to

[3] Official estimate from the National Institute of Statistics of Rwanda (NISR).
[4] Official estimate from the Kenya National Bureau of Statistics (KNBS).

2.3% in 2019). As result of the recovery in Nigeria, the region's contribution has increased in the last few years from below 7.0% to more than 28.0%.

(d) **Central Africa**: Average growth was estimated at 3.2% in 2019 from 2.7% in 2018. Most countries experienced growth except for DRC which saw growth decelerate from 5.8% to 4.3% due political uncertainties over the last general election and an Ebola outbreak.

(e) **Southern Africa**: Growth decelerated from 1.2% in 2018 to an estimated 0.7%. Several extreme weather-related events (cyclones) destroyed infrastructure and led to low agriculture production in Malawi, Mozambique, and Zambia. Growth was also weak in Zimbabwe (from 3.4% in 2018 to -12.8% in 2019) mainly due to currency issues. South Africa's growth was estimated at 0.2%[5] in part due to slow recovery in commodity prices. As a result, the region's contribution to growth has declined to 4.0% in 2019 from 6.0% in 2016.

11.2.4 The slowdown also highlights the challenging global economic conditions mentioned earlier. According to AFDB, the slowdown in global trade negatively impacted two of Africa's major exports, metal, and food.

11.2.5 On a positive note, according to AFDB, 2019 marked the first time in 10 years that investment spending accounted for a larger share (54.0%) of GDP growth than consumption (31.0%). Net exports also recovered contributing 6.0% to growth in 2019 from 1.0% in 2018. This was due in part to recovery of oil prices though growth on average in oil exporting countries still lags that in non-oil exporting countries.

Inflation

11.2.6 According to AFDB, inflation in the continent, though lower, remained relatively high at 9.2% in 2019 (2018: 11.2%). 32 countries managed to ease inflationary pressures in 2019 from 2017 levels while 22 saw an increase. The lower inflationary pressures were on the back of stability in energy prices and falling food prices as result of increased agriculture production. Oil exporting countries on average saw inflation ease to 11.3% in 2019 from 15.6% in 2018 while oil importing ones saw inflation increase from 5.3% to 6.4%. Countries like Angola, Sudan, Zambia experienced inflationary pressures on the back of higher imported inflation as result of their currencies depreciating.

Public Debt and Fiscal Positions

11.2.7 According to the AFDB, the weighted average overall fiscal to GDP ratio declined to 4.8% from 5.9%. This was partly attributed to stability in commodity prices and higher revenues for natural resource exporters. Also, for non-oil exporting countries, there was a winding down of their fiscal expansion programs and a reduction in spending as a result of increasing debt service costs. Notable countries that cut expenditures include Congo and Zambia which saw their expenditure to GDP ratio decline by 8.0% and 4.0% respectively.

11.2.8 On average, the revenue to GDP ratio for the 54 countries rose by 0.3% but oil exporters experienced a bigger rise of more than 1.0%.

11.2.9 Africa's public and publicly guaranteed debt has been on the rise over the past 10 years. The median debt to GDP ratio has risen to 56.0% in 2018 from 38.0% 10 years prior. Total external debt reached almost USD 500.0 billion with Eurobonds accounting for 20.0% of this amount.

Balance of Payments

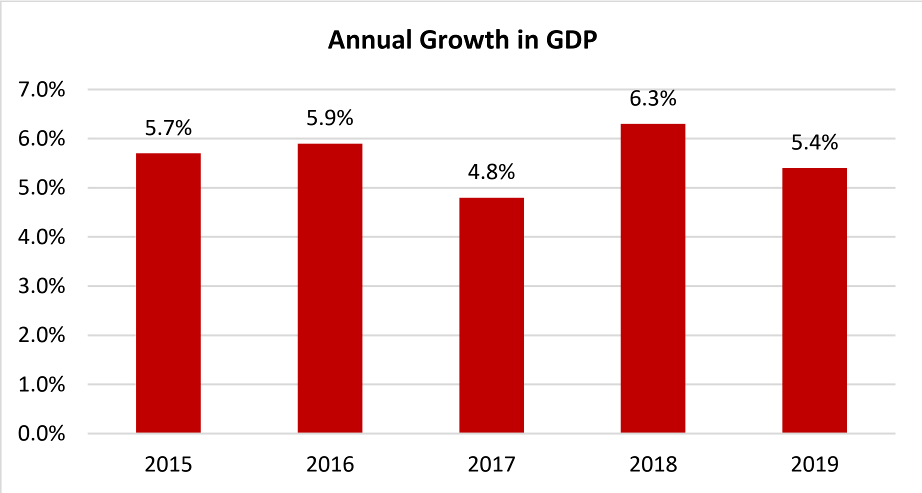
[5] Official estimate from Statistics South Africa (Stats SA).

11.2.10 Africa's average current account deficit was estimated at 4.2% of GDP for 2019, a deterioration from 2018 (3.4%). The current account had been improving since 2015 in part due increased remittances and foreign aid.

11.3 Kenya

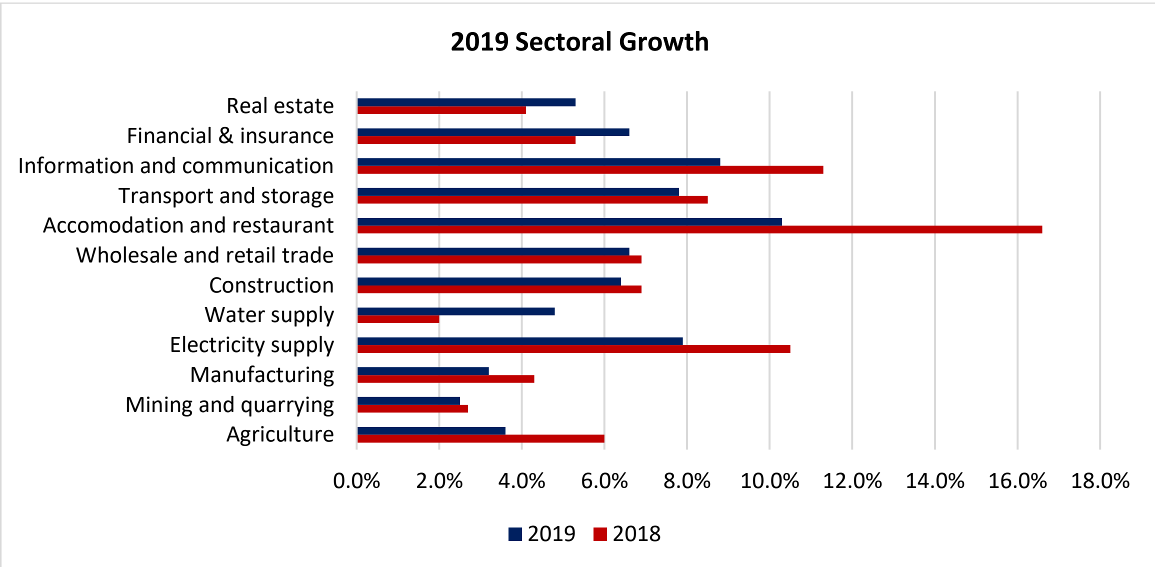
GDP Growth

11.3.1 In 2019, economic activity was relatively subdued in comparison to 2018. The real Gross Domestic Product (GDP) is estimated to have advanced by 5.4% - slower than a growth of 6.3% registered in 2018.



Source: KNBS - Economic Survey 2020

11.3.2 The slowdown in real GDP growth in 2019 was brought on by decelerated growth across most sectors of the economy, but especially by the agriculture, forestry and fishing sector which accounted for 34.1% of total economic activities.



Source: KNBS - Economic Survey 2020

11.3.3 Growth within the agriculture, forestry and fishing sector eased to 3.6% from 6.0% in 2018 predominantly due to insufficient long rains that interrupted the normal planting season in key agricultural zones.

11.3.4 The manufacturing sector grew by 3.2% in 2019, lower than 4.3% growth in 2018 – partly on the back of constrained supply of raw materials due to reduced agricultural activities.

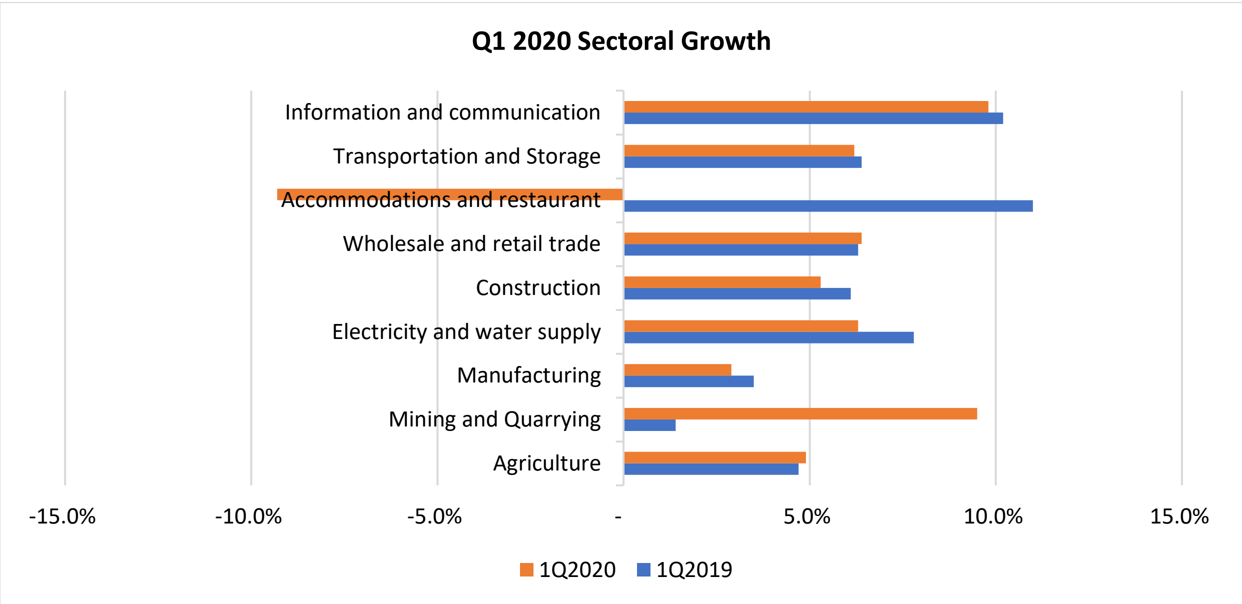
11.3.5 Growth in the electricity supply sector eased to 7.9% from 10.5% in 2018 largely reflecting the slowdown in total electricity generation (growth of 3.2% in 2019 vis-à-vis a 9.1% growth in 2018). The reduction in electricity generation was mostly on the back of a 19.6% decrease in electricity generated from hydroelectric sources – due to insufficient long rains.

11.3.6 The construction sector continued to encounter decelerated growth (for the fourth consecutive time), rising by 6.4% compared to 6.9% in 2018. The persistent slowdown in the construction sector has been attributed to the gradual reduction in activities related to the construction of the Standard Gauge Railway (SGR).

11.3.7 The financial services sector continued in its recovery path in 2019, rising by 6.6% in comparison to 5.3% in 2018 and 2.6% in 2017. This growth was supported by improved growth in domestic credit which recorded a 7.5% growth in 2019 – higher than 6.4% in 2018.

11.3.8 The accommodation and food services sector experienced robust growth in 2019 rising by 10.3%. Growth in the sector was bolstered by heightened security, relaxation of travel advisories by governments of key tourism markets and political stability. However, this growth was considerably lower than the growth of 16.6% recorded in 2018 partly reflecting the subdued growth in international visitor arrivals (+0.4% in 2019 against +14.0% in 2018).

11.3.9 In the Q1 2020, Kenya's GDP registered a slower growth of 4.9% growth in Q1 2020 compared to 5.5% growth in 1Q2019. According to the KNBS, this was mainly due to uncertainty that sprung from slowing economic activity in some of the country's major trading partners because of the COVID-19 pandemic. As result, most sectors experienced decelerated growth as shown below except for the agriculture sector, mining and quarrying and wholesale and retail trade.



Source: KNBS

11.3.10 Notably, growth in accommodation and food services contracted by 9.3% (Q1 2019: +11.0%) as the sector was greatly affected by containment measures in tourist countries which caused a plunge in tourist numbers. International visitor arrivals through the two major airports declined from 364,744 in 1Q 2019 to 294,053 in the Q1 2020.

11.3.11 There was however an increase in agricultural activity which led to the agricultural, forestry and fishing sector growing by 4.9% (Q1 2019: 4.7%). This was attributed to favourable rainfall. Tea production rose from 106.3 thousand metric tonnes in the Q1 2019 to 158.6 thousand metric tonnes while higher production of sugarcane resulted in a 10.2% rise in the volume of cane delivered to millers. However, the horticultural subsector saw the volume of cut flowers exported drop to 42,639 metric tonnes from 49,163 metric tonnes in Q1 2019.

11.3.12 Most local containment measures were implemented towards the end of the Q1 2020. The Q1 2020 GDP numbers therefore do not fully capture the impact of COVID-19.

11.3.13 As the infections rose, Kenya implemented a raft of measures to contain the spread. The more notable ones included cessation of movement (by all means) in counties with high number of infections, suspension of international passenger flights and a nationwide curfew. These measures have had a negative impact on households and businesses. The data below from the CBK can provide some insights into the impact of the measures taken by the Government of Kenya:

(a) The proportion of non-performing loans (as measured by the Non-performing Loans Ratio – NPL ratio) had increased to 13.1% by June 2020 from 12.0% in December 2019.

(b) Total loans amounting to KES 844.4 billion had been restructured (29.0% of the total banking sector loan book of KES 2.9 trillion) by the end of June, in line with the emergency measures announced by the CBK on March 18 to cushion households and businesses.

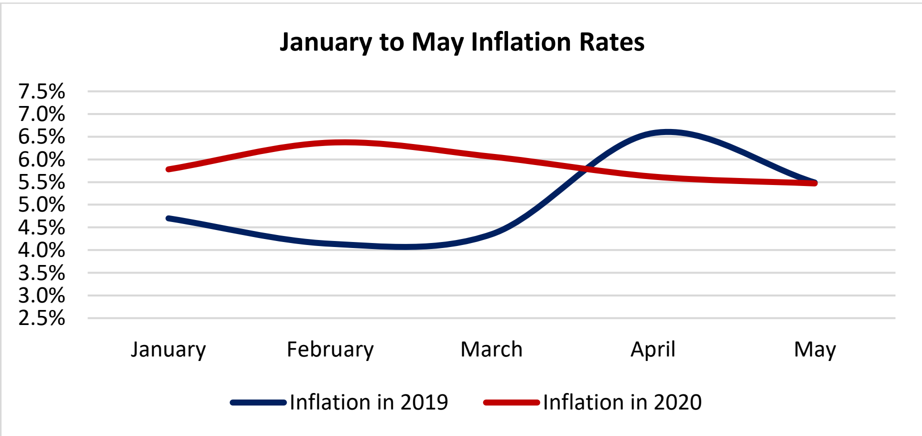
(c) In the first half of 2020, services exports had declined by 20.0% reflecting the weakness in tourism and air transportation.

11.3.14 Although infections have accelerated, some of these measures such as cessation of movement and suspension of international passenger flights been have eased to improve economic activity and protect livelihoods. According to the CBK Private Sector Survey conducted in July 2020, most respondents were optimistic that economic activity would pick up as result of the easing of the measures coupled with favourable weather and accommodative fiscal and monetary policy.

Inflation

11.3.15 The annual inflation (as measured by the Consumer Price Index) increased from 4.7% in 2018 to 5.2%[6] in 2019. The rise was mainly attributable to rise in food prices due to unfavourable weather conditions in the first half of the year.

11.3.16 In the first 5 months of 2020, inflation has generally been higher than the inflation witnessed during a similar period in 2019; inflation averaged 5.9% between January and May 2020 and 5.1% between January and May 2019.



[6] The inflation calculation is based on the basket of goods dominating household expenditures during the 2005/06 Kenya Household Budget Survey. KNBS has since changed the methodology to incorporate the 2015/16 house budget survey.

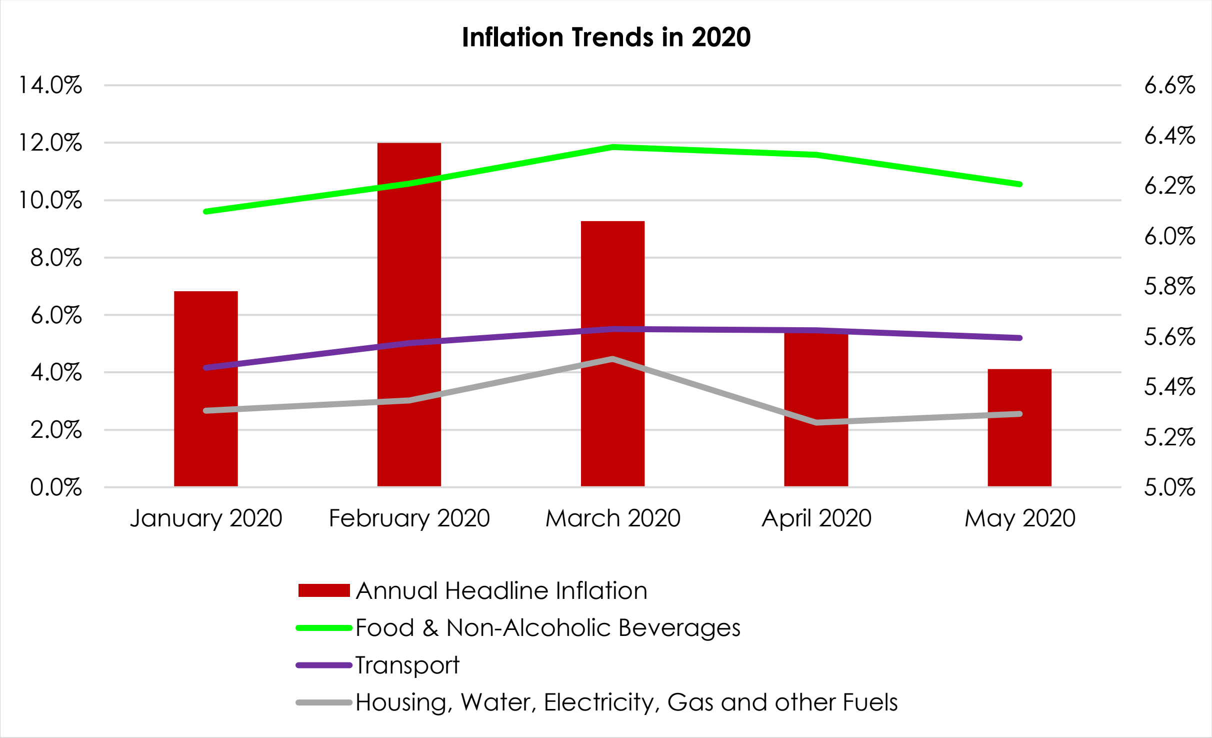
Source: KNBS and Faida Investment Bank Analysis

11.3.17 The relatively higher inflation rate witnessed in most of 2020 has been occasioned by higher food prices, despite lower transport and utility costs as shown in the table below:

Average Rates Between January and May	2019	2020
Annual Headline Inflation	5.1%	5.9%
Food & Non-Alcoholic Beverages Index	4.0%	10.8%
Transport Index	10.5%	5.1%
Housing, Water, Electricity, Gas and other Fuels Index	8.7%	3.0%

Source: KNBS

11.3.18 The higher food costs in 1Q 2020 were mostly attributable to food supply disruptions owing to above average rainfall during the October-November-December (OND) short rain season, which resulted in flooded farms resulting in delayed harvests and destruction of crops.

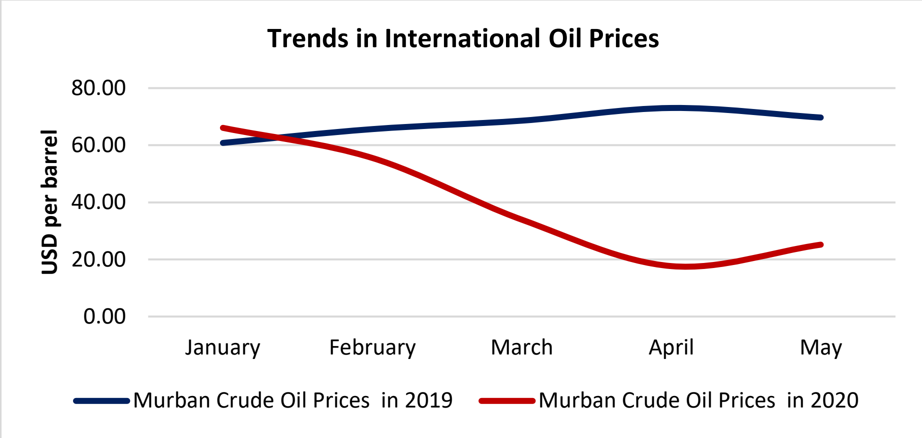


Source: KNBS and Faida Investment Bank Analysis

11.3.19 From April 2020, the pressure on food prices eased slightly due to reduced prices on some food items (due to favourable weather). However, food prices continued to be elevated (in comparison to 2019) owing to supply disruptions brought on by the Covid-19 containment measures (curfews, cessation of movements).

11.3.20 Annual headline inflation witnessed in the months of April and May 2020 benefitted mainly from low fuel prices and a VAT reduction from April (part of the measures adopted by the government to cushion the economy from the impact of the COVID-19 pandemic).

11.3.21 The transport index was markedly lower in the first 5 months of 2020, averaging at 5.1% against 10.5% in a similar period in 2019. This was occasioned by reduced global oil prices in the wake of COVID-19.



Source: Bloomberg

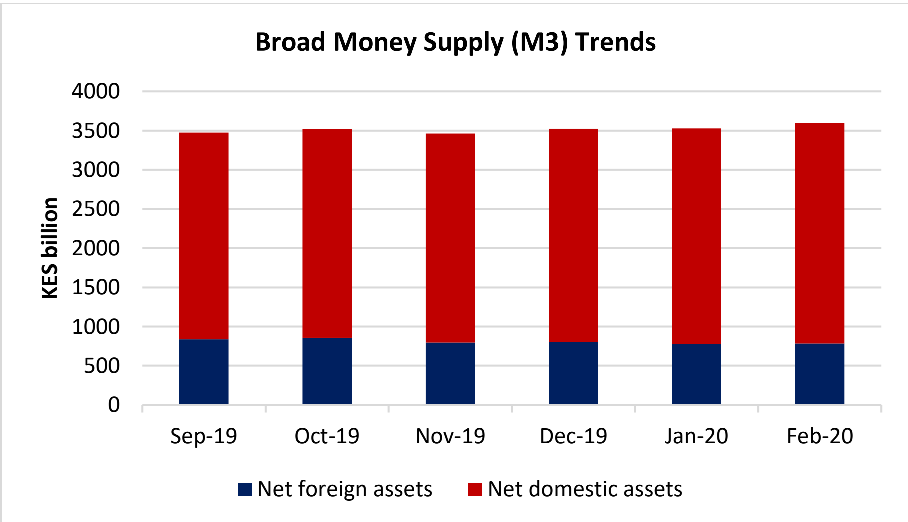
11.3.22 The Murban crude oil prices averaged USD 39.67 per barrel between January and May 2020 from USD 67.56 per barrel in a similar period in 2019.

11.3.23 The lower global crude oil prices were initially prompted by a price war between Saudi Arabia and Russia (Russia declined to initiate further supply cuts in line with the OPEC+ alliance and Saudi Arabia retaliated by raising its crude oil output and reducing its prices) and reduced global demand for crude oil on the back of reduced global economic activity brought on by COVID-19 containment measures globally (lockdowns).

Money Supply

11.3.24 Broad money supply (M3) increased by 5.6% to KES 3.5 trillion as at December 2019 compared to an increase of 10.1% to KES 3.3 trillion as at December 2018. Over the same period, Total domestic credit grew to KES 3.7 trillion from 3.5 trillion. Credit growth to the government decelerated to 4.8% (to KES 900.4 billion) compared to 14.7% in 2018. Credit to the private sector grew by 6.5% to KES 2.8 trillion.

11.3.25 Between September 2019 and February 2020, broad money supply rose by 3.5% from KES 3.5 trillion in September 2019 to KES 3.6 trillion in February 2020. This growth was mostly underpinned by a 6.6% rise in net domestic assets, within the same period, to KES 2.8 trillion as net foreign assets declined by 6.1% to KES 784.5 billion.

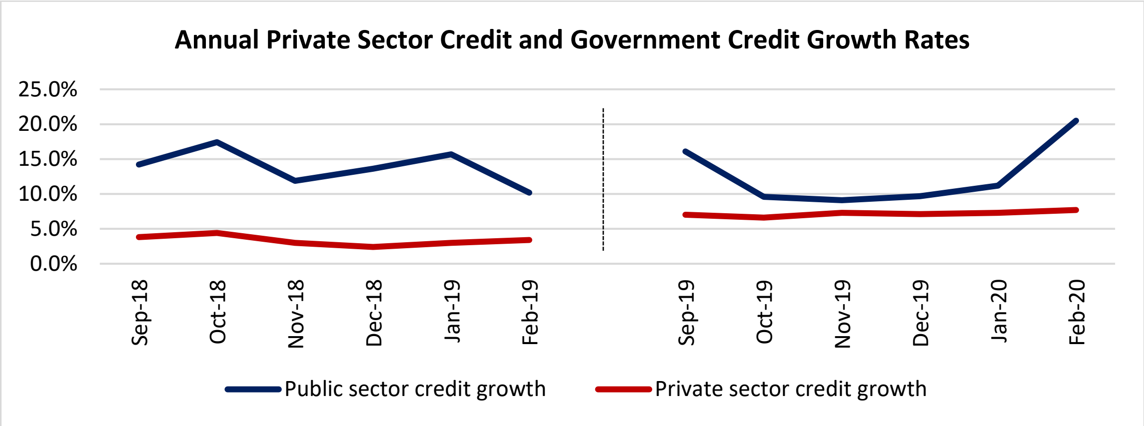


Source: CBK

11.3.26 With regard to domestic assets, domestic credit rose by 5.3% to KES 3.8 trillion in February 2020 principally propelled by a 17.6% rise in domestic credit to the government to KES 1.1 trillion in comparison to a 1.6% growth in domestic credit to the private sector to KES 2.6 trillion.

11.3.27 Between September 2019 and February 2020, the annual growth in credit to the government continued to outperform the annual growth in credit to the private sector as shown in the table below. Within this period, the annual growth in credit to the government averaged 12.7% whilst annual growth in credit to the private sector averaged 7.2%.

11.3.28 In comparison to a similar period a year earlier (September 2018 and February 2019), the average rate of 7.2% was a significant improvement in credit growth as the annual growth in credit to the private sector averaged 3.3% between September 2018 and February 2019. This improvement was mainly underpinned by the removal of the interest rate caps.



Source: CBK

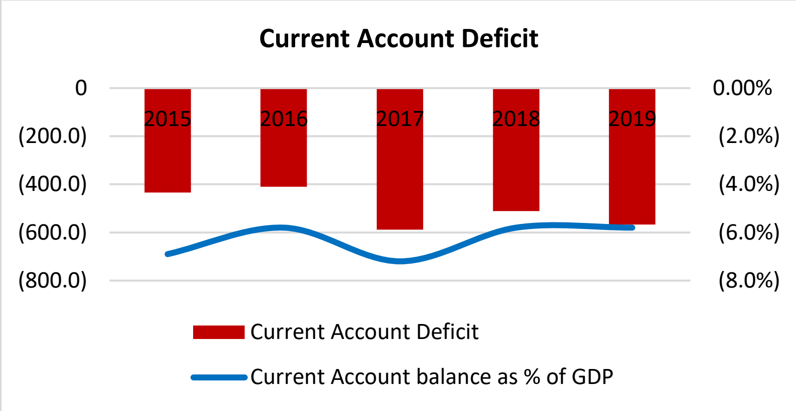
Current Account

11.3.29 In 2019, the current account deficit widened by 10.9% to a deficit of KES 567.0 billion (5.8% of GDP) from a deficit of KES 511.3 billion in 2018 (5.8% of GDP). The increase in the current account deficit was mainly due to a 5.5% increase in the merchandise trade deficit to KES 1,090.0 billion and a 33.7% worsening of the primary income account to a deficit of KES 196.3 billion.

11.3.30 The wider merchandise trade deficit was occasioned by a 2.9% decline in merchandise exports to KES 598.8 billion and a 2.3% increase in merchandise imports to KES 1,688.3 billion. The rise in merchandise imports was on the back of increased importation of petroleum products, machinery and other capital equipment.

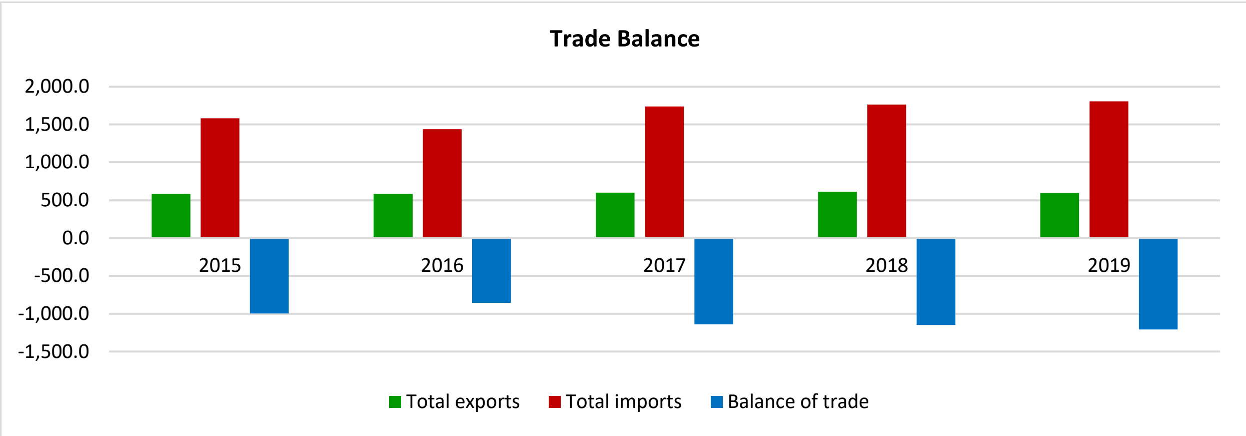
11.3.31 Receipts from international trade in services rose by 3.3% to KES 573.2 billion in 2019 supporting the net international trade in services to record a surplus of KES 180.0 billion – an 11.3% growth from 2018.

11.3.32 Diaspora remittances went by 5.0% to KES 289.5 billion in 2019 boosting net receipts in the secondary income account which grew by 6.3% to KES 538.9 billion.



Source: KNBS

11.3.33 In 2019, the overall balance of trade deficit widened by 5.2% to KES 1,209.7 billion weighed down by a 2.4% increase in the total value of imports to KES 1,806.3 billion and a 2.9% decrease in the total value of exports to KES 596.7 billion.



Source: KNBS/KRA

Forex Reserves

11.3.34 Kenya's foreign exchange reserves remained adequate and stable within most of the 1Q 2020, averaging USD 8.5 billion (c. 5.2 months of import cover) between January and 19th March 2020.

11.3.35 However, from 26th March 2020, foreign exchange reserves encountered some pressure, declining from USD 8.3 billion (5.0 months of import cover) in 19th March to USD 7.7 billion (4.7 months of import cover) at the end of April.

11.3.36 This decline in forex reserves was brought on by reduced foreign exchange inflows from remittances, tourism and exports due to the global containment measures necessitated by the global COVID-19 pandemic as well as efforts to support the Kenya Shilling which was under pressure (hit an all-time low of 107.29 at the end of April 2020).

11.3.37 As a defensive measure to the expected decrease in forex reserves, in early March, the CBK announced its plan to buy US Dollars, up to USD 100.0 million a month, in order to progressively increase its reserves above normal levels.

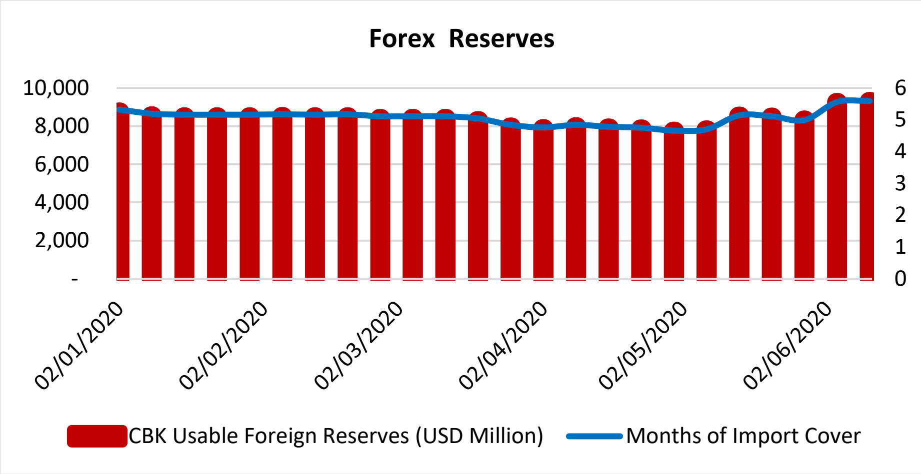
11.3.38 From May 2020, forex reserves have adopted an upward trend, rising from USD 7.7 billion at the end of April, to USD 9.3 billion (5.6 months of import cover) as at June 11th 2020.

11.3.39 The rise was supported by the disbursement of several foreign funds to help Kenya in dealing with the economic shocks arising from the global coronavirus pandemic and plug the budget deficit:

(a) USD 739.0 million economic support loan from the International Monetary Fund (IMF);

(b) USD 1.0 billion loan from the World Bank; and

(c) USD 225.0 million from the African Development Bank.

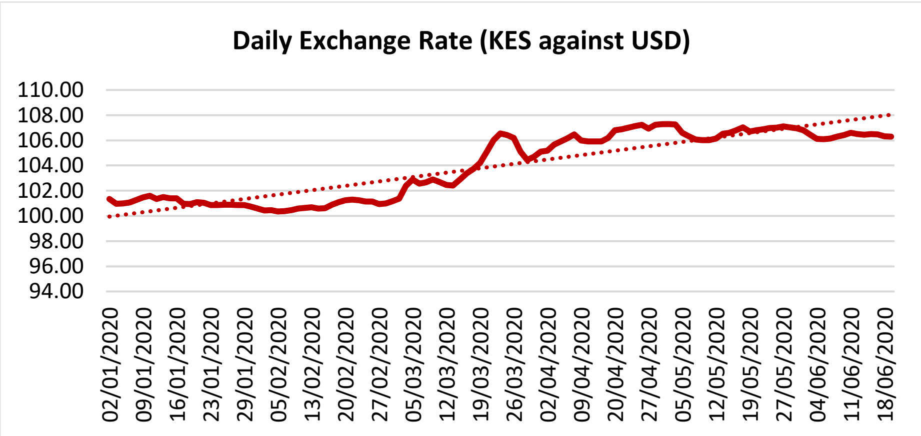


Source: CBK and Faida Investment Bank Analysis

Exchange Rate

11.3.40 According to the KNBS, in 2019, the Kenya Shilling gained against the Euro (4.6% to KES 114.18), Pound Sterling (3.8% to KES 130.18), Chinese Yuan (3.7% to KES 14.76) and Indian Rupee (2.4% to KES 1.45) but lost against the Japanese Yen (2.0% to KES 93.59), the US Dollar (0.7% to KES 101.99), UAE Dirham (0.7% to KES 27.77) and Saudi Riyal (0.7% to KES 27.19). Overall, using the Trade Weighted Index, the Kenya Shilling improved from 115.7 in 2018 to 113.0 in 2019.

11.3.41 The Kenya Shilling has adopted a weakening bias in the first 25 weeks of 2020, depreciating by 4.9% against the US Dollar to close at 106.29. This reveals a stark contrast to a similar period in 2019, where the Kenya Shilling depreciated by only 0.2% against the US Dollar.



Source: CBK and Faida Investment Bank Analysis

11.3.42 In January and early February 2020, the Kenya Shilling strengthened against the US Dollar appreciating by 1.0% to 100.35 at 5th February 2020 – this was partly due to inflows targeting Treasury bonds auctions.

11.3.43 However, towards the tail end of February, the Kenya shilling encountered some pressure on the back of seasonal dollar demand by corporates in the interbank market, closing at 101.29 on 21st March 2020 – before stabilizing towards the end of the month (closed at 100.98) supported by inflows from the tea sector.

11.3.44 In early March, the Kenya Shilling depreciated significantly, touching 102.90 on 10th March 2020 owing to increased USD Dollar demand by the Central Bank of Kenya as part of its efforts to progressively increase its reserves above normal levels.

11.3.45 By 13th March, the Kenya Shilling had strengthened marginally against the US Dollar hitting 102.32 mainly supported by inflows from offshore investors.

11.3.46 With the announcement of the first COVID-19 patient, the Kenya Shilling reacted strongly depreciating by 3.7% to reach 106.54 on 24th March 2020. This was also attributable to strengthening of the USD as well as low supply of the US Dollar.

11.3.47 Between 24th March 2020 and 31st March 2020, the Kenya Shilling strengthened by 1.6%, closing the month at 104.69, and this was attributable to:

(a) announcement of the first stimulus package (reduction in VAT, corporate tax and income tax); and

(b) retreating US Dollar demand from retailers, manufacturers as a result and importers due to slowing economic activity.

11.3.48 April 2020 was characterized by a persistent weaker Kenya Shilling the Kenya Shilling breached the 107.00 level, reaching 107.29 at the end of April - and this was attributable to heightened US Dollar demand.

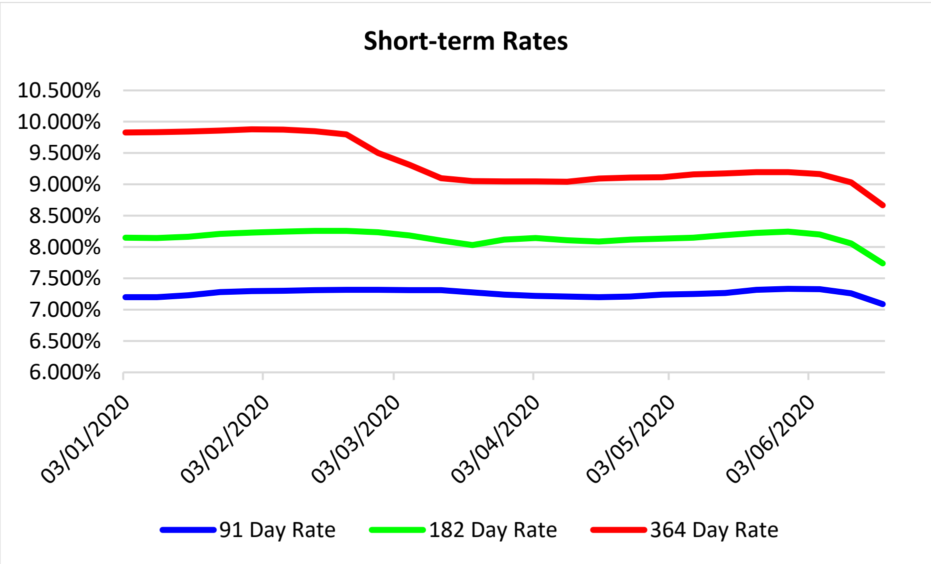
11.3.49 In May and June the Kenya Shilling remained relatively stable averaging 106.55 – but this still remains a significant depreciation from the levels (average of 101.22 between January and 13th March 2020) witnessed before the confirmation of the first COVID-19 patient in the country and the commencement of the global pandemic.

Short-term Rates

11.3.50 In the first 25 weeks of 2020, short-term interest rates have generally adopted declining bias.

11.3.51 In comparison to the last week of 2019, the 91-day, 182-day and the 364-day Treasury bill yields have declined by 11, 41 and 115 basis points to 7.1%, 7.7% and 8.7% respectively.

11.3.52 The downward trend has been largely influenced by the Treasury's (i) efforts to minimize domestic debt costs by rejecting expensive bids and (ii) strategic focus on Treasury bonds vis-à-vis Treasury bills (as indicated in the Medium-term Debt Management Strategy).



Source: CBK and Faida Investment Bank Analysis

11.3.53 Contrary to the yields on the 364-day Treasury bill, the yields of the 91-day and 182-day Treasury bills have remained relatively stable.

11.3.54 Between the weeks ending 21st February and 13th March 2020, the yield on the 364-day Treasury bill declined by 70 bps to 9.1%. This significant drop was underpinned by the Treasury taking advantage of heavy bidding by investors (subscription rates averaged 435.2% in these weeks) to keep interest rates low. Investors sought to invest in the 1-year tenor amidst an uncertainty brought on by the global COVID-19 pandemic.

11.3.55 In the second and third weeks of June 2020, there was a noticeable persistent decline in yields across all tenors as the Treasury offered lower rates as it reduced its uptake of domestic debt towards the tail-end of the fiscal year. Treasury bill yields fell by 23 bps, 46 bps and 50 bps for the 91-day, 182-day and the 364-day Treasury bills to 7.1%, 7.7% and 8.7% respectively at the auction for the week ending June 19th, 2020 from 7.3%, 8.2% and 9.2% respectively at the auction for the week ending June 5th, 2020.

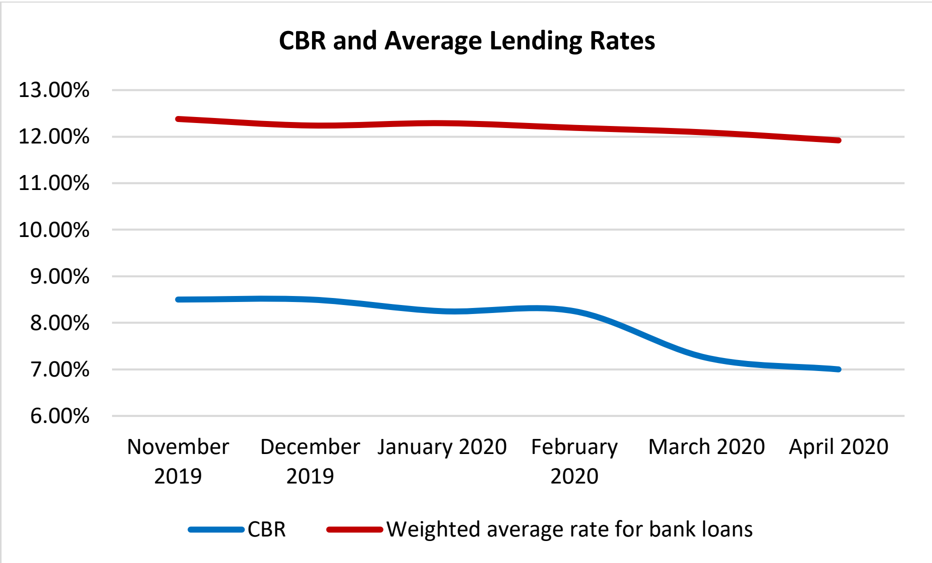
Monetary Policy Rates and Lending Rates

11.3.56 The Central Bank's monetary policy stance as reflected by the Central Bank Rate (CBR), remained largely unchanged for most of 2019. However, in November 2019, the CBK lowered the CBR by 50 bps from 9.0% to 8.5% (indicating an expansionary stance) and this happened after the removal of the interest rate capping regulations.

11.3.57 In January 2020, there was an additional 25 bps cut in the CBR to 8.25% in a bid to support economic activity. In March 2020, as a pre-emptive measure against the expected adverse economic impact of the COVID-19 pandemic, the Central Bank's Monetary Policy Committee (MPC) further lowered the CBR by 100 bps to 7.25% and also reduced the Cash Reserve Ratio (CRR) to 4.25% from 5.25% (initially releasing KES.35.2 billion as additional liquidity to banks to directly support distressed borrowers).

11.3.58 In April 2020, the MPC decided to further sustain its accommodative monetary policy stance, lowering the CBR by 25 bps to 7.0% and this was premised by the continuing adverse economic outlook for 2020.

11.3.59 The lower CBR has led to lower lending rates as shown below as banks have improved responsiveness to the policy direction (in part due to the fact that some of the loans are still pegged to previous interest rate regime (CBR + 4.0%)).



Source: Central Bank of Kenya

Public Debt

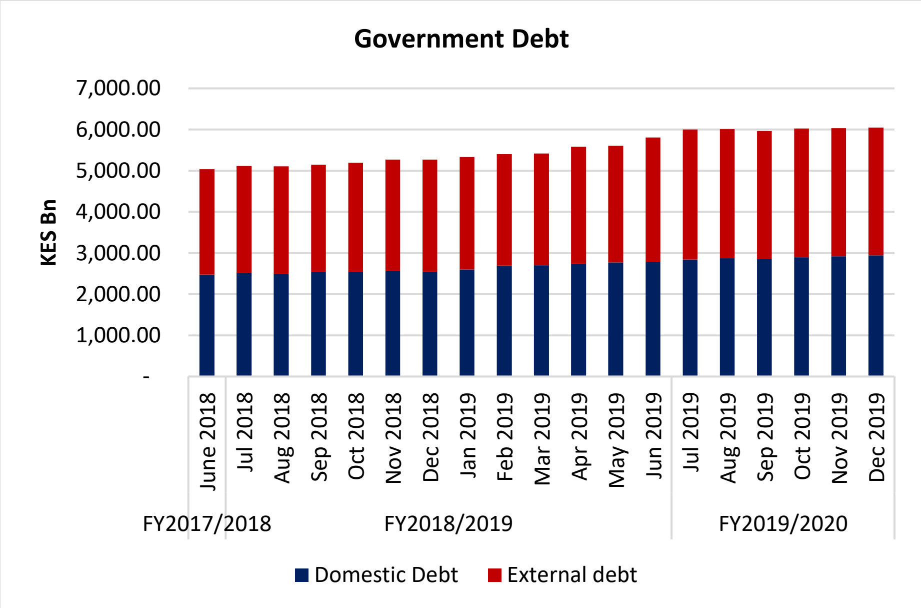
11.3.60 Kenya's total debt has risen by 20.0% from KES 5,039.0 billion (59.2% of GDP) at the end of June 2018 to KES 6,048.9 billion as at the end of December 2019 (57.9% of GDP).

11.3.61 The rise in the country's total debt during this period was driven by an 18.7% growth in domestic debt to KES 2,942.1 billion and a 21.4% growth in external debt to KES 3,106.82 billion.

11.3.62 On average, during this period, domestic debt accounted for 48.7% of total debt while external debt accounted for 51.3%.

11.3.63 Despite the significant increase in total government debt, total public debt as a proportion of GDP remained below the lower-middle income country debt sustainability benchmark of 70.0% GDP.

11.3.64 The rise in government debt has been occasioned by a widening fiscal deficit. The fiscal deficit is expected to widen by 33.5% from KES 631.3 billion in FY2017/2018 to KES 842.7 billion in FY2019/2020 underpinned by a faster rise in expenditures in comparison to revenues.



Source: National Treasury and Central Bank of Kenya

12 Paints and Coating Industry Overview

12.1 Paints and coating serve the purpose of protection and decoration. Paints and coatings have three major applications:

12.1.1 Architectural: The major sectoral users include the construction and manufacturing. In 2019, according to the World Paint and Coating Industry Association (**WPCIA**), architectural application accounted for 53.0% of the global market.

12.1.2 Industrial: The major sectoral users include the automotive, major appliances and industrial equipment sectors. In 2019, industrial application accounted for 29.0% of the global market.

12.1.3 Special Purpose: These are used for miscellaneous applications such as traffic paints, vehicle refinishing, high-performance coatings for industrial plants and equipment and protection of marine structures and vessels.

12.2 According to the WPCIA, global paints and coatings market sales value were estimated at USD 172.8 billion a 4.8% increase from USD 164.9 billion in 2018. The Asia pacific region continued to rise faster than all other regions and it accounted for 57.0% (2018: c. 50.0%) of the global market share (in terms of volumes). China alone accounts for about two thirds of the region's consumption. The region's dominance is due to large manufacturers establishing facilities in this region and rising demand from construction and automotive industries. Europe and North America's combined market share declined to 36.0% in 2019 from 37.0% in 2018. This is due to the fact that Europe (more so in Western Europe), North America and countries Japan are relatively more mature regions.

12.3 According to IHS Markit, the number of coating producers is large with most being regional producers and about 10 or so multinationals. For instance, in the US it was estimated there were about 1,100 companies in 2013 (WPCIA). However, the industry is highly concentrated despite the large number of players in each region. For instance, in the US, it was estimated that the first 50 companies accounted for 80.0% of the revenues in 2013 (WPCIA).

12.4 There has been a consolidation trend in some of these more mature markets (particularly involving the bigger players *e.g.,* Sherwin Williams acquisition of Valsper). Some of these players have also expanded into regions with better prospects of growth through mergers and acquisition (M&A) activities *e.g.,* Kansai paints (Japan) acquisition of Plascon South Africa and later (via Kansai Plascon Subsidiary) acquisition of Sadolin Paints.

12.5 According to IHS Markit, the paints and coating industry is heavily regulated so as to meet strict environmental standards. As a result, the industry has innovated various manufacturing processes and technologies such waterborne (thermosetting emulsion, colloidal dispersion, water-soluble) coatings, high-solids coatings, two-component systems, powder coatings and radiation-curable coatings that have helped lower emissions of volatile organic compounds (VOC) and hazardous air pollutants. Other emerging technologies include nano coating.

12.6 In addition to meeting environmental standards, these new technologies have also had the following benefits:

12.6.1 Meeting sophisticated consumer demands. For instance, waterborne paints have seen increasing demand in architectural application. Some of the benefits include less odour and low flammability.

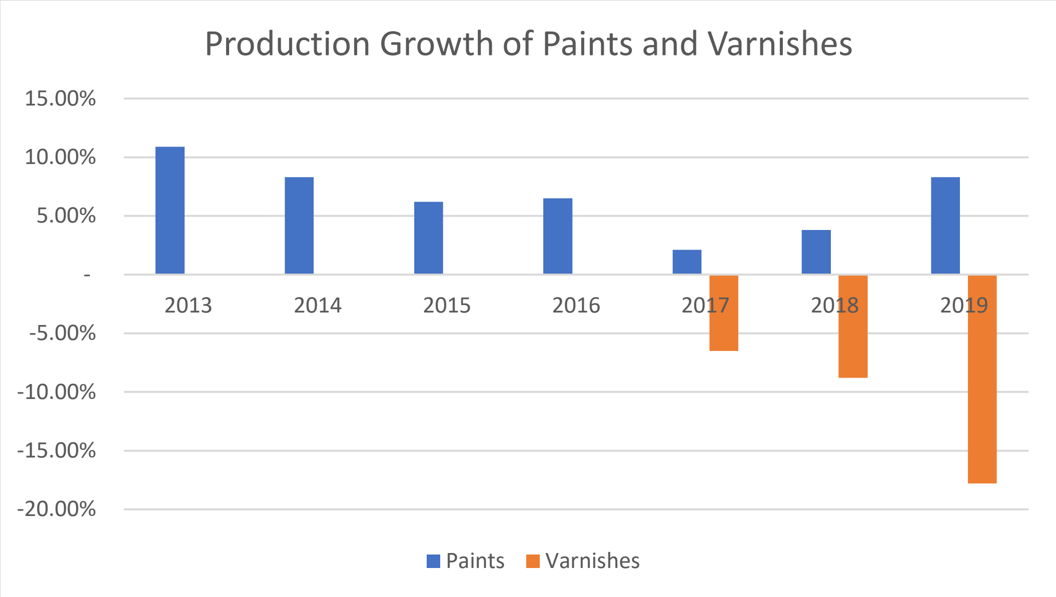
12.6.2 Improving energy efficiency in industrial applications: It is estimated that 70.0% of the energy requirements in an automotive assembly plant is spent on paint operations. Paint manufacturers are creating new paint processes that can help lower energy consumption.

12.6.3 Improve margins for paints and coating manufacturers: According to HIS Markit, by moving to solvent less technologies (*i.e.,* technologies that rely less on solvents which are petrochemical products), paint manufacturers can reduce environmental compliance costs and the relatively high costs of solvents. Raw materials like solvents can account for 50-60.0% of the total production costs.

Kenya Paints and Coating Industry Overview

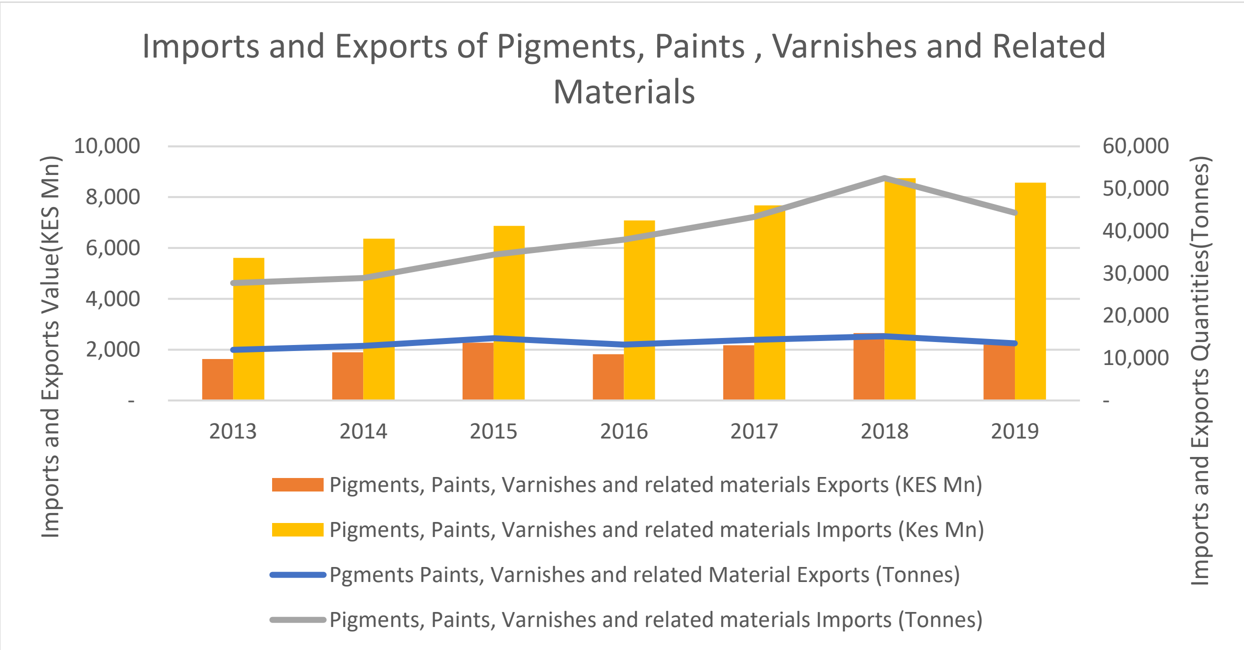
12.7 In Kenya, it is estimated that there are over 60 paint and coating manufacturers. Some of the major and popular producers include Crown Paints (the only listed manufacturer), Basco Paints, Solai Paints and Kansai Plascon.

12.8 The fortunes of the paints and coatings industry depend heavily on the general health of the economy. In the last 7 years, production of paint has increased while production of varnishes has decreased in the last 3 years as shown below.



Source: Kenya National Bureau of Statistics/Kenya Revenue Authority

12.9 Kenya remains a net importer of paints, varnishes and related materials as shown below.



Source: KNBS/KRA

12.9.1 In the Q1 2020, as a result of the impact of the COVID-19, there was a slower growth in the manufacturing and construction sectors. The fortunes of the paints and coating industry are directly linked to activities in some of the manufacturing sub-sectors, such vehicle assembly and construction related activities particularly in real estate.

12.9.2 Growth in manufacturing declined to 2.9% in Q1 2020 from 3.5%. However, the slower growth was mainly attributed to the decrease in the manufacture of food products to 0.3% from 3.8% in Q1 2019. Growth was supported by the non-food sector, which grew by 4.6% (Q1 2019: 3.3%). Notably, higher cement production and increased motor vehicle assembly contributed to this growth.

12.9.3 The construction sector declined to 5.3% from 6.1% in Q1 2019 due to a decrease in the value of imported construction materials as importation of fabricated metal products and cement, construction related materials fell by 11.7% and 38.3% respectively.

12.9.4 Consumption of cement however increased by 11.6% to 1.6 million metric tonnes in Q1 2020. This increase consumption of cement may indicate a pick up in construction activities (compared to a similar period in the previous year). However, in the month of April 2020, cement consumption declined to 505,958 tonnes compared to 551,914 tonnes in March 2020. This amount was still higher compared to April 2019 (500,357 tonnes). In May 2020, cement consumption increased to 506,728 tonnes (May 2019: 486,637 tonnes). The lower cement consumption in the second quarter could be attributed to the impact of COVID-19 containment measures.

13 General Company Information

13.1 History and Background of the Company

13.1.1 The Company was established in 1958 as Jason & Nicholson (EA) Limited and has undergone several names changes to become Crown Paints Kenya PLC.

13.1.2 Historical changes of names are:

(a) incorporated on 13 May 1958 as Jason & Nicholson (EA) Limited;

(b) 1 January 1963- name changed to Kenya Paints (B.J.N) Limited;

(c) 5 April 1966 - name changed to Robbialac Paints Kenya Limited;

(d) 21 December 1980 - name changed to Berger Paints Kenya Limited;

(e) 1 January 1991 - name changed to Crown Berger Kenya Limited;

(f) 22 June 2012 - name changed to Crown Paints Kenya Limited; and

(g) June 2017 - name changed to Crown Paints Kenya PLC.

13.1.3 The Company underwent an initial public offering and listing on the NSE in October 1992. In the period since, 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.

13.1.4 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.

13.2 Subsidiaries

13.2.1 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.

13.3 **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

13.4 **Management**

13.4.1 **Mhamud Charania**

Professional Qualifications: Bachelor of Science degree in Mechanical Engineering specialized in Manufacturing (Honors).

Current Post: Chairman – Crown Paints Kenya PLC October 1998.

He is a Director of ADC, Sa (Mozambique), Executive Director of Africom, Lda (Mozambique), Executive Director of Merec Industries, Sa (Mozambique), former Executive Director of "Network Leasing" (Canada) and former Software Engineer at University of Toronto.

13.4.2 **Hussein Ramji Charania**

Professional Qualifications: B.PHARM. (Honours) – Chelsea College, London

Current Post: Director & Vice Chairman 1998 to present

Strategy and Regional Expansion, Investment & Corporate Governance.

He has wide experience within Africa and Europe in manufacturing areas of Paints and Soap (Mozambique) Soap-Paints, Biscuits, Edible Oil (Rwanda) Telecommunications and Properties Development (Kenya) and Procurement in the United Kingdom.

13.4.3 **Rakesh K. Rao**

Professional Qualifications: MBA, Sales and Marketing IMS, Indore, India; Diploma in Cost and Management Accountancy General Electric, USA Six Sigma Training, Green Belt Commercial Quality

Current Post: Group Chief Executive Officer from 2005

Rakesh Rao previously spent seventeen (17) years with international companies such as General Electric, Mitsubishi Corp and Tata Group in middle and senior management.

13.4.4 **Patrick M. Mwati**

Professional Qualifications: CPA (K), CPS (K)

Current Post: Group Finance Director – Crown Paints Kenya PLC from 1998 (twenty two years) (22 years) and ten (10 years) as Financial Controller

Previously served in quasi and Government services for ten (10 years) (namely Kenya Post and Telecommunications, National Assembly and Ministry of Cooperative Development)

13.4.5 **Alice Owuor**

Professional Qualifications: Bachelor of Commerce degree (Accounting) and an MBA in Strategic Management.

Current Post: Non-Executive Director – Crown Paints Kenya PLC from March 2021.

She is a former Commissioner of Domestic Taxes, Kenya Revenue Authority. A fellow of Kenya Institute of Management (KIM); Chairperson of Moving the Goalposts; a Director at the Centre for Corporate Governance; a Director at Bamburi Cement Ltd; a Director at Prudential Life Assurance Kenya Ltd; a member of the Institute of Directors Kenya; a member of Women on Boards Network and a founder president of Soroptimist International Club of Milimani, Kenya. She was awarded the Order of the Grand Warrior of Kenya (OGW) in 2011.

13.4.6 **Nicholas Kathiari**

Professional Qualifications: CPA (K), CPS (K) and holds a Master of Business Administration (Finance Option) and a Bachelor of Commerce (Hons) in Finance

Current Post: Non-Executive Director – Crown Paints Kenya PLC from March 2021.

He is currently a Partner with FEKAN Howell & Associates, Certified Public Accountants where he also leads the Corporate Finance arm of the business. Prior to joining FEKAN Howell & Associates, Nicholas spent 23 years at Ernst & Young where he rose to the position of Associate Director.

13.4.7 **Steven Oundo**

Professional Qualifications: Bachelor of Architecture (Hons), Master of Business Administration – Strategic Management

Current Post: Non-Executive Director – Crown Paints Kenya PLC from April 2015.

He is a registered architect and past Chairman of the Architectural Association of Kenya (AAK) and the National Construction Authority. He has also served in a number of international professional organizations including the Africa Union of Architects (AUA), Commonwealth Association of Architects and is also the Senior Vice-Chairman of the Association of Professional Societies in East Africa (APSEA). He is a Member of the Board of Registration of Architects and Quantity Surveyors of Kenya (BORAQS) in Kenya. Arch. Oundo was awarded the Order of the Grand Warrior (OGW).

13.5 **Operational Overview**

13.5.1 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.

13.5.2 The Company's manufacturing facilities are a top-quality with machines ranging UK sourced equipment to more recently India and China. The manufacturing machines are in good order and no significant investment is required.

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

13.5.4 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.

13.6 **Sales and Distribution**

13.6.1 The Company has a wide dealer network in its markets in both semi-urban and rural areas, including depots and Crown Décor World showrooms. The Company possesses among the largest number of computerised tinting machines in its outlets, able to dispense a range of over 6,000 shades in minutes, providing customers with a greater colour range and convenience. The Company also presents award winning and superior service from knowledgeable, well trained and customer-focused staff to enrich the consumer experience.

13.6.2 The Company's sales teams provide valuable insight and technical know-how from project planning, interior design, colour scheming or product selection to purchase and after-sales support. The Company's diversified range of quality driven, innovative products and services has made a prime choice for homeowners, painters, architects and professionals for over 60 years. In addition to decorative paints, the Company has supplemented its product range with a wide array of fashion and textured paint finishes aimed at consumers who want their homes, offices or commercial developments to reflect global design trends and colour palettes.

13.6.3 The Company's distribution franchise is supported by its countrywide depots and warehouses (exhibited below) offering reach and penetration to its consumers.

13.7 **Product Overview**

13.7.1 The Company's product range is wide-ranging from the premium end to the budget conscious consumer. The trend have 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.

13.7.2 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

Wall Finishes	Wood Finishes	Skimming / Putty	Undercoats / 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

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)

WallFinishes	WoodFinishes	Skimming/ Putty	Undercoats/ Primer	Thinners
Ngao Gloss Enamel	Ngao Varnish Stain		Ngao Undercoat	Hi Gloss
Ngao Emulsion			Ngao Red Oxide Primer	Standard Thinner

13.8 Shareholding and Governance

13.9 Shareholding

13.9.1 The top 30 shareholders of the Company as at 31 December 2019 are set out below.

No.	Name	Residence	Number of Shares owned	% shareholding
1.	CROWN PAINTS AND BUILDING PRODUCTS LTD	Local Company	34,462,365	48.42%

No.	Name	Residence	Number of Shares owned	% shareholding
2.	BEAUMONT PROPERTIES LIMITED	Foreign Company	15,650,536	21.99%
3.	BARCLAY HOLDINGS LIMITED	Foreign Company	9,702,000	13.63%
4.	MAHENDRA DAHYABHAI PATEL	Local Individual	672,060	0.94%
5.	STANBIC NOMINEES LTD A/C NR1030823	Foreign Company	639,000	0.90%
6.	GADHI,PULIN MAHENDRA KUMAR GADHI	Local Individual	603,477	0.85%
7.	KANAKSINH KARSANDAS BABLA & SANDIP KANAKSINH BABLA	Local Individual	303,600	0.43%
8.	DSL MOMINEES LTD A/C ORCHARD ESTATE LTD	Local Company	280,188	0.39%
9.	SHAH,MINESH MULCHAND SHAH	Local Individual	275,490	0.39%
10.	SHAH,SAVITABEN VELJI RAICHAND SHAH	Local Individual	220,275	0.31%
11.	ZAVERCHAND PUNJA WAREHOUSES LTD	Local Company	211,200	0.30%
12.	OGANGO,JOHN OKUNA OGANGO	Local Individual	187,900	0.26%
13.	SHAH,BIJAL MULCHAND SHAH	Local Individual	127,312	0.18%
14.	SHAH,NISHITKUMAR RAMNIKLAL SHAH	Local Individual	114,900	0.16%
15.	THAWER,ABDULRASUL ISMAIL THAWER	Foreign Individual	110,550	0.16%
16.	CFCFS NOMINEES LIMITED A/C HRJC	Local Company	102,700	0.14%
17.	SANJAY GULABSI BHATIA & MRS HEMANTI SANJAY BHATIA	Local Individual	99,000	0.14%
18.	SHAH,PRAFULKUMAR HEMRAJ SHAH	Local Individual	98,640	0.14%
19.	SHAZIQUE ENTERPRISES LIMITED	Local Company	94,710	0.13%
20.	PARESH P UPADHYAY & HASMUKH A JOSHI	Local Individual	89,100	0.13%
21.	SURESHCHANDRA RAICHAND SHAH	Local Individual	83,127	0.12%
22.	SHAH,SAROJBEN PRAFULKUMAR SHAH	Local Individual	82,020	0.12%
23.	SHAH,SANDIP VELJI SHAH	Local Individual	78,621	0.11%
24.	RAJNIKANT NATHOOBHAI SHAH	Local Individual	77,220	0.11%
25.	RAYANI,SHAMSUDIN J. A. RAYANI & ROSINAKHANU S.	Local Individual	74,568	0.10%
26.	ASSI,SANTOKH SINGH ASSI	Foreign Individual	69,630	0.10%
27.	MUCHINYI,SILVESTER MUCHINYI	Local Individual	69,600	0.10%
28.	RUPAM GULABSI BHATIA	Local Individual	66,000	0.09%
29.	JOHN WAHOME MURAGE	Local Individual	65,505	0.09%
30.	PATEL,RAMABEN SUMANTRAI PURSOTTAM PATEL	Local Individual	64,000	0.09%

No.	Name	Residence	Number of Shares owned	% shareholding
31.	Shares owned		**65,084,495**	**91.44%**
32.	Shares not selected 2,540 shareholders		6,096,505	8.68%
33.	Shares issued		**71,181,000**	**100%**
34.	Total Number of Crown Paints shareholders		2,585	

13.10 Material Borrowings

Title of Facility	Facility Amount	Due Date and conditions	Outstanding amount
Facility with KCB Bank Kenya Limited Kenya Shillings to the Company dated 31st March 2020	**Total facility limit**: five hundred and seventy one million (KES 571,000,000) and United States Dollars four million and two hundred thousand (USD 4,200,000)	31st March 2021 renewable yearly. Conditions – The Company to provide: Company compliance reports/ annual returns/yearly audit/quarterly management reports/ Insurance cover	KES 349,507,941 USD 2,996,288
Forms of letters of guarantee/ letters of credit/import bill financing from CBA Bank dated 3rd May 2020	**Total facility limit:** Kenya Shillings one hundred and ten million (KES 110,000,000) and United States Dollars one million (USD 1,000,000)	31st May 2021 renewable yearly The Company to provide: Company compliance/annual return/yearly audit/ quarterly management reports/Insurance cover	USD 411,328

13.11 Governance

13.11.1 Corporate governance is the system of rules, practices, and processes by which the organisation is directed and controlled. The Corporate Governance Code sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability and audit, and relations with shareholders.

13.11.2 The Company remains committed to the standards of Corporate Governance and business ethics. The Company has established and maintains systems that ensure high standards are at all levels. The Company not only complies with the standards in the Capital Market Authority Code of Corporate Governance Practices for Issuers of Securities to the Public in Kenya but also embeds internal rules of engagement that support Corporate Governance. These internal rules are constituted in the code of business conduct which each employee follows. The Board of Directors governs the Company with the intent to maximize shareholder value.

13.11.3 Decision-making

The highest decision-making body is the general meetings of shareholders of the Company followed by the Board which gives direction on the management of the Company. The management is responsible for the day to day operations of the Company.

13.11.4 **Responsibilities**

(a) The roles of the Chairman and the Chief Executive Officer are separate with each having distinct and clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board and ensuring that the interests of the Company's shareholders are safeguarded and effective communication to shareholders of the Company while the Chief Executive Officer offer leadership to the management and is responsible for the day to day running of the business of the Company to achieve the objectives and strategies adopted by the Board.

(b) The Non-Executive Directors (including the Chairman) are independent of the management's influence and do not engage in any business or interest that could impair their participation in the Board.

13.11.5 **Composition of the Board**

(a) The Board comprises seven (7) Directors with three (3) being Executive Directors. The Board is collectively responsible to the Company's shareholders for the long-term success of the company and for its overall strategic direction. The Board also provides leadership to the Company to achieve the objectives and realise shareholders' expectations. The activities of the Board are guided by the board charter.

(b) The Directors are appointed by the shareholders in general meeting and are due for retirement by rotation in accordance with the Company's Articles of Association and the Companies Act.

13.11.6 **Board Meetings**

The Board meets every quarter to monitor the Company's financial performance, plan strategy and review performance. Specific reviews are also undertaken of management performance, operational issues and future planning as and when needed.

13.11.7 **Board Committees**

There are two (2) main committees that meet regularly under the terms of reference set by the Board.

(a) **Audit and Risk Committee**

The audit committee chaired by a Non-Executive Director and with attendance by invitation, the Chief Executive Officer and other key personnel. It reports to the board. Its functions include:

(i) review of risk management and internal controls;

(ii) review of financial reporting and disclosure; and

(iii) oversight of external auditor and internal audit.

(b) **Nomination and Remuneration Committee**

This committee chaired by a Non-Executive Director. It is responsible for:

(i) reviewing the balance and effectiveness of the board;

(ii) remuneration of the directors and senior management; and

(iii) succession planning at the board level and proposing new nominees for appointment to the Board

13.11.8 **Special Committees**

The Board is mandated by the company's Articles of Association to form an ad hoc committee to deal with specific matters that may occur.

13.11.9 **Communication with Shareholders**

The Company is committed to communicating openly with its shareholders on its performance and addressing any other areas of concern. This is achieved through the releases of notices in the local national press of its half-yearly and annual results in compliance with statutory requirements, issuing of the annual report, and the holding of the Annual General Meeting where the shareholders can ask questions and freely interact with the Board. The Company also has a website www.crownpaints.co.ke where information about the Company is regularly updated.

13.11.10 **Directors' Emoluments and Loans**

(a) The Non–executive Directors are paid a sitting allowance for every meeting attended. They are not eligible to any other remuneration and compensation scheme by the Company.

(b) The aggregate amount of emoluments paid to Directors for services is disclosed in the annual report in accordance with the Companies Act. The remuneration for the year ending 31 December 2019 is set out below.

31 December 2019 Director	Role	Category	Gross earnings including pension contribution	Annual bonus	Sitting allowances	Other benefits*	Total
			KES	KES	KES	KES	KES
Mhamud Charania	Chairman	Non-executive	6,109,392	-	-	105,816	6,215,208
Hussein H.R.J Charania	Vice-chairman	Executive	43,322,400	3,610,000	-	1,592,895	48,525,295
Rakesh K. Rao	Chief Executive Officer	Executive	41,393,155	3,040,000	-	7,149,478	51,582,633
Patrick M. Mwati	Finance Director	Executive	35,181,398**	2,510,000	-	5,834,830	43,526,228
Francis G.K. Maina	Director	Non-executive	-	-	1,027,000	-	1,027,000
Stephen B. Oundo	Director	Non-executive	-	-	941,026	-	941,026
Total			126,006,345	9,160,000	1,968,026	14,683,019	151,817,390

14 Financial Performance

14.1 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	(3,956,493)	(4,401,444)	(4,552,750)	(5,284,624)	(5,185,676)
Gross profit	2,780,615	2,946,113	2,798,576	3,031,286	3,417,976
Other income	233,954	260,293	386,808	655,379	300,732
	3,014,569	3,206,406	3,185,384	3,686,665	3,718,708
EXPENSES:					

Item	2015	2016	2017	2018	2019
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)	(275,064)	(305,354)
Revaluation loss on property, plant & equipment	-	(122,549)	-	-	
	(2,797,872)	(2,934,363)	(2,787,255)	(3,290,730)	(3,190,734)
PROFIT BEFORE TAX	216,697	272,043	398,129	395,935	527,974
TAX EXPENSE	(185,949)	(140,247)	(174,835)	(212,122)	(210,738)
PROFIT FOR THE YEAR	30,748	131,796	223,294	183,813	317,236
OTHER COMPREHESIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translation of foreign operations	28,956	50,810	6,371	(9,293)	136
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	28,956	50,810	6,371	(9,293)	136
Other comprehensive income not to be reclassified to profit 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	-	50,820	-	-	-

Item	2015	2016	2017	2018	2019
reclassified to profit or loss in subsequent periods:					
TOTAL OTHER COMPREHENSIVE INCOME	28,956	101,630	6,371	(9,293)	136
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	59,704	233,426	229,665	174,520	317,372
ATTRIBUTABLE TO:					
Owners of the parent	59,704	233,426	229,665	174,520	317,372
Non- Controlling interest	-	-	-	-	-
	59,704	233,426	229,665	174,520	317,372
Basic and diluted earnings per share (KES)	0.43	1.85	3.14	2.58	4.46

14.2 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	-
Deferred tax	13,933	18,540	1,501	35,117	55,790
	1,245,641	1,277,284	1,326,240	1,581,869	1,886,183
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	-	128,037	122,584	43,940	27,716
	3,293,507	3,781,745	4,545,367	3,893,824	3,635,358
TOTAL ASSETS	4,539,148	5,059,029	5,871,607	5,475,693	5,521,541
EQUITY AND LIABILITIES					

Item	2015	2016	2017	2018	2019
EQUITY					
Share capital	355,905	355,905	355,905	355,905	355,905
Reserves	996,877	1,206,211	1,401,711	670,955	951,405
	1,352,782	1,562,116	1,757,616	1,026,860	1,307,310
NON-CURRENT LIABILITIES					
Lease liability			-		
Bank loan	209,903	246,703	296,107	-	137,251
				604,760	438,782
	209,903	246,703	296,107	604,760	576,033
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	52,764	1,160	296	196	20,220
	2,976,463	3,250,210	3,817,884	3,844,073	3,638,198
TOTAL EQUITY AND LIABILITIES	4,539,148	5,059,029	5,871,607	5,475,693	5,521,541

14.3 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)

	2015	2016	2017	2018	2019
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
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

	2015	2016	2017	2018	2019
Net cash used in investing activities	(396,456)	(246,792)	(205,299)	(383,471)	(251,169)
FINANCING ACTIVITIES					
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	(41,522)	(42,709)	(42,709)	(42,709)	(42,709)
Net cash (used in)/generated from financing activities	250,768	12,639	223,692	786,550	(350,437)
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	(74,078)	27,471	16,977	8,509	(5,626)
Cash and cash equivalents at the end of the year	(52,372)	71,258	(114,676)	332,264	389,243

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

14.5 **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

15 **Material Risks**

15.1 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.

15.2 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.

15.3 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. The information given is as of the date of this Information Memorandum.

15.4 Prospective investors should consider carefully the risks and uncertainties described in this section together with all other information contained in this Information Memorandum and the information incorporated by reference herein, along with their personal circumstances, before making any investment decision.

15.5 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.

15.6 The audit committee is tasked with reviewing the Group's risk management programmes while for the day to day operations of the Group, the Chief Executive Officer together with other top management officials ensure implementation and compliance to the risk management procedures and policies.

15.7 In the various countries of operation, the Group faces strategic and operational risks including:

15.7.1 credit risk;

15.7.2 interest rate risk;

15.7.3 financial risk;

15.7.4 liquidity risk;

15.7.5 foreign currency risk;

15.7.6 operational risk; and

15.7.7 capital risk,

which are reviewed in further detail below.

15.8 **Credit risk**

15.8.1 Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

15.8.2 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.

15.8.3 An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off after all efforts have been exhausted.

15.8.4 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.

15.9 **Interest rate risk**

15.9.1 Interest rate risk relates to the risk that the financial performance of the Company will be affected by variations of interest rates.

15.9.2 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%.

15.10 **Financial risk**

15.10.1 The financial risk relates to the risk that the Company will not be able to meet its financial obligation in relation to servicing debt.

15.10.2 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.

15.10.3 All the financial assets are classified financial assets measured at amortised cost. All financial liabilities are classified financial liabilities measured at amortised cost.

15.11 **Liquidity risk**

15.11.1 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.

15.11.2 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.

15.12 **Foreign currency risk**

15.12.1 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.

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

15.13 **Operational risk**

15.13.1 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.

15.13.2 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.

15.13.3 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.

15.14 **Capital risk**

15.14.1 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.

15.14.2 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.

15.14.3 The Group does not have a gearing ratio target and is not subject to any externally imposed capital requirements.

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

15.15.1 **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.

15.15.2 **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.

16 Reporting Accountants Report

CROWN PAINTS KENYA PLC AND SUBSIDIARIES

REPORTING ACCOUNTANT'S REPORT

FOR THE RIGHTS ISSUE

Our ref: 60814907/27/boa/

19 May 2021

The Directors

Crown Paints Kenya Plc

Likoni Road

Industrial Area

P.O. Box 78084 - 00507

NAIROBI

Dear Sirs,

REPORTING ACCOUNTANT'S REPORT ON CROWN PAINTS KENYA PLC FOR THE RIGHTS ISSUE

A. INTRODUCTION

We have examined the consolidated audited financial statements of Crown Paints Kenya Plc ("the Company") and its subsidiaries, Regal Paints Uganda Limited, Crown Paints Tanzania Limited, Crown Paints Rwanda Limited and Crown Paints Allied Industries Limited (collectively referred to as "the Group") for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 31 December 2019.

Ernst & Young LLP have 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.

Responsibility of the directors

The directors of the Group are responsible for the preparation of the Information Memorandum and all the information contained therein and for the financial statements and financial information to which this Accountant's Report relates and from which it has been prepared.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

You required us to prepare and produce an Accountant's Report to be included in the Information Memorandum for the purposes of the rights issue. The objective of the engagement was to enable us to state whether, on the basis of our review procedures which do not provide all the evidence that would be required in an audit, anything has come to our attention that causes us to believe that the financial statements were not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The financial information set out in this report was prepared in accordance with the International Standard on Related Services 4410 (Revised) – Compilation Engagements ('ISRS 4410') and is based on the audited consolidated financial statements of the Group.

A. INTRODUCTION (continued)

Our responsibility (continued)

To enable us to prepare an Accountant's Report, we carried out procedures to satisfy ourselves that the information presented in the financial statements was in accordance with the Fourth Schedule of the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulations, 2002. We carried out the following procedures:

i) Reviewed the consolidated financial statements of the Group for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 31 December 2019 for compliance with International Financial reporting Standards (IFRS) and consistency in application of accounting policies except for the effect of adopting new standards and interpretations (pronouncements) when they became effective, as summarized in the table below.

ii) Made enquiries from the Group's management with respect to significant matters relevant to the financial information; and

iii) Reviewed other evidence relevant to the Group's financial statements

We have not audited any financial statements nor reviewed any management accounts of the Group as of any date or for any period subsequent to 31 December 2019. The audited financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 29 June 2020.

The financial statements have been prepared on the basis of the accounting policies set out in section B below. For all the accounting periods dealt with in this report, the financial statements have, in all material respects, been prepared in accordance with the International Financial Reporting Standards.

Financial information

We have presented the consolidated financial statements of the Group for each of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019, including notes to the financial statements. We identified the following matters during the course of the review:

Presentation of financial information

A number of International Financial Reporting Standards have been amended or introduced in the period under review. Relevant standards to the Group are summarised in the table below:

Relevant Standards	Effective for accounting periods beginning on or after	Impact
IFRS 16 - Leases	1 January 2019	IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied prospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for all the leases were recognized at an amount equal to the corresponding lease liabilities, adjusted by the amount of any prepaid or accrued lease payments

		relating to that lease recognized in the statement of financial position immediately before the date of initial application. The Group recognized lease liabilities to make lease payments, and right-of-use assets representing the right to use the underlying assets. Refer to Note B (g) Leases, for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group. No restatement has been made in the financial statements for the years ended 31 December 2018, 2017, 2016 and 2015 in respect to the standard as modified retrospective method was applied. The superseded standards during these periods were as described above.

A. INTRODUCTION (continued)

Presentation of financial information (continued)

Relevant Standards	Effective for accounting periods beginning on or after	Impact
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance and tax filings that it is probable that its tax will be accepted by the taxation authorities. The Interpretation did not have impact on the financial statements of the Group.
IFRS 9 Financial Instruments	1 January 2018	IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group applied IFRS 9 using modified retrospective approach, with an initial application date of 1 January 2018. Differences arising from the adoption of IFRS 9 were recognised directly in retained earnings.

		IFRS 9 fundamentally changed the Group's accounting for impairment losses of financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used as set out in Note 5 and 6. No restatement has been made in the financial statements for the years ended 31 December 2017, 2016 and 2015 in respect to the standard as modified retrospective method was applied.
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations	1 January 2018	The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date when an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's financial statements.

A. INTRODUCTION (continued)

Presentation of financial information (continued)

Relevant Standards	Effective for accounting periods beginning on or after	Impact
IFRS 15 Revenue from Contracts with Customers	1 January 2018	IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. It also specifies the accounting for the incremental costs of obtaining a contract and the cost directly

		related to fulfilling a contract. In addition, the standard requires relevant disclosures. The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard was applied either to all contracts at the date of initial application or only to contracts that were not completed at that date. The Group elected to apply the standard to all contracts as at 1 January 2018. The transitional provisions of adopting IFRS 15 required that the cumulative effect of initially applying the standard to be recognised at the date of initial application, as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations. However. the adoption of IFRS 15 did not have a material impact on the financial statements, thus no adjustment was passed as at 1 January 2018. No restatement has been made in the financial statements for the years ended 31 December 2017, 2016 and 2015 in respect to the standard as modified retrospective method was applied.
Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative	1 January 2017	The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments are intended to provide information to help investors better understand changes in an entity's debt The Group has disclosed the changes arising from cash flows and non-cash changes in Notes 13 and 14. The comparative financial statements for the years ended 31 December 2016 and 2015 have been modified in respect to the amendment.

A. INTRODUCTION (continued)

Presentation of financial information (continued)

Relevant Standards	Effective for accounting periods beginning on or after	Impact
IFRS 7R Financial Instruments: Disclosures	1 January 2018	The Group applied IFRS 9 and IFRS 7R, effective for annual periods beginning on or after 1 January 2018, for the first time. IFRS 7 applies to recognised and unrecognised financial instruments. Recognised financial instruments include financial assets and financial liabilities that are within the scope of IFRS 9. Unrecognised financial instruments include some financial instruments that, although outside the scope of IFRS 9, are within the scope of this IFRS (e.g., some loan commitments). IFRS 7 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used as set out in Note 5 and 6. No restatement has been made in the financial statements for the years ended 31 December 2017, 2016 and 2015 in respect to the standard as modified retrospective method was applied. IFRS 7R also requires additional and more detailed disclosures for hedge accounting even for entities opting to continue to apply the hedge accounting requirements of IAS 39. The Group does not apply hedge accounting as this is not applicable to the Group.
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

IAS 19 Employee Benefits	1 January 2016	The amendment clarifies that market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively. The amendment did not have any impact in the financial statements for the Group.

A. INTRODUCTION (continued)

Presentation of financial information (continued)

Relevant Standards	Effective for accounting periods beginning on or after	Impact
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016	The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments did not have any impact on the Group.
IAS 24 Related Party Disclosures	1 January 2015	The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Group, as it does not receive any management services from other entities.

We 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.

Consent

We consent to the inclusion of this report in the Information Memorandum in support of the rights issue to be issued in the form and context in which it appears.

Yours faithfully

Nairobi, Kenya

……………………………………..2021

B. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

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

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019, 2018, 2017, 2016 and 2015.

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

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

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

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

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

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

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency transactions

The consolidated financial statements are presented in Kenya Shillings, which is also the parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

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

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

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

(ii) Group companies

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

d) Revenue recognition

Revenue from contracts with customers

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

The Group has generally concluded that it is the principal in its revenue arrangements, except for the AkzoNobel South Africa (pty) Limited contract where it is acting as an agent because it typically controls the goods or services before transferring them to the customer.

Sale of goods

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points), currently none. In determining the transaction price for the sale of the products, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Sale of services

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition (continued)

Tolling fees

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

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with rebates. The rebates give rise to variable consideration.

Rebates

The Group provides retrospective rebates to certain customers based on a pre-agreed rate on purchase volumes made in a month. Rebates are computed on a monthly basis and offset against revenues and trade receivables recognised in the same month from the specific customers.

Significant financing component

The Group has no significant financing components from its customers.

e) Taxation

Current income tax

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

Current income tax relating to items recognised outside profit or loss is recognized outside profit or loss.

Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward unused tax losses and the unused tax credits can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises

  from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

Value added tax

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

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property, plant and equipment

All property, plant and equipment are initially recognized at cost. Such cost includes the purchase price, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating, the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

Land is stated at cost less any accumulated impairment losses.

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

Buildings	2%
Plant and machinery	8%
Fixtures and fittings	12½%
Motor vehicles	20%
Computers and equipment	20%

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

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Leases

The Group applied IFRS 16 'leases' for the first time during the year using modified prospective approach. Consequently, the comparative balances are based on accounting policies before adoption of IFRS 16. The accounting policies applied to the comparative balances and current year balances are indicated below: -

Policy before 01 January 2019

Leases

Determination

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases which do not transfer to the Group substantially all the risk and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as expenses in the period in which they are incurred.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease and recognised in profit or loss under operating expenses.

Group as a lessor

Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy after 01 January 2019

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

Group as a lessee

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

i) Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the lease term (1.5 years to 14 years).

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Leases (continued)

Policy after 01 January 2019

Group as a lessee (continued)

ii) Lease liabilities

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

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

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

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

Group as a lessor

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

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

C. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Intangible assets

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

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

Intangible assets with finite lives are amortised on a straight-line basis over their useful lives from the date they are available for use, up to a maximum of five years. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset, is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in an expense category consistent with the function of the intangible asset.

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

Derecognition of intangible assets

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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

j) Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Policy before 01 January 2018

At initial recognition, the Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; and available-for-sale assets. Directors determine the appropriate classification of its investments at initial recognition and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified.

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

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

The Group's financial assets include cash and cash equivalents, trade and other receivables, and amounts due from related parties. These are classified as loans and receivables and is the only classification that is relevant to the Group.

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

C. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial instruments (continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees of costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in profit or loss. An estimate is made of impaired receivables based on review of all outstanding amounts at year-end. The losses arising from impairment are recognised in profit or loss as part of selling and distribution expenses.

Bad debts are written off after all efforts of recovery have been exhausted. Loans and receivables category include cash and cash equivalents, amounts due from related companies, trade and other receivables.

Derecognition

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

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

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

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

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as change in arrears or economic conditions that correlate with defaults.

j) Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income (recorded in other income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

Policy after 01 January 2018

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

j) Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
  And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any financial assets classified as debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any financial assets classified as equity instruments at fair value through OCI.

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

The Group does not have any financial assets classified under this category.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

Trade payables and amounts due to related parties

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

Loans and borrowings

Interest bearing loans, overdrafts and short-term notes are recorded at the proceeds received, net of direct costs. Finance charges, including the premium payable on settlement or redemption, are accounted for on the accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method. *Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.*

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iii) Offsetting of financial instruments

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

- There is a currently enforceable legal right to offset the recognised amounts, and

- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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

k) Fair value of assets and liabilities

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

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

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Fair value of assets and liabilities (continued)

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Refer to Note 30.

l) Inventories

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

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

Finished goods and work-in-progress
Cost is determined on a weighted average basis and comprises cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for obsolete inventories

Directors review the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, directors make judgment as to whether the inventory item can be used as an input in production or is in saleable condition. Refer to Note 4 for disclosure on the obsolete inventory.
Reversal of inventory write down occurs when inventory assessed as slow moving is used as input in production or is finally sold. Provision for slow moving and obsolete inventories is normally based on the last movement day of the stock item which varies with subsequent sales or use.

m) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss, except for property, plant and equipment previously revalued with the revaluation taken to OCI. For such property, plant and equipment, the impairment is recognised in OCI up to the amount of any previous revaluation.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market conditions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the asset's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

n) Cash and cash equivalents

The Group considers cash at banks and on hand and short-term deposits with a maturity of 90 days or less from the date of acquisition, as cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate the fair value due to their short-term nature.

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

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

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

p) Employee benefits

Defined contribution provident fund

The Group operates a defined contribution post-employment provident fund for eligible employees. The fund is funded by contributions from the employees and the Group. The assets of the fund are held and administered independently of the Group's assets.

Statutory pension scheme

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

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

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

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

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

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(i) Judgements

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

Allowances for obsolete inventories

Directors review the inventories on an annual basis to assess the likelihood of obsolescence. In determining whether an inventory item is obsolete, directors make judgment as to whether the inventory item can be used as an input in production or is in saleable condition. Refer to Note 4 for disclosure on the obsolete inventory.

Impairment of financial instruments

Impairment losses on financial assets-IFRS 9

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 5 and 6.

Leases - estimating the incremental borrowing rate (after 01 January 2019)

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

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Judgements (continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward unused tax losses and the unused tax credits can be utilized. Refer to Note 11 for the disclosure on deferred tax.

Income taxes

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

Further details on income taxes are disclosed in Notes 7 and 11.

Going concern

The management makes significant judgement in assessing the effect the financial performance and financial status of the subsidiaries, have, on the ability of the group to continue as a going concern. The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

(ii) Estimates and assumptions

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

Useful lives of property, plant and equipment

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

Further details on property, plant and equipment are given in Notes B (f) and 1.

Revaluation of certain classes of property, plant and equipment

The Group carries certain classes of property, plant and equipment at fair value, with changes in fair value being recognised in the other comprehensive income. The Group's leasehold buildings, plant, and machinery, motor vehicles, fixtures, fittings and equipment were revalued on 31 December 2016. The assets were valued on the basis market comparable approach and depreciated replacement cost approach by independent valuers, Lead Realtors Limited.

Further details on property, plant and equipment are given in Notes B (f) and 1.

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Estimates and assumptions (continued)

Useful lives of intangible assets

Critical estimates are made by directors in determining the useful lives to intangible assets based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates. Further details on intangible assets are given in Note 2.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Refer to Notes 1, 2 and 27. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
d) the carrying amount of the net assets of the entity is more than its market capitalisation.
e) evidence is available of obsolescence or physical damage of an asset.
f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset

before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Contingent liabilities

As disclosed in Note 26 to these financial statements, the Company is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the Company incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) New Accounting Standards, Amendments, Interpretations and Improvements

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of the relevant amendments are described below. The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied prospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group does not have leases that are considered of low value. The Group has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets for all the leases were recognized at an amount equal to the corresponding lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. Lease liability was recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group has not leased any low value assets.

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	GROUP
	2019
	KShs'000
Operating lease commitments as at 31 December 2018 (Note 29)	304,936
Weighted average incremental borrowing rate as at 1 January 2019	13%
Discounted operating lease commitments as at 1 January 2019	244,288
Lease liabilities as at 1 January 2019	244,288

B. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) New Accounting Standards, Amendments, Interpretations and Improvements

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

Impact on the statement of financial position:	GROUP
	2019
	KShs'000
ASSETS	
Right-of-use asset	244,288
Reclassified prepaid lease on land	13,000
Prepaid rent	7,183
	264,471
LIABILITIES	
Lease liability – current portion	108,210
Lease liability – long-term portion	136,078

	244,288

TOTAL ADJUSTMENT ON EQUITY:

Retained earnings	-

The Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Refer to Note B (g) Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group. The Group currently accounts for its land previously classified as freehold in a similar manner to accounting for the purchase of the land by applying international accounting standards (IAS 16) Property, Plant and Equipment, rather than by applying IFRS 16.

C. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2019	2018	2017	2016	2015
	Note	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	1	1,545,745	1,501,813	1,281,117	1,214,145	1,177,776
Right of use assets*	27	234,229	-	-	-	-
Intangible assets	2	50,419	37,505	35,923	36,635	45,703
Prepaid leases on land**	3	-	7,434	7,699	7,964	8,229
Deferred tax	11	55,790	35,117	1,501	18,540	13,933
		1,886,183	1,581,869	1,326,240	1,277,284	1,245,641
CURRENT ASSETS						
Inventories	4	1,853,155	2,140,212	1,884,274	1,503,554	1,615,261
Trade and other receivables	5	1,224,017	1,249,593	1,764,680	1,468,849	1,260,264
Amounts due from related companies	6(i)	87,677	95,943	559,607	475,673	309,514
Cash and cash equivalents	25	442,793	364,136	214,222	205,632	108,468
Current tax recoverable	7	27,716	43,940	122,584	128,037	-

		3,635,358	3,893,824	4,545,367	3,781,745	3,293,507
TOTAL ASSETS		5,521,541	5,475,693	5,871,607	5,059,029	4,539,148
EQUITY AND LIABILITIES						
EQUITY						
Share capital	8	355,905	355,905	355,905	355,905	355,905
Reserves	9	951,405	670,955	1,401,711	1,206,211	996,877
		1,307,310	1,026,860	1,757,616	1,562,116	1,352,782
NON-CURRENT LIABILITIES						
Lease liability*	28	137,251	-	-	-	-
Bank loans	13	438,782	604,760	296,107	246,703	209,903
		576,033	604,760	296,107	246,703	209,903
CURRENT LIABILITIES						
Lease liability*	28	96,551	-	-	-	-
Bank overdraft	12	53,550	31,872	328,898	134,374	160,840
Bank loans	13	623,000	606,534	435,168	467,889	305,755
Short term notes	14	1,033,212	1,105,756	757,379	507,403	650,989
Amounts due to related companies	6(ii)	16,498	243,228	147,787	299,095	216,910
Trade and other payables	15	1,779,487	1,848,572	2,148,356	1,840,289	1,589,205
Provisions	26 (b)	15,680	7,915	-	-	-
Current tax payable	7	20,220	196	296	1,160	52,764

	3,638,198	3,844,073	3,817,884	3,250,210	2,976,463
TOTAL EQUITY AND LIABILITIES	5,521,541	5,475,693	5,871,607	5,059,029	4,539,148

* The account balances are as a result of adoption of IFRS 16 in the year ended 31 December 2019
** Account balance transferred to right of use asset as a result of adoption of IFRS 16 in the year ended 31 December 2019

D. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2019	2018	2017	2016	2015
	Note	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
REVENUE FROM CONTRACTS WITH CUSTOMERS	16	8,603,652	8,315,910	7,351,326	7,347,557	6,737,108
COST OF SALES	17	(5,185,676)	(5,284,624)	(4,552,750)	(4,401,444)	(3,956,493)
GROSS PROFIT		3,417,976	3,031,286	2,798,576	2,946,113	2,780,615
OTHER INCOME	18	300,732	443,902	386,808	260,293	233,954
		3,718,708	3,475,188	3,185,384	3,206,406	3,014,569
EXPENSES: -						
Net allowance for expected credit losses third party**	5	(81,017)	(15,621)	-	-	-
Net allowance for expected credit losses related parties**	6	145,494	29,071	-	-	-
Administration and establishment	19	(1,840,929)	(1,764,045)	(1,606,545)	(1,695,616)	(1,684,167)
Selling and distribution	20	(1,108,928)*	(1,053,594)*	(971,508)	(906,472)	(958,172)
Revaluation loss on property plant and equipment		-	-	-	(122,549)	-

Finance costs	21	(305,354)	(275,064)	(209,202)	(209,726)	(155,533)
		(3,190,734)	(3,079,253)	(2,787,255)	(2,934,363)	(2,797,872)
PROFIT BEFORE TAX	23	527,974	395,935	398,129	272,043	216,697
TAX EXPENSE	7	(210,738)	(212,122)	(174,835)	(140,247)	(185,949)
PROFIT FOR THE YEAR		317,236	183,813	223,294	131,796	30,748
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange difference on translation of foreign operations		136	(9,293)	6,371	50,810	28,956
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		136	(9,293)	6,371	50,810	28,956
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-	-	-	-	-
Revaluation gain of property, plant & equipment	1(b)				72,600	
Deferred income tax on revaluation	11	-	-		(21,780)	
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-	-	50,820	-

TOTAL OTHER COMPREHENSIVE INCOME		136	(9,293)	6,371	101,630	28,956
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		317,372	174,520	229,665	233,426	59,704
ATTRIBUTABLE TO:						
Owners of the parent		317,372	174,520	229,665	233,426	59,704
Non- controlling interest		-	-	-	-	-
		317,372	174,520	229,665	233,426	59,704
Basic and diluted earnings per share (KShs)	24	4.46	2.58	3.14	1.85	0.43

* *The amount has been disclosed in compliance with requirements of IFRS 9 adopted in year ended 31 December 2018.

* Amount restated with a reclassification of provision for expected credit losses previously disclosed under selling and distribution expenses to the net allowance for expected credit losses third party.

E. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Foreign currency translation reserve KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2015		118,635	80,174	101,693	9,831	1,036,998	1,347,331
Profit for the year		-	-	-		30,748	30,748
Other comprehensive income		-	-	-	28,956	-	28,956
Total comprehensive Income		-	-		28,956	30,748	59,704
Bonus issue 2 shares for every 1 held		237,270				(237,270)	-
Transfer of excess depreciation- 2015		-	-	(13,890)	-	13,890	-
Deferred tax on excess depreciation		-	-	-	-	(12,731)	12,731
2014 final dividend paid	10	-	-	-	-	(41,522)	(41,522)
At 31 December 2015		355,905	80,174	87,803	38,787	790,113	1,352,782

At 1 January 2016		355,905	80,174	87,803	38,787	790,113	1,352,782
Profit for the year		-	-	-	-	131,796	131,796
Other comprehensive income		-	-	50,820	50,810	-	101,630
Total comprehensive income		-	-	50,820	50,810	131,796	233,426
Transfer of excess depreciation-2016		-	-	(9,053)	-	9,053	-
Deferred tax on excess depreciation	9	-	-	-	-	18,617	18,617
2015 final dividend paid	10	-	-	-	-	(42,709)	(42,709)
At 31 December 2016		355,905	80,174	129,570	89,597	906,870	1,562,116

E. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2017		355,905	80,174	129,570	89,597	906,870	1,562,116
Profit for the year		-	-	-	-	223,294	223,294
Other comprehensive income		-	-	-	6,371	-	6,371
Total comprehensive Income		-	-	-	6,371	223,294	229,665
Transfer of revaluation reserve on disposal		-	-	(3,749)	-	3,749	-
Deferred tax on revaluation reserve on disposal						1,125	1,125
Transfer of excess depreciation- 2017		-	-	(24,730)	-	24,730	-
Deferred tax on excess depreciation		-	-	-	-	7,419	7,419
2016 final dividend paid	10	-	-	-	-	(42,709)	(42,709)

At 31 December 2017		355,905	80,174	101,091	95,968	1,124,478	1,757,616
At 1 January 2018		355,905	80,174	101,091	95,968	1,124,478	1,757,616
Impact of IFRS 9 adoption		-	-	-	-	(947,876)	(947,876)
Deferred tax on IFRS 9 adoption		-	-	-	-	79,350	79,350
At 1 January 2018 (restated)		355,905	80,174	101,091	95,968	255,952	889,090
Profit for the year		-	-	-	-	183,813	183,813
Other comprehensive income		-	-	-	(9,293)	-	(9,293)
Total comprehensive Income		-	-	-	(9,293)	183,813	174,520
Transfer of revaluation reserve on disposal		-	-	(1,119)	-	1,119	-
Deferred tax on revaluation reserve on disposal	11	-	-	-	-	336	336
Transfer of excess depreciation- 2018		-	-	(18,743)	-	18,743	-
Deferred tax on excess depreciation	11	-	-	-	-	5,623	5,623
2017 final dividend paid	10	-	-	-	-	(42,709)	(42,709)

At 31 December 2018	355,905	80,174	81,229	86,675	422,877	1,026,860

E. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	Retained Earnings	Total equity
		KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2019		355,905	80,174	81,229	86,675	422,877	1,026,860
Profit for the year		-	-	-	-	317,236	317,236
Other comprehensive income		-	-	-	136	-	136
Total comprehensive Income		-	-	-	136	317,236	317,372
		-	-	-	-	-	-
Transfer of revaluation reserve on disposal		-	-	(895)	-	895	-
Deferred tax on revaluation reserve on disposal	11	-	-	-	-	269	269
Transfer of excess depreciation- 2019		-	-	(18,743)	-	18,743	-
Deferred tax on excess depreciation	11	-	-	-	-	5,518	5,518
2018 final dividend paid	10	-	-	-	-	(42,709)	(42,709)

At 31 December 2019	355,905	80,174	61,591	86,811	722,829	1,307,310

F. CONSOLIDATED STATEMENT OF CASH FLOWS

		2019	2018	2017	2016	2015
OPERATING ACTIVITIES	Note	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Profit before tax		527,974	395,935	398,129	272,043	216,697
Adjustments for: -						
Depreciation on property, plant and equipment	1	183,062	142,668	118,956	157,020	142,782
Revaluation loss on property, plant and equipment		-	-	-	122,549	-
Amortisation of intangible assets	2	14,207	14,893	14,830	15,144	13,325
Amortisation of prepaid leases on land	3	-	265	265	265	265
Amortisation on right of use assets	27	99,035	-	-	-	-
Unrealised foreign exchange loss		32,813	44,363	8,776	109,063	134,818
Unrealised foreign exchange gain		(26,078)	(52,501)	(15,829)	(78,629)	(24,812)
Interest expense	21	305,354	275,064	209,202	209,726	155,533
Interest income	18	(12,217)	(2,270)	(1,103)	(1,728)	(2,184)
Allowance for bad debts – third parties	5	266,427	183,682	132,589	111,595	104,319
Allowance for bad debts – related parties	6	13,262	14,345	-	-	-
Leave accrual write back	18	(14,068)	(790)	(2,629)	(10,920)	-
Inventory write-down	4	36,657	41,600	38,938	34,533	40,774
Reversals of inventory write down	4	(23,008)	(41,776)	(39,821)	(29,633)	(803)
Provision for legal cases	26 (b)	7,765	7,915	-	-	-
(Gain)/ loss on disposal of property, plant and equipment	18& 19	(3,388)	1,021	2,533	(1,190)	389
Operating profit before working capital changes		1,407,797	1,024,414	864,836	909,838	781,103
Increase in trade and other receivables		(247,739)	(143,221)	(428,421)	(320,179)	(165,594)
Decrease/(increase) in inventories		273,408	(255,762)	(379,838)	106,807	(370,192)

(Decrease)/increase in trade and other payables		(55,017)	(298,995)	310,697	262,002	423,909
Increase in amounts due from related parties		(4,996)	(31,847)	(83,934)	(166,158)	(90,654)
(Decrease)/ increase in amounts due to related parties		(226,730)	95,442	(151,308)	82,185	70,292
Cash generated from operations		1,146,723	390,031	132,032	874,495	648,864
Income tax paid	7	(189,377)	(81,885)	(144,663)	(327,658)	(143,170)
Interest received	18	12,217	2,270	1,103	1,728	2,184
Interest paid		(305,352)	(275,064)	(185,789)	(218,253)	(168,352)
Net cash generated from/ (used in) operating activities		664,211	35,352	(197,317)	330,312	339,526
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(241,328)	(367,898)	(190,927)	(246,084)	(379,675)
Purchase of intangible assets	2	(27,106)	(16,751)	(14,096)	(6,685)	(18,097)
Proceeds on sale of property, plant and equipment		17,264	1,178	1,363	5,977	1,316
Net cash used in investing activities		(251,170)	(383,471)	(203,660)	(246,792)	(396,456)
FINANCING ACTIVITIES						
Proceeds from bank loans	13	1,395,116	2,680,305	1,512,169	1,501,265	1,465,019
Repayment of bank loans	13	(1,545,171)	(2,199,423)	(1,498,078)	(1,302,331)	(1,213,465)
Proceeds from short term notes	14	968,488	3,089,844	2,856,916	2,089,591	2,961,939
Repayments of short-term notes	14	(1,041,032)	(2,741,467)	(2,625,554)	(2,233,177)	(2,921,203)
Lease liability payments	28	(85,129)	-	-	-	-
Dividends paid on ordinary shares	10	(42,709)	(42,709)	(42,709)	(42,709)	(41,522)

Net cash (used in)/ generated from financing activities		(350,437)	786,550	202,744	12,639	250,768
Net increase/(decrease) in cash and cash equivalents		62,604	438,431	(198,233)	96,159	193,838
Cash and cash equivalents at the beginning of the year		332,264	(114,676)	71,258	(52,372)	(172,132)
Effect of exchange rate changes on cash and cash equivalents		(5,625)	8,509	12,299	27,471	(74,078)
Cash and cash equivalents at the end of the yea	25	389,243	332,264	(114,676)	71,258	(52,372)

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2019

	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Work in progress*	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation							
At 1 January 2019	32,152	687,716	517,561	219,994	397,070	32,585	1,887,078
Additions	15,600	13,918	51,625	45,505	111,399	3,281	241,328
Disposals	-	-	-	(8,544)	-	(12,981)	(21,525)
Exchange differences	-	27	468	(302)	(1,165)	(699)	(1,671)
At 31 December 2019	47,752	701,661	569,654	256,653	507,304	22,186	2,105,210

Accumulated depreciation

At 1 January 2019	-	27,338	119,745	110,751	127,431	-	385,265
Charge for the year	-	14,581	42,772	53,368	72,341	-	183,062
Eliminated on disposals	-	-	-	(7,649)	-	-	(7,649)
Exchange differences	-	10	(140)	(278)	(805)	-	(1,213)
At 31 December 2019	-	41,929	162,377	156,192	198,967	-	559,465
Net carrying amount	47,752	659,732	407,277	100,461	308,337	22,186	1,545,745

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

	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net carrying amount	506,892	393,692	81,450	334,696	1,316,730

* Capital work-in-progress represents costs incurred on ongoing work in the construction of a factory in Tanzania. Work-in-Progress is not depreciated until the assets are completed and brought into use.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2018

	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Work in progress*	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation							
At 1 January 2018	32,152	673,314	343,701	187,287	287,331	3,088	1,526,873
Additions	-	11,425	176,206	37,542	110,140	32,585	367,898
Transfer from WIP	-	2,977	-	-	-	(2,977)	-
Disposals	-	-	-	(4,092)	-	-	(4,092)
Exchange differences	-	-	(2,346)	(743)	(401)	(111)	(3,601)
At 31 December 2018	32,152	687,716	517,561	219,994	397,070	32,585	1,887,078
Accumulated depreciation							
At 1 January 2018	-	13,010	85,790	68,267	78,689	-	245,756

Charge for the year	-	14,322	34,635	44,865	48,846	-	142,668
Eliminated on disposals	-	-	-	(1,867)	-	-	(1,867)
Exchange differences	-	6	(680)	(514)	(104)	-	(1,292)
At 31 December 2018	-	27,338	119,745	110,751	127,431	-	385,265
Net carrying amount	32,152	660,378	397,816	109,243	269,639	32,585	1,501,813

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

	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net carrying amount	504,411	384,232	68,571	295,997	1,253,211

* Capital work-in-progress represents costs incurred on ongoing work in the construction of a factory in Tanzania. Work-in-Progress is not depreciated until the assets are completed and brought into use.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2017

	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Work in progress*	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation							
At January 2017	32,152	610,001	263,085	170,232	243,255	23,700	1,342,425
Additions	-	41,891	79,049	23,069	45,149	2,589	191,747
Transfer from WIP	-	21,422	1,749	-	-	(23,171)	-
Disposals	-	-	-	(5,682)	-	-	(5,682)
Exchange differences	-	-	(183)	(332)	(1,072)	(30)	(1,617)
At 31 December 2017	32,152	673,314	343,701	187,287	287,331	3,088	1,526,873
Accumulated depreciation							
At 1 January 2017	-	-	65,376	26,794	36,110	-	128,280
Charge for the year	-	13,010	20,419	42,603	42,924	-	118,956
Eliminated on disposals	-	-	-	(969)	-	-	(969)

Exchange differences	-	-	(9)	(160)	(343)	-	(512)
At 31 December 2017	-	13,010	85,790	68,267	78,689	-	245,756
Net carrying amount	32,152	660,304	257,911	119,020	208,642	3,088	1,281,117

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

	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net carrying amount	502,034	249,008	61,293	275,409	1,087,744

*Capital work-in-progress represents costs incurred on ongoing work in the construction of factories in Kisumu and Kampala. Work-in-progress is not depreciated until the assets are completed and brought into use.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP – Year ended 31 December 2016

	Freehold land	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Work in progress*	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation							
At January 2016	32,152	456,851	408,158	237,354	729,933	272,439	2,136,887
Additions	-	63,552	33,663	37,032	95,356	23,700	253,303
Transfer from WIP	-	180,700	91,739	-	-	(272,439)	-
Disposals	-	-	-	(7,752)	(2,408)	-	(11,468)
Elimination of accumulated depreciation on revaluation	-	(103,343)	(246,113)	(161,885)	(466,133)	-	(977,474)
Revaluation adjustment	-	12,241	(22,174)	68,253	(108,269)	-	(49,949)
Exchange differences	-	-	(2,188)	(2,770)	(5,224)	-	(10,182)
At 31 December 2016	32,152	610,001	263,085	170,232	243,255	23,700	1,342,425

Accumulated depreciation

At 1 January 2016	-	90,589	285,241	158,740	424,541	-	959,111
Charge for the year	-	12,754	27,151	37,897	79,218	-	157,020
Elimination on revaluation	-	(103,343)	(246,113)	(161,885)	(466,133)		(977,474)
Eliminated on disposals	-	-	-	(6,616)	(63)	-	(6,679)
Exchange differences	-	-	(903)	(1,342)	(1,453)	-	(3,698)
At 31 December 2016	-	-	65,376	26,794	36,110	-	128,280
Net carrying amount	32,152	610,001	197,709	143,438	207,145	23,700	1,214,145

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

	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Net carrying amount	449,832	237,149	84,920	299,952	1,071,853

*Capital work-in-progress represents costs incurred on ongoing work in the construction of a factory in Kisumu and Kampala. Work-in-progress is not depreciated until the assets are completed and brought into use.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP – Year ended 31 December 2015

	Freehold Land	Buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Work in Progress*	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost or valuation							
At January 2015	25,528	456,986	396,159	206,568	638,819	37,529	1,761,589
Additions	6,120	1,772	14,753	41,112	88,293	240,444	392,494
Transfer (to)/from WIP	504	(1,907)	-	-	6,780	(5,377)	-
Disposals	-	-	-	(7,368)	-	-	(7,368)
Exchange differences	-	-	(2,754)	(2,958)	(3,959)	(157)	(9,828)
At 31 December 2015	32,152	456,851	408,158	237,354	729,933	272,439	2,136,887
Accumulated depreciation							
At 1 January 2015	-	81,462	263,157	126,343	353,863	-	824,825
Charge for the year	-	9,127	22,943	39,091	71,621	-	142,782

Eliminated on disposals	-	-	-	(5,664)	-	-	(5,664)
Exchange differences	-	-	(859)	(1,030)	(943)	-	(2,832)
At 31 December 2015	-	90,589	285,241	158,740	424,541	-	959,111
Carrying Amount	32,152	366,262	122,917	78,614	305,392	272,439	1,177,776

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

	Buildings	Plant and Machinery	Motor vehicles	Furniture, fittings and Equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost	252,262	343,080	212,729	739,258	1,547,329
Accumulated depreciation	(49,596)	(254,206)	(152,582)	(425,704)	(882,088)
	202,666	88,874	60,147	313,554	665,241

*Capital work-in-progress represents costs incurred on ongoing work in the construction of a factory in Kisumu. Work-in-progress is not depreciated until the assets are completed and brought into use.

1. PROPERTY, PLANT AND EQUIPMENT (continued)

No borrowing costs were capitalized during the years ended 31 December 2019, 2018 and 2017. However, for the years ended 31 December 2015 and 31 December 2016, KShs 12.8 million and KShs 8.5 million worth of borrowing costs were capitalized respectively. The borrowing costs were capitalised 100% for loan advanced by Kenya Commercial Bank up to the time the factory was ready for use. The loan was specifically for the factory construction. Any additional interest incurred after construction was expensed in profit and loss.

The Kenya Commercial Bank Limited and NCBA Bank facilities (Refer to Note 12 & 13) are secured by debentures of KShs 571 million and USD 4.2 million over the assets of the Group supported by a supplementary charge over LR 209/5792 along Mogadishu road, LR 209/4275 along Likoni road and LR 209/4479 along Dar es Salam road.

All the Company's assets, except for freehold land and work in progress, were revalued on 31 December 2016. The revaluation amounts have been incorporated in the financial statements for the year then ended. The subsidiaries' assets are carried in the financial statements at cost.

The basis of valuation was: -

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

The methods used to determine the fair value were;

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

The valuation was undertaken by an independent professional valuer, Lead Realtors Limited. The revaluation surplus was credited to revaluation reserve while the revaluation deficit was charged to profit or loss.

The table below shows the valuation of the Company's assets except land and work in progress, which are carried at cost, and the determination of the revaluation surplus/(deficit).

	Buildings	Plant and machinery	Motor vehicles	Fixtures, fittings and equipment	Total
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
Net carrying amount before revaluation	597,760	197,527	58,127	260,347	1,113,761
Revalued amount 31 December 2016	610,001	175,353	126,380	152,078	1,063,812
Revaluation surplus/(loss)	12,241	(22,174)	68,253	(108,269)	(49,949)

Accounted for as follows:

Revaluation surplus from prior years	-	7,894	-	-	7,894
Profit or loss	-	(14,280)	-	(108,269)	(122,549)
Other comprehensive income	12,241	(7,894)	68,253	-	72,600
Revaluation surplus/(loss)	12,241	(22,174)	68,253	(108,269)	(49,949)

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

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

As per the definition of Articles 65(3) of the constitution, the company is a non-citizen and hence the status of its freehold land changes to 99 years lease.

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

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. INTANGIBLE ASSETS	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost					
At 1 January	167,872	151,599	137,521	131,620	113,523
Additions	27,106	16,751	14,096	6,685	18,097
Exchange difference	52	(478)	(18)	(784)	-
At 31 December	195,030	167,872	151,599	137,521	131,620
Amortisation					
At 1 January	130,367	115,676	100,886	85,917	72,610
Charge for the year	14,207	14,893	14,830	15,144	13,325
Exchange difference	37	(202)	(40)	(175)	(18)

At 31 December	144,611	130,367	115,676	100,886	85,917
Carrying Amount	50,419	37,505	35,923	36,635	45,703

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

There were no borrowing costs capitalized during the year ended 31 December 2019 (2018: Nil)

No intangible assets have been pledged as security (2018: Nil).

3. PREPAID LEASES	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cost					
At 1 January and December	13,000	13,000	13,000	13,000	13,000
Reclassified to right of use assets (note 27)	(13,000)	-	-	-	-
Accumulated amortisation	-	13,000	13,000	13,000	13,000
At 1 January	5,566	5,301	5,036	4,771	4,506
Reclassified to right of use assets (note 27)	(5,566)	-	-	-	-
Charge for the year	-	265	265	265	265
At 31 December	-	5,566	5,301	5,036	4,771
Carrying Amount	-	7,434	7,699	7,964	8,229

The prepaid operating leases relate to amounts that the Company has paid for the leased land on which its factories and head offices stand. The prepaid leases on land consist of two leases as follows:

i) Mogadishu Road factory - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2019 was 27 years.

ii) Likoni Road offices - amortised over the lease period of 89 years. The un-expired lease period as at 31 December 2019 was 27 years.

Net carrying amount relating to prepaid leases on land of KShs 7,434,000 was reclassified to right-of-use assets as this qualified as a lease as per IFRS 16. Refer to note 27 for details.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INVENTORIES	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Finished goods and packaging materials	813,909	919,292	809,299	767,084	801,938
Raw materials	711,296	816,008	681,380	584,596	580,945
Goods in transit	342,551	411,697	423,414	203,055	270,805
Work In progress	50,124	56,847	35,693	16,549	24,403
	1,917,880	2,203,844	1,949,786	1,571,284	1,678,091
Inventories write-down to NRV	(64,725)	(63,632)	(65,512)	(67,730)	(62,830)
	1,853,155	2,140,212	1,884,274	1,503,554	1,615,261

The amount of inventories write-down reversed during the year was KShs. 23,008,000 (2018: KShs 41,776,000; 2017: KShs 39,821,000; 2016: KShs 29,633,000; 2015: KShs 803,000) for inventories carried at net realisable value. This is recognised in other income, Note 18. Reversal of inventory write down occurs when inventory assessed as slow moving is used as input in production or is finally sold. Provision is normally based on the last movement day of the stock item which varies with subsequent sales or use.

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

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At the beginning of the year	63,632	65,512	67,730	62,830	22,859
Provision for the year (note 20)	36,657	41,600	38,938	34,533	40,774
Used in the year – write off	(12,556)	(1,704)	(1,335)	-	-

Reversals of write-down (note 18)	(23,008)	(41,776)	(39,821)	(29,633)	(803)
	64,725	63,632	65,512	67,730	62,830

5. TRADE AND OTHER RECEIVABLES

Trade receivables	955,521	956,228	1,465,699	1,334,039	1,105,057
Other receivables	120,113	147,739	128,511	60,521	61,383
Prepayments	148,383	145,626	170,470	74,289	93,824
	1,224,017	1,249,593	1,764,680	1,468,849	1,260,264

The average credit period on sales of finished goods is 30 days. Other receivables consist of staff loans, staff floats and deposits with suppliers. Staff loans are issued to staff to purchase motor vehicles at an interest rate of 8%, for a period not exceeding 36 months. The staff loans are secured against the logbooks. Staff floats and deposits with suppliers are made in the ordinary course of business and are non-interest bearing. They are for a period not exceeding two months.

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TRADE AND OTHER RECEIVABLES (continued)

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

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At the beginning of the year	814,094	346,502	327,196	266,395	245,147
Adjustment on initial application of IFRS 9	-	474,625	-	-	-
Restated balance	814,094	821,127	327,196	266,395	245,147
Charge for the year	266,427	183,682	132,589	111,595	104,319

Write-off	(8,628)	(22,654)	(44,546)	(4,793)	(7,352)
Recoveries during the year	(185,410)	(168,061)	(68,737)	(46,001)	(75,719)
	886,483	814,094	346,502	327,196	266,395
Net movement					
Charge for the year	266,427	183,682	132,589	111,595	104,319
Recoveries during the year	(185,410)	(168,061)	(68,737)	(46,001)	(75,719)
	81,017	15,621	63,852	65,594	28,600
Ageing analysis of trade receivables:					
Less than 60 days	983,068	950,702	1,089359	832,595	820,568
61 days to 90 days	128,184	131,081	114,824	112,599	101,566
Over 90 days	730,752	688,539	608,018	716,041	449,318
	1,842,004	1,770,322	1,812,201	1,661,235	1,371,452
Allowance for ECLs/impairment	(886,483)	(814,094)	(346,502)	(327,196)	(266,395)
Net	955,521	956,228	1,465,699	1,334,039	1,105,057

Trade receivables are non-interest bearing and are generally on 30 days credit terms. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Ageing analysis for other receivables:

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Less than 60 days					

	63,786	54,483	38,489	23,947	9,257
61 days to 90 days	1,936	2,514	1,526	2,699	1,753
Over 90 days	54,391	90,742	88,496	33,875	50,373
	120,113	147,739	128,511	60,521	61,383
Impaired	-	-	-	-	-
Net	120,113	147,739	128,511	60,521	61,383

The decrease in Group other receivables is mainly due to repayment of staff loans during the year.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company is controlled by Crown Paints and Building Products Limited (incorporated in Kenya) which owns 48% of the Company's shares. Barclay Holdings Limited incorporated in Belize Off-Shore Centre holds 13.63% of the Company's shares. Crown Paints and Building Products Limited is a wholly owned subsidiary of Barclay Holdings Limited. Thus, the ultimate parent Company for Crown Paints Kenya Plc is Barclay Holdings Limited. The remaining 38.37% of the shares are widely held through the Nairobi Securities Exchange. Crown Paints Allied Industries Limited, Regal Paints Uganda Limited (formerly Crown Buildings and Products Limited – Uganda), Crown Paints Rwanda Limited and Crown Paints Tanzania Limited are wholly owned subsidiaries of the Company.

The following transactions were carried out with related parties:

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

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Receivables from related companies:					
Crown Paints and Building Products Limited	199,265	364,580	405,228	363,459	230,213
Avicenna Limited	-	-	5,448	5,448	5,448
Varun Agro Products Limited	-	-	29	29	29
Crown Classic Limited	218	-	76	1,256	-
Tintas Berger LDA	3,118	2,439	2,716	-	2,073
Crown Marble & Quartz	100,458	89,674	74,414	46,663	30,613
Swift Mobile	65,026	65,152	53,418	40,540	22,860

Border Properties Limited	18,278	18,278	18,278	18,278	18,278
	386,363	540,123	559,607	475,673	309,514
Provision for ECL	(298,686)	(444,180)	-	-	-
	87,677	95,943	559,607	475,673	309,514

As at 31 December 2019, the Group's related party receivables with initial value of KShs 298,686,000 (2018: KShs 444,180,000; 2017: KShs Nil; 2016: KShs Nil; 2015: KShs Nil) were fully provided for.

Related party receivables are carried net of expected credit losses (ECLs)/impairment. The movement in the expected credit losses/impairment is as set out below.

	2019	2018
	KShs'000	KShs'000
At the beginning of the year	444,180	-
Adjustment on initial application of IFRS 9	-	473,251
Restated balance	444,180	473,251
Provision for expected credit losses	13,262	14,345
Recoveries during the year	(158,756)	(43,416)
	298,686	444,180

Expected credit losses net movement

Provision for expected credit losses	13,262	14,345
Recoveries during the year	(158,756)	(43,416)

				(145,494)	(29,071)

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

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

Ageing analysis

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Less than 60 days	57,841	77,916	71,372	58,050	36,126
61 days to 90 days	-	3,891	5,108	12,121	6,835
Over 90 days	328,522	458,316	483,127	405,502	266,553
	386,363	540,123	559,607	475,673	309,514
Impaired	(298,686)	(444,180)	-	-	-
Neither past due nor impaired	87,677	95,943	559,607	475,673	309,514

(ii) Payables to related companies:

	2019	2018	2017	2016	2015
Daxian Limited	1,018	223,137	141,339	285,173	214,620
Border Properties Limited	-	2,027	2,132	4,114	2,290
Crown Classic Limited	14,976	17,418	4,316	7,809	-
Tintas Berger LDA	-	-	-	363	-
Swift Mobile	504	646	-	-	-
Crown Marble & Quartz	-	-	-	1,636	-

	16,498	243,228	147,787	299,095	216,910

Sale of goods and services rendered					
Crown Paints and Building Products Limited					
	-	-	80	706	707
Purchase of goods:					
Crown Paints Tanzania Limited	149	587	1,021	3,161	-
Crown Paints Rwanda Limited	-	6,400	755	1,232	-
Services rendered:					
Crown Marble & Quartz	47	-	-	-	-
Crown Paints and Building Products Limited					
	5,700	5,700	32,198	28,945	14,098
Crown Classic Limited	93,223	-	-	-	-
Daxian Limited	101,336	102,248	86,857	86,363	85,469

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

Tintas Berger LDA, Border Properties Limited, Swift Mobile, Crown Marble and Quartz and Crown Classic Limited are related parties by virtue of common directorship.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
(iv) Key management personnel compensation					

Short term employee benefits	258,068	218,994	166,616	152,318	160,826
Defined contribution plan	4,702	5,124	8,677	3,559	4,416
	262,770	224,118	175,293	155,877	165,242

(v) Directors' remuneration

Fees for services as directors	8,183	7,667	8,213	9,904	9,694
Other emoluments (included in key management personnel compensation above)	146,016	132,300	129,695	108,925	100,826
	154,199	139,967	137,908	118,829	110,520

Loans to related parties

Key management	-	-	625	828	3,727
Swift Mobile	65,026	65,152	53,418	40,540	22,860

Movement in loans to Swift Mobile:

At beginning of the year	65,152	53,418	40,540	22,860	38,156
Loans issued during the year	320,030	690,213	628,145	719,958	722,790
Repayments made during the year	(320,156)	(678,479)	(615,267)	(702,278)	(738,086)
As at 31 December	65,026	65,152	53,418	40,540	22,860

(vi) Short term notes due to related parties

Crown Paints & Building Products Limited

	-	-	293	79,602	46,976
Directors	305,039	164,085	157,828	130,527	113,127
Daxian Limited	-	-	-	-	23,029
	305,039	164,085	158,121	210,129	183,132

Key management personnel comprise heads of departments and senior managers of the Group.

Terms and conditions of transactions with related parties

The loans to key management and directors are issued to purchase motor vehicles at an interest rate of 8% for a period not exceeding 36 months and are secured against the logbooks. The short-term notes due to related parties are at an interest rate of 12% for a period not exceeding 1 year. The other amounts due from and due to related parties are non-interest bearing and unsecured.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
STATEMENT OF FINANCIAL POSITION					
Balance brought forward	(43,744)	(122,288)	(126,877)	52,764	(21,605)
Charge for the year	225,625	160,429	149,252	148,017	217,539
Paid during the year	(189,377)	(81,885)	(144,663)	(327,658)	(143,170)
Current tax (recoverable)/ payable	(7,496)	(43,744)	(122,288)	(126,877)	52,764
The amount has been presented in the statement of financial position as follows;					
Current tax payable	20,220	196	296	1,160	52,764
Current tax recoverable	(27,716)	(43,940)	(122,584)	(128,037)	-
Net amount	(7,496)	(43,744)	(122,288)	(126,877)	52,764
PROFIT OR LOSS					
Current tax at 30 % on the taxable					

	2019	2018	2017	2016	2015
profit for the year	225,625	160,429	149,252	148,017	217,539
Deferred tax expense/(credit) (note 11)	(14,887)	51,693	25,583	(7,770)	(31,590)
	210,738	212,122	174,835	140,247	185,949

Reconciliation of taxation expense to tax based on accounting profit

Accounting profit before tax	527,974	395,935	398,129	272,043	216,697
Tax at applicable rate of 30%	158,392	118,781	119,439	81,613	65,009
Reversal of provision for amount owing from subsidiaries	(35,349)	(88,158)	-	-	-
Tax effect on items not eligible for tax purposes	2,333	96,496	18,821	14,380	49,352
Minimum tax liability- Tanzania	1,611	2,374	1,653	1,475	840
Unrecognised deferred tax assets on tax losses in subsidiaries	83,751	82,629	32,426	40,565	71,967
Over provision on deferred tax in previous year	-	-	2,496	2,214	(1,219)
	210,738	212,122	174,835	140,247	185,949

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Tax effect on items not eligible for tax purposes can be summarised as follows:					
Depreciation	5,751	6,011	7,486	6,105	-
Amortization on leasehold land	80	80	80	80	80

Legal fees	-	-	-	104	159
Staff benevolent costs	329	404	308	-	-
Directors' expenses	-	1,392	1,277	1,767	929
Bad debts written off	36	1,165	2,582	57	316
Donations	116	124	106	235	243
Sponsorship	2,112	934	135	165	2,044
Fines & penalties	154	182	215	5	43,178
School fees	1,939	2,640	2,420	2,057	1,926
Corporate social responsibility	156	50	496	575	534
Pension scheme administration costs	1,116	792	845	696	317
Company staff program	366	266	-	-	-
Excess pension contribution	3,021	3,019	2,871	2,534	2,045
Realised exchange loss	-	-	-	-	(2,662)
Operating costs-disallowable	-	-	-	-	213
Subscriptions	-	-	-	-	30
Provision for amount owing from subsidiaries	(8,299)	79,437	-	-	-
Rebates	(5,105)	-	-	-	-
Electricity rebate	(2,154)	-	-	-	-
Valuation fees	114	-	-	-	-
Trademark registration expenses	2,435	-	-	-	-
Income not subject to taxation	(206)	-	-	-	-
Reversal of revaluation	269	-	-	-	-
Club membership subscriptions	103	-	-	-	-
	2,333	96,496	18,821	14,380	49,352

8. SHARE CAPITAL

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Authorised:					

71,181,000 ordinary shares of KShs. 5 each					
	355,905	355,905	355,905	355,905	355,905
Issued and fully paid:					
71,181,000 ordinary shares of KShs. 5 each					
	355,905	355,905	355,905	355,905	355,905

9. RESERVES

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Share premium	80,174	80,174	80,174	80,174	80,174
Revaluation reserve	61,591	81,229	101,091	129,570	87,803
Foreign currency translation reserve	86,811	86,675	95,968	89,597	38,787*
Retained earnings	722,829	422,877	1,124,478	906,870	790,113*
	951,405	670,955	1,401,711	1,206,211	996,877

*The amount has been restated through re-classification from the retained earnings for amount totalling KShs 16.9 million which relates to deferred tax on excess depreciation. The amount had been recorded as a credit in the retained earnings account instead of a debit.

The share premium arose from the issue of 8,630,000 ordinary shares to the public in 1992. Any excess of the cash received from shareholders over the ordinary share nominal amount is recorded in the share premium.

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

9. RESERVES (continued)

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

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

10. DIVIDENDS	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Dividend paid					
Final dividend for 2018, 2017, 2016, 2015 at KShs. 0.60 per share (2014: KShs. 1.75 per share).	42,709	42,709	42,709	42,709	41,522
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December).					
Dividend on ordinary shares 2019: Nil (2018, 2017, 2016 and 2015: KShs 0.60 per share)	-	42,709	42,709	42,709	42,709

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

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

11. DEFERRED TAX ASSET

Movements in deferred tax during the year were as follows:

Year ended 31 December 2019	Balance at 1 January KShs'000	Profit or loss KShs'000	Equity KShs'000	Balance at 31 December KShs'000
Accelerated capital allowances	99,133	12,879	-	112,012
Unrealised exchange loss	(5,651)	5,651	-	-
Unrealised exchange gain	6,012	(4,516)	-	1,496
Revaluation reserve	43,015	-	(5,786)	37,229
Allowance for doubtful debts – third parties	(151,466)	(26,709)	-	(178,175)
Provisions for staff leave	(10,109)	4,915	-	(5,194)
Provisions for contingent liability	(2,375)	(2,330)	-	(4,705)
Provision for obsolete inventories	(13,676)	(4,777)	-	(18,453)
	(35,117)	(14,887)	(5,786)	(55,790)

Year ended 31 December 2018

Accelerated capital allowances	76,166	22,967	-	99,133
Unrealised exchange loss	(1,025)	(4,626)	-	(5,651)
Unrealised exchange gain	522	5,490	-	6,012
Revaluation reserve	48,974	-	(5,959)	43,015
Allowance for doubtful debts – third parties	(79,302)	7,186	(79,350)	(151,466)
Provisions for staff leave	(11,705)	1,596	-	(10,109)
Provisions for legal cases	-	(2,375)	-	(2,375)
Provision for bonus accrual	(11,571)	11,571	-	-
Provision for rebates	(6,216)	6,216	-	-
Provision for obsolete inventories	(17,344)	3,668	-	(13,676)
	(1,501)	51,693	(85,309)	(35,117)

11. DEFERRED TAX ASSET (continued)

Movements in deferred tax during the year were as follows:

Year ended 31 December 2017	Balance at 1 January KShs'000	Profit or loss KShs'000	Equity KShs'000	Other comprehensive income	Balance at 31 December KShs'000
Accelerated capital allowances	57,553	18,613	-	-	76,166
Unrealised exchange loss	(824)	(201)	-	-	(1,025)
Unrealised exchange gain	4,316	(3,794)	-	-	522
Revaluation reserve	57,518	-	(8,544)	-	48,974
Allowance for doubtful debts	(74,007)	(5,295)	-	-	(79,302)
Provisions for staff leave	(12,494)	789	-	-	(11,705)
Provision for bonus accrual	(18,000)	6,429	-	-	(11,571)
Provision for obsolete inventories	(18,171)	827	-	-	(17,344)
Provision for rebates	(14,431)	8,215	-	-	(6,216)
	(18,540)	25,583	(8,544)	-	(1,501)

Year ended 31 December 2016

Accelerated capital allowances	46,933	10,620	-	-	57,553
Unrealised exchange loss	(6,980)	6,156	-	-	(824)
Unrealised exchange gain	6,532	(2,216)	-	-	4,316
Revaluation reserve	-	-	-	21,780	21,780
Deferred tax on excess depreciation	54,355	-	(18,617)	-	35,738
Allowance for doubtful debts	(64,722)	(9,285)	-	-	(74,007)
Provisions for staff leave	(14,015)	1,521	-	-	(12,494)
Provision for bonus accrual	(11,400)	(6,600)	-	-	(18,000)
Provision for obsolete inventories	(17,158)	(1,013)	-	-	(18,171)
Provision for rebates	(7,478)	(6,953)	-	-	(14,431)
	(13,933)	(7,770)	(18,617)	21,780	(18,540)

11.DEFERRED TAX ASSET (Continued)

Movements in deferred tax during the year were as follows:

Year ended 31 December 2015	Balance at 1 January KShs'000	Profit or Loss KShs'000	Equity KShs'000	Balance at 31 December KShs'000
Accelerated capital allowances	57,778	(10,845)	-	46,933
Unrealised exchange loss	(2,662)	(4,318)	-	(6,980)
Unrealised exchange gain		6,532		6,532
Revaluation reserve	41,624	-	12,731	54,355
Allowance for doubtful debts	(65,444)	722	-	(64,722)
Provisions for staff leave	(12,131)	(1,885)	-	(14,016)
Provision for bonus accrual	-	(11,400)	-	(11,400)
Provision for obsolete inventories	(5,649)	(11,508)		(17,157)
Provision for rebates	(8,590)	1,112	-	(7,478)
	4,926	(31,590)	12,731	(13,933)

No provision has been made for a deferred tax asset on tax losses relating to the subsidiaries amounting KShs 366,721,000, 2018: KShs 282,970,000, 2017: KShs 200,342,000, 2016: KShs 167,916,000 and 2015: KShs 127,351,000 because it is not expected that the companies will have taxable profits in the near future against which the temporary differences and tax losses can be utilised. The accumulated tax losses for the subsidiaries amount to KShs 1,222,403,000, 2018: KShs 943,234,000, 2017: KShs 667,805,000, 2016: KShs 559,720,000 and 2015: KShs 424,503,000 and can be carried forward for a maximum period of 10 years and 5 years in accordance with Kenyan and Rwandan tax laws, respectively, and indefinitely for Tanzania and Uganda. The other temporary differences relating to the subsidiaries for which no deferred tax has been recognized amount to KShs 72,494,234, 2018: KShs 71,945,066, KShs 56,680,636, 2016: KShs 101,898,506, 2015: KShs 57,156,187.

In accordance with the Kenyan Income Tax Act, Crown Paints Allied Industries Limited 2010 tax loss of KShs. 20,525,372 are available for utilization until 31 December 2019 while 2018 tax loss of KShs. 11,193,279 are available for utilization until 31 December 2027.

In accordance with the Rwandan Income Tax Act, the tax losses for Crown Paints Rwanda Limited are available for utilization subject to their respective expiry dates as follows:

a) 2014 tax loss amounting to KShs. 9,865,593 expires on 31 December 2019
b) 2017 tax loss amounting to KShs. 24,066,028 expires on 31 December 2022
c) 2018 tax loss amounting to KShs. 23,289,326 expires on 31 December 2023.

12. BANK OVERDRAFT

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Bank overdraft	53,550	31,872	328,898	134,374	160,840

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

The weighted average interest rate on the overdraft at year-end was 13%, 2018: 13%, 2017: 14%, 2016: 14.41% and 2015: 14% while letters of guarantee had a weighted average interest rate of 9.25%. The bank overdrafts are reviewed annually and are payable on demand.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. BANK LOANS

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Long term loans:					
KCB Loan-Kenya	367,823	325,319	302,439	258,700	193,095
KCB Loan – Uganda	7,526	15,825	23,850	-	-
I&M Loan – Uganda	80,688	80,288	-	-	-
I&M Loan – Tanzania	36,164	36,505	-	-	-
NIC Bank Tanzania Limited	1,272	-	-	-	-
Alliance Finance Corporation Limited	4,787	-	-	-	-
Giro loan	-	-	-	-	16,808
Akzo Nobel Loan – Tanzania	133,455	136,380	-	-	-
Akzo Nobel Loan – Rwanda	-	41,616	-	-	-
					-
	631,715	635,933	326,289	258,700	209,903
Short term borrowings:					-
					-
NCBA IPF facility	111,927	209,717	136,051	115,581	102,269
KCB IPF facility	318,140	365,644	268,935	340,311	203,486
	430,067	575,361	404,986	455,892	305,755
Total bank loans	1,061,782	1,211,294	731,275	714,592	515,658
Due within 1 year	623,000	606,534	435,168	467,889	305,755
Due after 1 year	438,782	604,760	296,107	246,703	209,903

Movements during the year:

At 1 January	1,211,294	731,275	714,592	515,658	264,104
Additional loan received	1,395,116	2,680,305	1,512,169	1,501,265	1,465,019
Accrued Interest	126,151	113,155	88,469	70,231	25,246
Interest payments	(126,151)	(113,155)	(83,670)	(70,231)	(25,246)
Loan repayments	(1,545,171)	(2,199,423)	(1,498,078)	(1,302,331)	(1,213,465)
Foreign exchange difference	543	(863)	(2,207)	-	-
At 31 December	1,061,782	1,211,294	731,275	714,592	515,658

The amount due within one year relates to post import financing from Kenya Commercial Bank Limited and NCBA Bank for a period not exceeding 6 months and is secured pari-passu by debenture of KShs. 571 million and USD 4.2 million over the assets of the Group supported by a supplementary charge over LR 209/5792 along Mogadishu road, LR 209/4275 along Likoni road and LR 209/4479 along Dar Es Salaam road.

The weighted average interest rate on the loans at year-end was 13%, 2018: 13%, 2017: 14%, 2016: 14%, 2015: 9%. The amount due in 1 year also includes the current portion of the long-term loans due within 12 months amounting KShs 330.3 million, 2018: KShs 302.5 million, 2017: KShs 30 million, 2016: KShs 12 million and 2015: KShs 12 million. The long term loans relate to financing from Kenya Commercial Bank Limited for the construction of warehouses and offices, landed costs of vehicles, equipment, fixtures and fittings for a new factory erected on property L.R. No. Kisumu/Ojola/4790 and asset based finance loan for the purchase of new machinery and motor vehicles. The facilities shall be repaid in 102 months (2018 and 2017: 114 months, 2016 and 2015: 126 months) consecutive monthly instalments inclusive of interest and other charges.

The long-term loan from Kenya Commercial Bank Limited Uganda is an asset-based financing for the purchase of machinery. The interest on the term loan is central bank rate plus 4% and the facility shall be repaid in 24 months consecutive monthly instalments inclusive of interest and other charges.

The loan from I&M Bank Limited (Uganda) is a letter of credit cum term loan for the purchase of machinery required in the ordinary course of business. The interest on the term loan is three months USD LIBOR rate plus 6.66611% and the facility shall be repaid in 48 months consecutive monthly instalments commencing after an initial moratorium period on repayment of principal amount of 12 months inclusive of interest and other charges. The loan is secured by fixed and floating debenture for an amount of amount of USD 3,099,000 over all the assets of Regal Paints Uganda Limited and corporate guarantee and indemnity of Crown Paints Kenya Plc for USD 3,099,000.

13. BANK LOANS (continued)

The loan from I&M Bank Tanzania Limited is an import and asset-based financing for the purchase of machinery. The interest on the term loan is three months USD LIBOR rate plus 6.66611% and the facility shall be repaid in 48 months consecutive monthly instalments inclusive of interest and other charges. The loan is secured by fixed and floating debenture for an amount of amount of USD 2,564,787 over all the assets of Crown Paints Tanzania Limited and corporate guarantee of Crown Paints Kenya Plc for USD 2,564,787.

The loans from AkzoNobel South Africa (pty) Limited are working capital financing for the Sadolin business in which Crown Paints Rwanda Limited and Crown Paints Tanzania Limited are acting as agents. The loans are repayable in 120 workings days subsequent to the termination of the tolling contract. The loans are guaranteed by Crown Paints and Building Products Kenya Limited, a related party.

14. SHORT TERM NOTES	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year	1,033,212	1,105,756	757,379	507,403	650,989
Movement in the year:					
At 1 January	1,105,756	757,379	507,403	650,989	610,253
Additional loan received	968,488	3,089,844	2,856,916	2,089,591	2,961,939
Accrued interest	140,831	125,622	84,946	94,313	106,935
Interest payments	(140,831)	(125,622)	(66,332)	(94,313)	(106,935)
Loan repayments	(1,041,032)	(2,741,467)	(2,625,554)	(2,233,177)	(2,921,203)
At 31 December	1,033,212	1,105,756	757,379	507,403	650,989

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

15. TRADE AND OTHER PAYABLES

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Amounts falling due within one year					
Trade payables	1,505,803	1,575,435	1,858,139	1,445,564	1,353,128
Other payables	132,765	123,276	126,716	134,560	68,365
Accruals	140,919	149,861	163,501	260,165	167,712
	1,779,487	1,848,572	2,148,356	1,840,289	1,589,205

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables represent outstanding payroll costs and unidentified bank deposits and are non-interest bearing and have an average term of one month.

Accruals are non-interest bearing and represent liabilities in relation to expenses incurred but for which invoices had not been received as at year-end.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Following revenue arose from sale of goods:					
Decorative paints	6,930,054	6,688,056	5,918,699	5,774,519	5,388,860
Industrial paints	1,059,951	1,008,434	898,510	1,043,566	868,511
Automotive paints	369,202	410,187	374,022	385,711	359,043
Adhesives	244,445	209,233	160,095	143,761	120,694
	8,603,652	8,315,910	7,351,326	7,347,557	6,737,108

17. COST OF SALES

Raw materials	4,713,734	4,799,222	4,188,022	4,070,332	3,661,718
Salaries and wages	257,958	260,783	172,188	126,528	129,403
Depreciation on plant and machinery	56,471	41,737	32,468	40,186	32,180
Machinery repairs and maintenance	41,129	50,757	72,449	81,647	63,139
Fuel, water and electricity	27,951	40,236	21,233	29,598	21,509
Safety & environmental costs	41,201	40,881	31,547	33,570	29,017
Technical consultancy	25,534	23,691	17,548	8,443	2,608
Amortization on right of use asset	2,103	-	-	-	-
Transport costs	3,566	6,087	7,654	4,604	7,373

Factory rent	7,479	8,869	3,286	2,181	1,511
Others	8,550	12,361	6,355	4,355	8,035
	5,185,676	5,284,624	4,552,750	4,401,444	3,956,493

18. OTHER INCOME

Gain on disposal of property and equipment	3,388	349	40	1,190	518
Interest income	12,217	2,270	1,103	1,728	2,184
Miscellaneous income	130,342	132,053	162,822	39,861	54,892
Operating lease revenue	13,501	8,220	17,063	16,163	14,997
Doubtful debts written back	-	-	68,737	46,001	75,719
Decrease in provision for leave	14,068	790	2,629	10,920	-
Reversal of inventory write down (note 4)	23,008	41,776	39,821	29,633	803
Foreign exchange gain	70,879	115,929	35,097	106,224	50,991
Surcharge sales	6,904	35,514	13,077	8,573	33,850
Tolling fees	26,425	107,001	46,419	-	-
	300,732	443,902	386,808	260,293	233,954

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

19. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Staff costs (Note 22)	1,096,615	1,059,621	987,085	976,423	873,778

Depreciation on property and equipment	126,591	100,931	86,488	116,834	110,753
Auditors' remuneration	12,023	11,087	10,953	10,638	10,475
Directors' emoluments:					
As directors	8,183	7,667	8,213	9,904	9,694
As executives	141,314	127,660	129,695	108,925	100,826
Legal and professional fees	51,423	42,660	42,631	26,331	33,579
Amortisation of prepaid leases on land	-	265	265	265	265
Depreciation charge for the year on ROU	265	-	-	-	-
Amortisation of intangible assets	14,207	14,893	14,830	15,144	13,325
Insurance	56,067	47,348	45,910	46,493	38,545
Loss on disposal of property and equipment	-	1,370	2,573	-	907
Foreign exchange loss	76,174	91,314	60,282	141,139	265,393
Office expenses	49,174	62,206	77,319	75,181	78,280
Consultancy fees	44,758	33,997	26,117	7,847	19,041
Computer costs	53,525	53,563	45,877	83,850	50,122
Travel	31,546	15,509	12,599	28,603	37,156
Maintenance, subscriptions and donations	20,151	23,290	23,026	20,612	14,321
Bank charges	37,513	34,892	25,503	14,464	10,999
Others	21,400	35,772	7,179	12,963	16,708
	1,840,929	1,764,045	1,606,545	1,695,616	1,684,167

20. SELLING AND DISTRIBUTION EXPENSES

Transport	297,139	305,867	223,586	212,947	196,650
Advertising and promotion	498,954	459,173	349,706	351,526	442,103
Inventory write-downs (note 4)	36,657	41,600	38,938	34,533	40,774
Allowance for bad debts-trade receivables	-	-	132,589	111,595	104,319

Depot expenses	167,499	237,201	217,208	188,261	169,774
Amortization on right of use asset	96,667	-	-	-	-
Others	12,012	9,753	9,481	7,610	4,552
	1,108,928	1,053,594	971,508	906,472	958,172

21. FINANCE COSTS

Interest on loans and overdraft	140,748	149,442	124,256	115,412	48,598
Interest on lease liability	23,775	-	-	-	-
Interest on short term notes	140,831	125,622	84,946	94,314	106,935
	305,354	275,064	209,202	209,726	155,533

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

22. STAFF COSTS

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Salaries and wages	882,028	853,107	797,827	795,267	692,879
Defined contribution plan	13,650	11,848	10,775	10,205	8,241
Medical benefits	13,368	8,456	10,901	12,669	11,543
Insurance	82,310	78,675	72,567	78,121	71,562
Staff general costs	75,289	77,020	73,166	56,341	58,373
Training and development	29,970	30,515	21,849	23,820	31,180
Staff costs (Note 19)	1,096,615	1,059,621	987,085	976,423	873,778

Salaries and wages (Note 17)	257,958	260,783	172,188	126,528	129,403
Total staff costs	1,354,573	1,320,404	1,159,273	1,102,951	1,003,181

23. PROFIT BEFORE TAX

The profit before tax is stated

after charging: -

Depreciation of property, plant & equipment (Note 1)	183,062	142,668	118,956	157,020	142,782
Amortisation of prepaid leases on land (Note 19)	-	265	265	265	265
Depreciation charge ROU (Note 19)	265	-	-	-	
Amortisation of intangible assets (Note 2)	14,207	14,893	14,830	15,144	13,325
Directors' emoluments:					
As directors (Note 19)	8,183	7,667	8,213	9,904	9,694
As executives (Note 19)	141,314	127,660	129,695	108,925	100,826
Auditors' remuneration (Note 19)	12,023	11,087	10,953	10,638	10,475
Loss on disposal of property, plant and equipment (Note 19)	-	1,370	2,573	-	907
Finance costs (Note 21)	305,354	275,064	209,202	209,726	155,533
Foreign exchange loss (Note 19)	76,174	91,314	60,282	141,139	265,393

And after crediting: -

Interest income (Note 18)	12,217	2,270	1,103	1,728	2,184
Operating lease income (Note 18)	13,501	8,220	17,063	16,163	14,997

Gain on disposal of property, plant and equipment (Note 18)	3,388	349	40	1,190	518
Foreign exchange gain (Note 18)	70,879	115,929	35,097	106,224	50,991

24. BASIC AND DILUTED EARNINGS PER SHARE

Net profit attributable to ordinary shareholders (KShs'000)	317,236	183,813	223,294	131,796	30,748
Weighted average number of ordinary shares in '000'	71,181	71,181	71,181	71,181	71,181

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

There were no dilutive potential shares as at 31 December 2019, 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

25. CASH AND CASH EQUIVALENTS

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

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and cash equivalents	442,793	364,136	214,222	205,632	108,468
Bank overdraft (Note 12)	(53,550)	(31,872)	(328,898)	(134,374)	(160,840)
	389,243	332,264	(114,676)	71,258	(52,372)

26. PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Operating lease commitments

(i) As lessee:

	2018
	KShs'000
Maturing within one year	105,255
Maturing over one year to five years	199,681
Total operating lease commitments	304,936

All the commitments relate to future rent payable for the depots, showrooms, godowns and residential apartments based on the existing contracts and projected renewals. The lease agreements are between the Group and the landlords and have no provisions relating to contingent rent payable. The terms of renewal vary from one lease to another and may include a written notice to the lessors before the expiration of the leases and the lessors will grant to the lessee new leases of the said premises/properties for a further term as may be mutually agreed by the parties. There were no future minimum lease payments due to third parties under non-cancellable operating leases for the years ended 31 December 2017, 2016 and 2015.

(ii) As lessor:

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

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

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Within 1 year	11,724	11,601	6,745	10,457	14,462
Within 5 years	25,890	53,154	-	-	-
	37,614	64,755	6,745	10,457	14,462

b) Provisions

The Group is involved in a number of legal proceedings which are yet to be concluded upon. The Directors evaluate the status of these exposures on a regular basis to assess the probability of incurring related liabilities. Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Of the KShs 31 million estimate, KShs 16 million has been provided for (2018: 8 million, 2017: Nil, 2016: Nil, 2015: Nil).

	2019	2018
	KShs'000	KShs'000
At 1 January	7,915	-
Provision during the year	7,765	7,915
At 31 December	15,680	7,915

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

26. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

c) The Group's capital commitments as at year end were nil (2018: Nil, 2017: Nil, 2016: KShs 21 million and 2015: KShs 28 million for the construction of a factory in Kisumu).

d) Bank facilities

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Letters of credit	1,610	11,185	9,422	204,600	204,600
Avalised bills	20,501	66,388	-	-	-
Documentary collections	132,547	128,646	-	-	-
Guarantees given by bankers	1,340	2,733	3,618	20,000	20,000
	155,998	208,952	13,040	224,600	224,600

The guarantees are issued by the Group's bankers in favour of third parties and the Group has entered counter - indemnities with the same banks. These guarantees are part of the borrowing facilities disclosed in Notes 13 & 14 above and are issued in the normal course of business.

e) Contingent liabilities

The parent company received additional corporate tax assessments relating to the financial years 2015, 2016, 2017 and 2018 totalling KShs 263,313,227 and interest on the incremental tax liability of KShs 29,978,217 from Kenya Revenue Authority (KRA). The Company has objected the additional assessment in a letter dated 1 March 2021 noting that the additional amount assessed are essentially tax paid by the Company in the same period. KRA has disallowed the payments because the Company declared them in the wrong slot in the self-assessment return. However, the payments were received by KRA and it is a reconciliation issue.

The Company also received a VAT automated assessment relating to input VAT claimed by the Company for the period January to May 2018 that would not be matched by the corresponding output VAT declared by the seller. The principal amount totals KShs 103,091,641 and penalties and interest KShs 32,005,004. The full amount was disputed, and an objection filed by the company in July 2020.

Crown Paints Allied Industries Limited received a VAT automated assessment relating to input VAT claimed in the May 2018 VAT return. The principal amount totals KShs 796,098 and penalties and interest KShs 48,300. The Company objected the full amount, but the objection was not allowed by KRA. The matter was appealed at the Tax Appeals Tribunal on 03 July 2020 and awaits determination.

Regal Paints Uganda Limited received an assessment of UShs 3,741,720,936 relating to Customs assessment for the period January 2017 to December 2019. The Company objected to the assessment but has paid 30% of the tax in dispute UShs 1,122,516,281 on 17 February 2021. The matter was appealed at the Tax Appeals Tribunal on 23 February 2021 and awaits determination. The deposit payment of 30% with Uganda Revenue Authority of the amount in dispute is as per the requirement by the Uganda tax law whenever a dispute is taken to the Tax Appeals Tribunal.

Crown Paints Tanzania Limited received an assessment of TZShs 165,439,390 relating to income tax for the financial year 2017, withholding tax assessment amounting TZShs 21,277,073 for the financial year 2017 and VAT assessment amounting TZShs 238,726,925 for the financial year 2016. The Tanzania Revenue Authority recovered TZShs 102,814,700 relating to VAT on 1 December 2020, but the company is following up on recovering the amount from the authority given the matter has been appealed. The Company objected the full amount, but the objection was not allowed by Tanzania Revenue Authority. The matter was appealed at the Tax Revenue Appeals Board on 20 August 2020 and awaits determination.

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

27. RIGHT OF USE ASSETS

	2019	2018
	KShs'000	KShs'000
Cost		
At 1 January – Impact of adopting IFRS 16	244,288	-
Prepaid rent	7,183	-
Reclassified prepaid lease on land	13,000	
Additions	74,363	-
Exchange difference	(250)	-
At 31 December	338,584	-

Amortisation		
At 1 January	-	-
Reclassified from prepaid lease on land	5,566	-
Charge for the year	99,035	-
Exchange difference	(246)	-
At 31 December	104,355	-
Carrying Amount	234,229	-
Amounts recognized in profit and loss		
Amortization expense on right-of-use assets (note 17, 18 & 19)	99,035	-
Interest expense (note 21)	23,775	-

The identified right of use assets that the Group has leased are depots, showrooms, godowns and residential apartments.

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

The Group does not have any low value assets. Non-lease components are treated separately using the applicable Standards.

There are no restrictions or covenants imposed by lessors and the Group did not enter into any sale and leaseback transactions in any of the five years ended 31 December 2015, 2016, 2017, 2018 and 2019.

The total cash outflow for leases amount to KShs 108.8 million (2018: KShs 137.5 million, 2017: KShs 135 million, 2016: KShs 119.1 million, 2015: KShs 108.8 million which has been expensed in current year).

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

28. LEASE LIABILITY

	2019	2018
	KShs'000	KShs'000

At 1 January – Impact of adopting IFRS 16	244,288	-
Additions	74,363	-
Interest charge (note 21)	23,775	-
Exchange difference	154	-
Payments during the year	(108,778)	-
At 31 December	233,802	-
Non-current	137,251	-
Current	96,551	-
Total	233,802	-

The Group does not have any leases not yet commenced to which the lessee is committed.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Financial assets measured at amortised cost					
Cash and cash equivalents	442,793	364,136	214,222	205,632	108,468
Trade and other receivables	1,032,084	1,011,602	1,536,670	1,394,560	1,166,440
Amounts due from related companies	87,677	95,943	559,607	475,673	309,514
	1,562,554	1,471,681	2,310,499	2,075,865	1,584,422

Financial liabilities measured at amortised cost					
Bank overdraft	53,550	31,872	328,898	134,374	160,840
Bank loans	1,061,782	1,211,294	731,275	714,592	515,658
Short term notes	1,033,212	1,105,756	757,379	507,403	650,989
Amounts due to related companies	16,498	243,228	147,787	299,095	216,910
Trade and other payables	1,674,328	1,743,589	2,025,385	1,840,289	1,589,205
	3,839,370	4,335,739	3,990,724	3,495,753	3,133,602

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's 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 Group'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 KShs base lending rates are 13%. 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%.

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

		Effect on profit before tax	Effect on equity
		KShs'000	KShs'000
2019	Increase by 2%	42,971	29,330
	Decrease by 2%	(42,971)	(29,330)

2018	Increase by 2%	46,978	32,439
	Decrease by 2%	(46,978)	(32,439)
2017	Increase by 2%	36,351	20,841
	Decrease by 2%	(36,351)	(20,841)
2016	Increase by 2%	27,127	17,108
	Decrease by 2%	(27,127)	(17,108)
2015	Increase by 2%	26,550	16,333
	Decrease by 2%	(26,550)	(16,333)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. It is the Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. The credit controller assesses the credit quality of each customer taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. Utilisation of credit limits is regularly monitored. The Group has no collateral holdings as there is no significant concentration of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses following the adoption of IFRS 9. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off after all efforts have been exhausted.

For the years ended 31 December 2017, 2016 and 2015 an estimate was made of impaired receivables based on review of all outstanding amounts at year-end as per IAS 39 incurred credit losses method. The losses arising from impairment were recognised in profit or loss as part of selling and distribution expenses. Bad debts are written off after all efforts of recovery have been exhausted.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The amounts that best represent the Group's and Company's maximum exposure to credit risk as at 31 December 2019 were as follows:

GROUP

As at 31 December 2019	Neither past due nor impaired				
	< 30 days	31–60 days	61-90 days	Over 90 days	Total

	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	644,180	172,269	69,219	69,853	955,521
Other receivables	59,754	4,032	1,936	54,391	120,113
Amount due from related companies	48,583	9,258	-	29,836	87,677
Bank balances and cash	441,553	-	-	-	441,553
	1,194,070	185,559	71,155	154,080	1,604,864

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

As at 31 December 2019	< 30 days	31–60 days	61-90 days	91-120 days	>121 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables:						
Expected credit loss rate (%)	13%	29%	46%	72%	94%	
Estimated total gross carrying amount third party	740,437	242,632	128,184	131,605	599,146	1,842,004
Expected credit loss	96,257	70,363	58,965	94,756	566,142	886,483
	644,180	172,269	69,219	36,849	33,004	955,521

As at 31 December 2019	< 30 days	31–60 days	61-90 days	91-120 days	>121 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Amount due from related companies						

Expected credit loss rate (%)	-	0%	0%	0%	92%	
Estimated total gross carrying amount - related parties	48,583	9,258	-	4,516	324,005	386,362
Expected credit loss	-	-	-	-	298,685	298,685
	48,583	9,258	-	4,516	25,320	87,677

The amounts that best represent the Group's and Company's maximum exposure to the credit risk as at 31 December 2018 were as follows:

As at 31 December 2018	Neither past due nor impaired				
	< 30 days	31–60 days	61-90 days	Over 90 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	585,624	197,074	70,784	102,746	956,228
Other receivables	45,751	8,732	2,514	90,742	147,739
Amount due from related companies	35,815	32,395	233	27,500	95,943
Bank balances and cash	363,129	-	-	-	363,129
	1,030,319	238,201	73,531	220,988	1,563,039

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As at 31 December 2018	< 30 days	31–60 days	61-90 days	91-120 days	>121 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables						
Expected credit loss rate (%)	13%	29%	46%	72%	94%	

Estimated total gross carrying amount at default- third party	673,131	277,569	131,081	75,341	613,200	1,770,322
Expected credit loss	87,507	80,495	60,297	54,246	531,549	814,094
	585,624	197,074	70,784	21,095	81,651	956,228

As at 31 December 2018	< 30 days	31–60 days	61-90 days	91-120 days	>121 days	Total
	KShs’000	KShs’000	KShs’000	KShs’000	KShs’000	KShs’000
Amount due from related companies						
Expected credit loss rate (%)	-	23%	94%	94%	94%	
Estimated total gross carrying amount at default- related parties	35,815	42,101	3,891	9,305	449,011	540,123
Expected credit loss	-	9,706	3,658	8,747	422,069	444,180
	35,815	32,395	233	558	26,942	95,943

The amounts that best represent the Group’s maximum exposure to credit risk as at 31 December 2017 were as follows:

As at 31 December 2017	Neither past due nor impaired	Past due but not impaired				
	< 30 days	31–60 days	61-90 days	Over 90 days	Impaired	Total
	KShs’000	KShs’000	KShs’000	KShs’000	KShs’000	KShs’000

Trade receivables	802,902	286,456	114,824	608,019	(346,502)	1,465,699
Other receivables	32,565	5,924	1,526	88,496	-	128,511
Amount due from related companies	64,146	7,226	5,108	483,127	-	559,607
Bank balances and cash	210,975	-	-	-	-	210,975
	1,110,588	299,606	121,458	1,179,642	(346,502)	2,364,792

The amounts that best represent the Group's maximum exposure to the credit risk as at 31 December 2016 were as follows:

As at 31 December 2016	Neither past due nor impaired					
	< 30 days	31–60 days	61-90 days	Over 90 days	Impaired	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	556,975	275,620	112,599	716,041	(327,196)	1,334,039
Other receivables	20,291	3,656	2,699	33,876	-	60,522
Amount due from related parties	52,301	5,749	12,122	405,501	-	475,673
Bank balances and cash	205,632	-	-	-	-	205,632
	835,199	285,025	127,420	1,155,418	(327,196)	2,075,866

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The amount that best represents the Group's maximum exposure to the credit risk as at 31 December 2015 is made up as follows:

As at 31 December 2015	Neither past due nor impaired	Impaired	Total

	< 30 days	31–60 days	61-90 days	Over 90 days		
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	600,479	220,089	101,566	449,318	(266,395)	1,105,057
Other receivables	5,085	4,172	1,753	50,373	-	61,383
Amount due from related companies	8,986	27,140	6,835	266,553	-	309,514
Bank balances and cash	108,468	-	-	-	-	108,468
	723,018	251,401	110,154	766,244	(266,395)	1,584,422

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued

Foreign currency risk

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

The balances in foreign currencies were as follows:

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Assets in foreign currencies					
Trade and other receivables	8,796	3,841	44,194	13,311	12,154
Cash and bank balances	41,463	18,147	22,297	8,907	11,344
Foreign currency assets	50,259	21,988	66,491	22,218	23,498
Liabilities in foreign currencies					
Bank overdrafts	(13,509)	(31,872)	(17,799)	(18,048)	(23,535)

Payables	(813,197)	(884,690)	(959,339)	(683,369)	(731,772)
Short term notes	-	-	-	-	(305,755)
Bank loans	(680,372)	(870,150)	(136,051)	(115,581)	-
Foreign currency liabilities	(1,507,078)	(1,786,712)	(1,113,189)	(816,998)	(1,061,062)
Net foreign currency liability position	(1,456,819)	(1,764,724)	(1,046,698)	(794,780)	(1,037,564)

The Group makes sales in other countries in American Dollars (USD). It is thus exposed to movements in foreign currency exchange rates.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in USD, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

USD		Effect on profit before tax	Effect on equity
2019	Increase in US$ by 4%	(58,273)	(40,791)
	Decrease in US$ by 4%	58,273	40,791
2018	Increase in US$ by 4%	(70,589)	(49,412)
	Decrease in US$ by 4%	70,589	49,412
2017	Increase in US$ by 4%	(41,868)	(29,308)
	Decrease in US$ by 4%	41,868	29,308
2016	Increase in US$ by 4%	(31,791)	(22,254)
	Decrease in US$ by 4%	31,791	22,254

2015	Increase in US$ by 4%	41,503	29,052
	Decrease in US$ by 4%	(41,503)	(29,052)

Liquidity risk

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.

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	<30 days	31-60 days	61-90 days	91-120 days	>120 Days	>365 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 31 December 2019							
Financial liabilities							
Bank overdraft	(53,550)	-	-	-	-		(53,550)
Lease liability	(12,262)	(12,004)	(11,735)	(11,454)	(67,477)	(159,273)	(274,205)
Bank loans	(85,681)	(146,777)	(180,586)	(118,228)	(168,307)	(620,444)	(1,320,023)
Short term notes	(680,373)	(237,441)	(78,834)	-	(36,564)	-	(1,033,212)
Trade payables	(897,535)	(276,950)	(145,176)	(88,956)	(97,187)	-	(1,505,804)
Other payables	(21,622)	-	(466)	(2,087)	(23,861)	-	(48,036)
Accruals	(120,489)	-	-	-	-	-	(120,489)
Amounts due to related companies	(14,282)			-	(53)	-	(16,498)

		(2,163)	-				
Total financial liabilities	(1,885,794)	(675,335)	(416,797)	(220,725)	(393,449)	(779,717)	(4,371,817)

	<30 days	31- 60 days	61-90 days	91-120 Days	>120 Days	>365 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 31 December 2018							
Financial liabilities							
Bank overdraft	(31,872)	-	-	-	-		(31,872)
Bank loan	(84,977)	(146,075)	(189,510)	(80,994)	(104,979)	(684,055)	(1,290,590)
Short term notes	(88,910)	(411,390)	(284,069)	(199,058)	(122,329)	-	(1,105,756)
Trade payables	(742,034)	(177,640)	(211,170)	(145,688)	(298,903)	-	(1,575,435)
Other payables	(13,365)	(1,723)	(3,152)	(4,171)	(30,773)	-	(53,184)
Accruals	(114,971)	-	-	-	-	-	(114,971)
Amounts due to related companies	(105,672)	(6,121)	(76,899)	(8,288)	(46,248)	-	(243,228)
Total financial liabilities	(1,181,801)	(742,949)	(764,800)	(438,199)	(603,232)	(684,055)	(4,415,036)

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

<30 days	31-60 days	61-90 days	91-120 days	>120 Days	>365 days	Total
KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000

At 31 December 2017

Financial Liabilities							
Bank overdraft	(328,898)	-	-	-	-		(328,898)
Bank loans	(41,357)	(181,167)	(128,147)	(16,183)	(116,097)	(334,601)	(817,552)
Short term notes	(178,046)	(247,235)	(223,419)	(25,778)	(82,901)	-	(757,379)
Trade payables	(674,752)	(163,132)	(49,218)	(133,723)	(837,314)	-	(1,858,139)
Other payables	(42,315)	-	-	-	-	-	(42,315)
Accruals	(124,928)	-	-	-	-	-	(124,928)
Amounts due to related companies	(7,121)	(11,443)	(5,424)	(5,148)	(118,651)	-	(147,787)
Total financial liabilities	(1,397,417)	(602,977)	(406,208)	(180,832)	(1,154,963)	(334,601)	(4,076,998)

	<30 days	31- 60 days	61-90 days	91-120 Days	>120 Days	>365 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 31 December 2016							
Financial Liabilities							
Bank overdraft	(134,374)	-	-	-	-	-	(134,374)
Bank loan	(99,864)	(133,098)	(155,549)	(40,839)	(38,538)	(257,693)	(725,581)
Short term notes	(75,137)	(181,418)	(134,274)	(51,359)	(65,215)	-	(507,403)
Trade payables	(613,415)	(160,566)	(78,090)	(61,321)	(532,172)	-	(1,445,564)
Other payables	(2054)	(44,421)	-	-	(127)	-	(46,602)
Accruals	(200,162)	-	-	-	-	-	(200,162)

Amounts due to related companies	(12,494)	(6,617)	(3,858)	(9,560)	(266,566)	-	(299,095)
Total financial liabilities	(1,137,500)	(526,120)	(371,771)	(163,079)	(902,618)	(257,693)	(3,358,781)

	<30 days	31-60 days	61-90 days	91-120 days	>120 days	>365 days	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 31 December 2015							
Financial Liabilities							
Bank overdraft	(160,840)	-	-	-	-		(160,840)
Bank loan	(101,314)	(116,892)	(56,790)	-	(30,759)	(408,339)	(714,094)
Short term notes	(179,191)	(103,219)	(284,240)	(25,398)	(58,941)	-	(650,989)
Trade payables	(955,004)	(52,385)	(159,995)	(10,920)	(174,824)	-	(1,353,128)
Other payables	(35,480)	(32,885)	-	-		-	(68,365)
Accruals	(167,712)	-	-	-	-	-	(167,712)
Amounts due to related companies	-	-	(2,423)	-	(214,487)	-	(216,910)
Total financial liabilities	(1,599,541)	(305,381)	(503,448)	(36,318)	(479,011)	(408,339)	(3,332,038)

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk

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

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

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

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

30. FAIR VALUE OF ASSETS AND LIABILITIES

a) Comparison by class of the carrying amounts and fair values of the financial instruments

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

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

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

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

Management assessed that the fair value of trade receivables, amounts due from related companies, cash and cash equivalents, trade payables, short term notes, current bank loans and amounts due to related companies approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the non-current loan has been determined by computing the present value of future cash out flows at the rate of 14% over the loan period.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
	Shs'000	Shs'000	Shs'000	Shs'000
31 December 2019				

Property, plant and equipment	-	-	1,229,965	1,229,965

LIABILITY

Bank loans	-	(452,699)	-	(452,699)

31 December 2018

Property, plant and equipment	-	-	1,155,238	1,155,238

LIABILITY

Bank loans	-	(598,229)	-	(598,229)

31 December 2017

Property, plant and equipment	-	-	1,085,656	1,085,656

LIABILITY

Bank loans	-	(252,065)	-	(252,065)

31 December 2016

Property, plant and equipment	-	-	1,063,812	1,063,812

LIABILITY

Bank loans	-	(257,693)	-	(257,693)

31 December 2015

Property, plant and equipment	-	-	1,029,589	1,029,589

LIABILITY

Bank loan	-	(104,900)	-	(104,900)

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

Valuation methodologies of financial instruments not measured at fair value.

Below is a summary of methodology and inputs used to determine fair values of the above financial instruments which are not recorded at fair value in the Group's financial statements. These fair values were calculated for disclosure purposes only.

Instrument	Level	Valuation basis	Inputs
Bank loans	2	Discounted Cash Flow (DCF)	Average Market interest rates 2019: 13%, 2018: 13%, 2017: 14%, 2016: 14%, 2015: 9%

The carrying amount of the loans has been disclosed in note 13.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

30. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

b) Fair value hierarchy (continued)
Reconciliation of level 3 assets

	2019	2018	2017	2016	2015
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
At 1 January	1,155,238	1,085,656	1,063,812	1,029,589	790,307
Additions	209,171	176,649	93,808	220,650	356,879
Transfer from WIP	-	-	21,422	-	-
Revaluation loss	-	-	-	(49,949)	-
Disposals	(895)	(2,225)	(4,677)	(4,555)	(773)
Depreciation charge	(133,549)	(104,842)	(88,709)	(131,923)	(116,824)
At 31 December	1,229,965	1,155,238	1,085,656	1,063,812	1,029,589

The fair values of property, plant and equipment presented in the table above are based on valuations performed by Lead Realtors Limited, accredited independent valuers, on 31 December 2016 plus purchases during the years, net of depreciation charge and assets disposed.

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

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

Methodology:

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

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

Fair values of financial instruments

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. OPERATING SEGMENT INFORMATION

The Group's risks and rate of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Operating Segments

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

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

The adhesives segment manufactures and sells adhesives.

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

Segment information is as presented below.

31 December 2019	Paints	Adhesives	Elimination	Total
Assets and Liabilities	KShs '000	KShs '000	KShs '000	KShs '000
Segment assets	5,944,195	51,510	(474,164)	5,521,541
Investment in subsidiary	1,136,204	-	(1,136,204)	-

Total assets	7,080,399	51,510	(1,610,368)	5,521,541
Segment liabilities	4,652,714	23,390	(461,873)	4,214,231

Other segment information	Paints	Adhesives	Elimination	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Capital expenditure - property, plant and equipment and intangible assets	268,434	-	-	268,434
Depreciation and amortisation	296,154	150	-	296,304
Revenue				
Sales to external customers	8,359,207	244,445	-	8,603,652
Inter segment sales	383,760	36,892	(420,652)	-
Interest income	12,217	-	-	12,217
Other income	274,246	14,269	-	288,515
Interest expense	303,554	1,800	-	305,354
Impairment loss on investment in subsidiaries	(653,081)	-	653,081	-
Results				
Operating results	532,200	8,065	(12,291)	527,974
Income tax expense	(210,738)	-	-	(210,738)
Profit for the year	321,462	8,065	(12,291)	317,236

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. OPERATING SEGMENT INFORMATION (continued)

31 December 2018	Paints	Adhesives	Elimination	Total
Assets and Liabilities	KShs '000	KShs '000	KShs '000	KShs '000
Segment assets	5,821,256	34,907	(380,470)	5,475,693
Investment in subsidiary	1,789,285	-	(1,789,285)	-
Total assets	7,610,541	34,907	(2,169,755)	5,475,693
Segment liabilities	4,814,451	14,852	(380,470)	4,448,833

Other segment information	Paints	Adhesives	Elimination	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Capital expenditure - property, plant and equipment and intangible assets	384,391	258	-	384,649
Depreciation and amortisation	157,668	158	-	157,826
Revenue				
Sales to external customers	8,106,678	209,232	-	8,315,910
Inter segment sales	627,198	36,780	(663,978)	-
Interest income	2,270	-	-	2,270
Other income	437,803	3,829	-	441,632
Interest expense	275,064	-	-	275,064

Results				
Operating results	401,073	(5,138)	-	395,935
Income tax expense	(212,122)	-	-	(212,122)
Profit for the year	188,951	(5,138)	-	183,813

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. OPERATING SEGMENT INFORMATION (continued)

31 December 2017	Paints	Adhesives	Elimination	Total
Assets and Liabilities	KShs '000	KShs '000	KShs '000	KShs '000
Segment assets	6,777,582	32,437	(938,412)	5,871,607
Investment in subsidiary	881,095	-	(881,095)	-
Total assets	7,658,677	32,437	(1,819,507)	5,871,607
Segment liabilities	5,045,158	7,245	(938,412)	4,113,991

Other segment information	Paints	Adhesives	Elimination	Total
	KShs '000	KShs '000	KShs '000	KShs '000
Capital expenditure - property, plant and equipment and intangible assets	205,449	394	-	205,843
Depreciation and amortisation	133,864	181	-	134,045
Revenue				
Sales to external customers	7,191,231	160,095	-	7,351,326

Inter segment sales	536,809	38,807	(575,616)	-
Interest income	1,103	-	-	1,103
Other income	381,913	3,792	-	385,705
Interest expense	209,202	-	-	209,202
Results				
Operating results	397,306	823	-	398,129
Income tax expense	(174,835)	-	-	(174,835)
Profit for the year	222,471	823	-	223,294

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. OPERATING SEGMENT INFORMATION (continued)

31 December 2016	Paints	Adhesives	Elimination	Total
Assets and Liabilities	KShs '000	KShs '000	KShs '000	KShs '000
Segment assets	5,666,251	32,933	(640,155)	5,059,029
Investment in subsidiary	881,095	-	(881,095)	-
Total assets	6,547,346	32,933	(1,521,250)	5,059,029
Segment liabilities	4,128,503	8,565	(640,155)	3,496,913

Other segment information	Paints	Adhesives	Elimination	Total

	KShs '000	KShs '000	KShs '000	KShs '000
Capital expenditure - property, plant and equipment and intangible assets	260,264	1,032	-	261,296
Depreciation and amortisation	170,748	1,681	-	172,429
Revenue				
Sales to external customers	7,203,797	143,760	-	7,347,557
Inter segment sales	514,775	44,390	(559,165)	-
Interest income	1,687	41	-	1,728
Other income	254,220	4,345	-	258,565
Interest expense	204,750	4,976	-	209,726
Results				
Operating results	274,773	(2,730)	-	272,043
Income tax expense	(140,247)	-	-	(140,247)
Profit for the year	134,526	(2,730)	-	131,796

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. OPERATING SEGMENT INFORMATION (continued)

31 December 2015	Paints	Adhesives	Elimination	Total
Assets and Liabilities	KShs '000	KShs '000	KShs '000	KShs '000
Segment assets	5,635,992	68,765	(1,165,609)	4,539,148
Deposit for shares	204,028	-	(204,028)	-

Investment in subsidiary	48,512	-	(48,512)	-
Total assets	5,888,532	68,765	(1,418,149)	4,539,148
Segment liabilities	4,347,338	4,637	(1,165,609)	3,186,366
Other segment information				
Capital expenditure - property, plant and equipment and intangible assets	410,578	13	-	410,591
Depreciation and amortisation	151,911	4,196	-	156,107
Revenue				
Sales to external customers	6,616,414	120,694	-	6,737,108
Inter segment sales	538,109	581	(538,690)	-
Interest income	2,147	37	-	2,184
Other income	227,827	3,943	-	231,770
Interest expense	152,898	2,635	-	155,533
Results				
Operating results	218,513	(1,816)	-	216,697
Income tax expense	(185,949)	-	-	(185,949)
Profit for the year	32,563	(1,816)	-	30,748

Revenue from external customers	2019	2018	2017	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Kenya	7,604,645	7,289,243	6,030,392	6,210,151	6,328,625
Uganda	438,665	379,584	669,273	440,000	249,749
Tanzania	386,244	516,936	521,550	424,053	79,612
Burundi	-	-	5,493	5,167	4,621
Mozambique	-	5,274	4,702	-	5,103
Rwanda	174,098	124,873	107,188	256,882	28,199
Somali	-	-	12,130	4,473	10,198
South Sudan	-	-	109	6,321	27,238
DRC	-	-	489	510	3,763
Total revenue	8,603,652	8,315,910	7,351,326	7,347,557	6,737,108

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

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

31. OPERATING SEGMENT INFORMATION (continued)

The group's sales are derived from various customers and there is no major customer it derives a substantial amount of sales from.

Non-current assets	2019	2018	2017	2016	2015
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Kenya	1,445,697	1,227,383	1,154,968	1,156,141	1,129,920
Uganda	235,006	195,826	91,322	36,505	45,563
Tanzania	122,873	109,310	62,744	54,977	48,290
Rwanda	26,817	14,231	15,702	11,119	7,934

	1,830,393	1,546,750	1,324,736	1,258,742	1,231,707

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

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while optimising the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, issued capital and retained earnings. The Group's capital requirements are currently met through internally generated funds from operations and external borrowing in the form of bank loans and short-term notes. To maintain its capital structure, the Group may adjust dividend payment to shareholders. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2019	2018	2017	2016	2015
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Share capital	355,905	355,905	355,905	355,905	355,905
Share premium	80,174	80,174	80,174	80,174	80,174
Retained earnings	722,829	422,877	1,124,478	906,870	790,113
Equity	1,158,558	858,956	1,560,557	1,342,949	1,226,192
Total borrowings	2,094,994	2,317,050	1,488,654	1,221,995	1,166,647
(Less)/add: cash and cash equivalents (Note 25)	(389,243)	(332,264)	114,676	(71,258)	52,372
Net debt	1,705,751	1,984,786	1,603,330	1,150,737	1,219,019
Total capital	2,864,309	2,843,742	3,163,857	2,493,685	2,470,672
Gearing ratio	60%	70%	51%	46%	49%

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

33.FINANCIAL STATUS OF THE COMPANY AND SUBSIDIARY COMPANIES

Crown Paints Tanzania Limited, Regal Paints Uganda Limited and Crown Paints Rwanda Limited have a history of losses and rely on the parent company for provision of working capital. Their ability to continue as a going concern depends on the continued support they receive from the parent company.

	Regal Paints Uganda Limited	Crown Paints Tanzania Limited	Crown Paints Allied Industries Limited	Crown Paints Rwanda Limited	Total
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
31 December 2019					
(Loss)/profit before tax	(95,801)	(223,660)	8,066	32,222	(279,173)
Accumulated losses	(592,61)	(903,303)	(68,879)	(86,295)	(1,058,477)
Net current (liabilities)/ assets	(19,243)	(206,302)	22,119	64,294	(139,132)
Total net assets/(liabilities)	123,839	(145,519)	28,121	88,288	94,729
31 December 2018					
Loss before tax	(78,537)	(172,943)	(5,138)	(18,814)	(275,432)
Accumulated losses	(492,018)	(695,707)	(76,945)	(118,517)	(1,383,187)
Net current assets	110,020	142,261	18,706	85,922	356,909
Total net assets	218,099	78,686	20,055	58,537	375,377

31 December 2017

(Loss)/profit before tax	(1,827)	(76,953)	823	(31,782)	(109,739)
Accumulated losses	(360,996)	(411,216)	(71,808)	(53,983)	(898,003)
Net current (liabilities)/assets	(78,240)	(72,512)	23,944	(62,651)	(189,459)
Total net (liabilities)/assets	(4,057)	(9,777)	25,192	(46,949)	(35,591)

31 December 2016

Loss before tax	(80,688)	(42,425)	(2,730)	(9,374)	(135,217)
Accumulated losses	(358,570)	(344,559)	(72,630)	(22,201)	(797,960)
Net current (liabilities)/assets	(38,743)	8,990	23,334	(29,349)	(35,768)
Total net (liabilities)/assets	(2,238)	63,967	24,370	(18,319)	67,780

31 December 2015

Loss before tax	(35,144)	(198,434)	(1,815)	(4,498)	(239,891)
Accumulated losses	(300,479)	(322,751)	(69,900)	(12,827)	(705,957)
Net current (liabilities)/assets	(281,451)	(339,466)	62,444	(19,891)	(578,364)

Total net liabilities	(298,963)	(291,176)	(59,900)	(11,957)	(661,996)

Parent company

	2019	2018	2017	2016	2015
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
Profit before tax	36,235	377,508	506,215	407,260	456,588
Accumulated profit	1,398,699	1,589,225	2,096,755	1,769,408	1,515,958
Net current (liabilities)/assets	(275,400)	(601,018)	916,952	567,393	895,410
Total net assets	1,937,095	2,146,909	2,674,301	2,375,433	1,724,312

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

33. STATUS OF THE COMPANY AND SUBSIDIARY COMPANIES

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

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

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

34. EVENTS AFTER THE REPORTING PERIOD AS AT 9 SEPTEMBER 2020

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As of now, COVID-19 has spread globally and on 11 March 2020 the World Health Organisation ('WHO') declared COVID-19 a pandemic. The first case of this infection was reported in Kenya on 13 March 2020 and since then some other cases have been identified.

The spread of the COVID-19 outbreak has caused severe disruptions in the local and global economy and financial markets and could potentially create widespread business continuity issues, the extent of which is currently indeterminable. Many countries have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

The Group does not foresee material disruptions in supply chain, finished goods production or distribution. but it is expected that the changes in consumer purchasing behaviour will translate into a significant decline in sales revenue over the coming months. The decline in revenue is expected to moderate towards the end of 2020 but a full recovery in 2020 is not likely.

The Group has initiated a number of actions to manage costs, maintain liquidity and manage capital risk. These actions include reassessing planned capital expenditure; operating cost and direct marketing expenditure reductions and managing working capital.

The Group is not currently exposed to significant credit risk on its financial assets as a result of coronavirus, however this will continue to be actively monitored by management.

The ultimate impact on the Group 's financial performance for the full year 2020 is unknown at this time, as it will depend heavily on the duration of the measures put into place by respective governments, particularly the social distancing and lockdown mandates, as well as the substance and pace of macroeconomic recovery.

Whereas the pandemic will have some effects on future business performance, the directors have considered the facts and actions taken by the Government of Kenya to minimize the effects of the pandemic. In addition, at the date of the issue of the financial statements for the year ended 31 December 2019, the directors believe the Group will be a going concern for the foreseeable future.

G. NOTES TO THE FINANCIAL STATEMENTS (continued)

34.EVENTS AFTER THE REPORTING PERIOD AS AT 9 SEPTEMBER 2020 (continued)

Several action plans have been formulated and implemented by the directors in a bid to mitigate the risks expected. These include:

i) Salary appraisal for the year 2019 in year 2020 is stopped.
ii) No new hiring including expatriates.
iii) ICT related contracts are being negotiated based on cash flow issue.
iv) Landlords of the rented premises have been requested to reduce the rents.
v) All advertising expenses have been put on halt unless it is directly linked to sales improvement.
vi) All planned capex has been put on hold unless the cash flow and business situation improve.
vii) Overtime has been suspended with effect from 1 May 2020.
viii) Suspension of provision of afternoon tea services with effect from 1 May 2020.
ix) Temporary salary cuts, reduction of car allowances and suspension of staff allowances and reward schemes.

The directors are not aware of any other event after the reporting date, as defined by IAS 10 Events after the Reporting Period, that require disclosure in or adjustments to the financial statements as at the date of this report. Consequently, the directors have assessed the post year-end effects of the outbreak as a non-adjusting event.

17 Legal opinion

Our Ref DJR/CEP/10214573
Your Ref TBA
Date 19 May 2021

The Directors
Crown Paints Kenya plc
L.R. No. 209/5792
Mogadishu Road
P.O. Box 78084-00507
Nairobi.

Dear Sirs,

Rights Issue of upto 71,181,000 New Ordinary Shares in Crown Paints Kenya PLC

1 Part I: Introduction

1.1 We have acted for Crown Paints Kenya plc (Company No: C. 6/93) (the **Company**) as legal advisors in connection with the proposed sale by way of rights issue (the **Rights Issue**) of up to **seventy one million one hundred and eighty one million** (**71,181,000**) ordinary shares in the Company (the **New Ordinary Shares**) upon the terms and conditions of the Information Memorandum (as defined below). This legal opinion (the **Opinion**) is issued in connection with the Rights Issue.

1.2 For purposes of this Opinion, we carried out a limited legal due diligence in respect of the Company between 9 December 2020 and 19 May 2021 (the **Legal Due-Diligence**).

1.3 In connection with the foregoing, we have examined copies of the following:

1.3.1 the documents provided by the Company listed in Schedule 1; and

1.3.2 the Information Memorandum dated on or about the date of this Opinion issued in connection with the Rights Issue (the **Information Memorandum**).

1.4 Save as otherwise defined in this Opinion, the words, terms and expressions defined in the Information Memorandum shall bear the same meanings where used in this Opinion.

1.5 In addition to the documents listed in Schedule 1 we have been provided with and examined the following documents:

1.5.1 an official company search in respect of the Company dated 3 March 2021 carried out at the Companies Registry in Nairobi, Kenya (the **Company Search**);

1.5.2 an official company search in respect of Crown Paints Rwanda Limited dated 16 March 2021 carried out at the Office of the Registrar General in Kigali, Rwanda;

1.5.3 an official company search in respect of Crown Paints Tanzania Limited dated 17 March 2021carried out at the Business Registrations and Licensing Agency in Tanzania;

1.5.4 a company secretary confirmation letter dated 8 March 2021 confirming the Company's directorship and shareholding issued by Conrad Nyukuri of Adili Corporate Services Kenya Limited (the **Company Secretary Confirmation Letter**);

1.5.5 an updated company secretary confirmation letter dated 18 May 2021 confirming the change in the Company's directorship issued by Conrad Nyukuri of Adili Corporate Services Kenya Limited (the **Updated Company Secretary Confirmation Letter**);

1.5.6 a company secretary confirmation letter dated 25 March 2021 confirming Regal Paints Uganda Limited's directorship and shareholding issued by Equatorial Secretaries and Registrars Limited (the **Regal Paints Secretary Confirmation Letter**);

1.5.7 a letter from the Company dated 19 May 2021 addressed to ourselves confirming the appointment of the company secretary and certain other matters set out in such letter;

1.5.8 a letter from the Company dated 19 May 2021 confirming that the Company has at all times complied with the special conditions of the grants (the **Property Compliance Letter**);

1.5.9 a letter from the Company dated 19 May 2021 confirming that the Company has at all times complied with all the consents, licences and authorisations which it has been issued with (the **Consent Compliance Letter**);

1.5.10 a letter from the Company dated 19 May 2021 confirming the validity and effectiveness of the documents we have reviewed, and certain other matters set out in such letter; and

1.5.11 property search results dated 4 March 2021 and 3 March 2021 from the District Land Registry in Kisumu with respect to Kisumu/Ojola/2103 and Kisumu/Ojola/2102 (together the **Property Searches** and Kisumu/Ojola/2103 and Kisumu/Ojola/2102 being the **Properties**).

each of the documents set out in 1.5.1 to 1.5.11 above being a **Reliance Document** (and together the **Reliance Documents**) and together with the documents listed in Schedule 1 referred to as the **Documents**.

2 Part II: Assumptions and Qualifications

2.1 In our examination of the Documents and in rendering the opinions expressed below, we have assumed the following:

2.1.1 that the correct procedures were carried out for the calling and holding of board and shareholder meetings (where applicable or necessary) of the Company for the purpose of approving the Documents;

2.1.2 the genuineness of all signatures contained in a Document;

2.1.3 that all Documents referred to or shown to us in connection with this Opinion and the Legal Due-Diligence were validly and duly executed were and remain true, up to date and complete in all respects and are not misleading in any way;

2.1.4 the accuracy of all the Documents;

2.1.5 all copies of the Documents provided to us as certified, facsimiles, electronic or photostatic copies are complete and in conformity to the originals of such documents and the originals of such documents are authentic;

2.1.6 the statements, undertakings, representations and warranties given by any of the parties to any of the relevant Documents remain, and were when made, true and accurate in all respects and such representations and warranties shall continue to remain true and accurate;

2.1.7 that nothing in the Documents contravenes, or could result in a contravention of any obligation of any of the parties thereto;

2.1.8 no authorisation or other requirements of governmental, judicial or public bodies or authorities are or will be required by any party in connection with the entry into, performance, validity or enforceability of its obligations under each Document to which it is a party, or, if any such authorisations or other requirements are required, the requiring party has obtained them by the date on which the obligations they relate to fall due for performance;

2.1.9 in respect of any of the Documents executed prior to the date hereof, there has been no amendment, rescission or termination of any such Document nor has there been any breach or variation of any of its provisions thereto which would affect this Opinion and that any such Document is not affected in any way by any relevant provisions of any other document or agreement (other than any other of the Documents) or any course of dealings between the parties thereto or as a result of the performance of any contract;

2.1.10 no foreign law affects the conclusions in this opinion;

2.1.11 that no step has been taken to wind up the Company or to appoint a receiver, administrator or liquidator in respect of it or any of its assets;

2.1.12 that all documents which were provided to us in either an unsigned or undated version (including without limitation board and/or shareholders' minutes or resolutions) constitute true, up to date, complete and binding representations of the matters set out therein as if the same had been dated and executed; and

2.1.13 with respect to matters of fact, we have relied on the representations contained in the Documents provided to us and the representations of the Company, its officers, directors and company secretary which are and remain true in all material respects.

2.2 In determining ownership of the shares pertaining to the Rights Issue we have relied solely on the copy of the Register of Shares, the Company Secretary Confirmation Letter provided to us and the Company Search.

2.3 In relation to the Company Search we would point out that records at the Registry of Companies are not always up to date or accurate.

2.4 Transactions involving land and the ownership of land in Kenya are complex and sometimes risky undertakings. In undertaking our review of the Properties and all aspects relating thereto, we have relied solely on:

(a) the Property Searches;

(b) the Property Compliance Letter; and

(c) the copy of the grants provided to us by the Company as listed in Schedule 1.

2.5 Furthermore, we make the following qualifications in relation to this Opinion:

2.5.1 to maintain the Company in good standing under the laws of Kenya annual returns and other statutory filings are required to be made with the Companies Registry, Nairobi on an on-going basis in the ordinary course, as would be the case with any other company in Kenya wishing to remain in good standing and in compliance with its statutory obligations under the Companies Act (Act No.17 of 2015) (the **Companies Act**). We have assumed that all requisite filings with respect to the Company have been made and are up to date and we have relied on the Company Secretary Confirmation Letter and the Updated Company Secretary Confirmation Letter with respect to the foregoing;

2.5.2 if any provision of any Document is held to be illegal, invalid or unenforceable by the courts of Kenya, severance of such provision from the remaining provisions of such document would be subject to the exercise of the discretion of such courts;

2.5.3 we shall not be liable for any inaccuracies in this Opinion resulting from the actions and/or omissions and/or willful statements or representations on the part of the Company and/or any of its officers, representatives or agents in the documents which may take place or which have been provided or may be made in connection with the preparation and/or rendering of this Opinion;

2.5.4 our review has been limited to the Documents and we express no opinion on any other matters;

2.5.5 this Opinion is given only in relation to Kenyan law as it is understood as at the date of this Opinion. We have no duty to keep you informed of subsequent developments which might affect this Opinion;

2.5.6 we have not undertaken a review of any of the documentation relating to and express no opinion in relation to any real property sold or transferred by the Company (whether by way of absolute sale or long term lease) as of the date of this Opinion and offer no opinion on such sale, transfer, long term lease or residual interest which may be held by the Company;

2.5.7 we have not conducted any form of physical inspection or survey of the Properties and offer no opinion or advice as to the valuation, situation, size, dimensions, state and condition of the Properties or any of the buildings, fixtures or improvements thereon;

2.5.8 we offer no opinion as to the merits or probability of success of any litigation to which the Company is a party;

2.5.9 we do not give any opinion on the commerciality of the Rights Issue;

2.5.10 we offer no opinion in relation to any party to the Documents (other than the Company) and in the case of the Company, save as expressly set out in this Opinion;

2.5.11 except as expressly set out in this Opinion, no opinion is expressed on tax matters;

2.5.12 we express no opinion on, and have taken no account of, the laws of any jurisdiction other than Kenya. In particular, we express no opinion on the effect of documents governed by laws other than Kenyan law;

2.5.13 we have only reviewed and relied upon the Company registrations to confirm that the Company is licensed to carry out business in Kenya. We express no opinion as to whether any additional authorisations, consents, registrations are required by the Company to carry out business in Kenya;

2.5.14 this Opinion is not designed to and will not reveal fraud, misconduct, error, misrepresentation, bribery or corruption by any person; and

2.5.15 we express no opinion as to as to the effect that any future event or any act of the parties involved with the Rights Issue or the Documents or any relevant governmental authority may have on the matters referred to therein.

3 Part III: Opinion

3.1 Subject to the foregoing assumptions and qualifications, and placing reliance on the Reliance Documents, it is our opinion that, in so far as the laws of Kenya are concerned:

3.2 **Status of the Company**

3.2.1 The Company is a public limited company incorporated and existing under the laws of Kenya with company number C.6/93.

3.2.2 The Company was incorporated under the laws of Kenya in 1958 as Jenson & Nicholson (East Africa) Limited.

3.2.3 In 1963 the Company changed its name from Jenson & Nicholson (East Africa) Limited to Kenya Paints (B.J.N) Limited.

3.2.4 In 1966 the Company further changed its name from Kenya Paints (B.J.N) Ltd to Robbialac Paints Kenya Limited.

3.2.5 In 1980 the Company further changed its name from Robbialac Paints Kenya Limited to Berger Paints Kenya Limited.

3.2.6 In 1991 the Company further changed its name from Berger Paints Kenya Limited and Crown Berger Kenya Limited.

3.2.7 In 1992 the Company listed on the Nairobi Securities Exchange (formerly the Nairobi Stock Exchange).

3.2.8 In 2012 the Company further changed its name from Crown Berger Kenya Limited to Crown Paints Kenya Limited.

3.2.9 On 20 June 2017, the Company at an annual general meeting passed a special resolution:

(a) adopting new Articles of Association in line with the provisions of the Companies Act; and

(b) changing the name of the Company from "Crown Paints Kenya Limited" to "Crown Paints Kenya plc".

3.2.10 The Company's registered offices are situated on Land Reference Number 209/5792, Mogadishu Road, Nairobi. The Company's registered address is P.O. Box 78084 - 00507 Nairobi, Kenya.

3.2.11 The Company Secretary of the Company is Conrad Nyukuri of Adili Corporate Services Kenya, of ALN House, Eldama Ravine Close, off Eldama Ravine Road, Westlands P.O. Box 764 – 00606 Nairobi.

3.2.12 The Company maintains minutes of the board and of general meetings, the register of directors and the register of charges and debentures at its registered office. The register of shares is maintained at the offices of Custody and Registrar Services Limited, 6th Floor, Bruce House, Standard Street, P.O. Box 8484 – 00100, Nairobi.

3.2.13 The Company has a Board of Directors consisting of the following individuals:

No.	Director	Position
1.	Mhamud Charania	Chairman (Non-executive)
2.	Rakesh K. Rao	Chief Executive Officer
3.	Patrick M. Mwati	Executive
4.	Hussein H.R.J. Charania	Executive
5.	Stephen Bwire Oundo	Non-executive
6.	Alice Owuor	Non-executive
7.	Nicholas Kathiari	Non-executive

3.2.14 The issued share capital of the Company is Kenya Shillings eight hundred and eighteen million five hundred and thirty-five thousand (KES 818,535,000) divided into one hundred and sixty three million seven hundred and seven thousand (163,707,000) ordinary shares of KES 5 each.

3.2.15 The Company is the majority shareholder in Crown Paints Allied Industries Limited holding forty-five thousand nine hundred and ninety-nine (45,999) ordinary shares with one (1) ordinary share being owned by Mhamud Charania.

3.2.16 The Company is the majority shareholder in Crown Paints Rwanda Limited holding nine hundred and ninety (990) ordinary shares with ten (10) ordinary shares being owned by Crown Paints and Building Products.

3.2.17 The Company is the majority shareholder in Crown Paints Tanzania Limited holding seventy five thousand three hundred and thirteen (75,313) ordinary shares with one hundred (100) ordinary shares being owned by Hussein Ramji.

3.2.18 The Company is the majority shareholder in Regal Paints Uganda Limited holding one million and thirty nine thousand two hundred and two (1,039,202) ordinary shares with one (1) share owned by Crown Paints and Building Products Limited.

The subsidiaries set out in paragraph 3.2.15 and 3.2.18 together with the Company are referred to as the **Group**.

3.2.19 [The Company has the power and authority to list the New Ordinary Shares on the Nairobi Securities Exchange having obtained the consent of the Board of Directors, its shareholders and the Capital Markets Authority to undertake the Rights Issue and the Nairobi Securities Exchange to list the New Ordinary Shares.]

3.2.20 The rights and obligations of the Company contemplated by the Rights Issue constitute valid and binding rights and obligations and are enforceable according to their terms.

3.2.21 The transactions contemplated by the Rights Issue and the performance by the Company of its obligations thereunder will not violate any laws in Kenya.

3.3 **Licences and consents in relation to the operation of the Company**

3.3.1 All the requisite authorisations, consents, approvals, licences, filings, exemptions or registrations required by any government, public body or authorities in Kenya, in connection with the Rights Issue, have been obtained and are in full force and effect.

3.3.2 The Company holds the following licences and consents required to perform the business of the Company in Kenya:

(a) business permits for the following premises all expiring on 31 December 2021:

(i) Eldoret showroom;

(ii) Kisumu showroom;

(iii) Kisumu depot;

(iv) Kisumu- Kisian factory;

(v) Meru- Meru depot;

(vi) Nairobi- LR 209/4479, Dar es Salaam Road;

(vii) Nairobi- LR 209/3883, Nanyuki Road;

(viii) Nairobi- LR 209/5792;

(ix) Nairobi- LR 209/7335, Nanyuki Road;

(x) Nairobi- LR 209/10492, Lunga Lunga Road;

(xi) Nairobi- Ladume Road;

(xii) Nairobi- Likoni Road;

(xiii) Nairobi- Karen showroom;

(xiv) Nairobi- Lavington showroom;

(xv) Nairobi- Westlands showroom; and

(xvi) Nyeri- Nyeri depot.

(b) certificates of registration of a workplace issued by the Director of Occupational Safety and Health Services with respect of the following premises:

(i) in Eldoret (Arap Kitonga Road) for paint storage and distribution which expires on 27 July 2021;

(ii) in Kisumu (New Kisumu Depot-Makasembo Road) for storage, distribution and dispensing of paints which expires on 13 December 2021;

(iii) in Kisumu (Kisumu depot- Alego) for storage, distribution and dispensing of paints which expires on 20 December 2021;

(iv) in Kisumu (Kisian Factory-Kisumu-Busia Road) for the manufacture of paints which expires on 20 December 2021;

(v) in Kisumu (Kisumu showroom) for the display of the Company's products which expires on 27 July 2021;

(vi) in Meru (Meru depot- Meru Maua junction) for the display of the Company's products which expires on 13 December 2021;

(vii) in Mombasa (Changamwe) for paint manufacturing which expires on 15 June 2021;

(viii) in Mombasa (Mombasa depot-Gusii Road) for paint manufacturing which expires on 11 December 2021;

(ix) in Mombasa (New Mombasa depot- Mwangeka) for paint storage, dispensing and dispatch of paint which expires on 15 June 2021;

(x) in Mombasa (Nyali showroom-Links Road) for the display, dispensing and sale of the Company's products which expires on 20 December 2021;

(xi) in Mombasa (Nyali showroom-Fidel Odinga Road) for the display and dispensing of the Company's products which expires on 15 June 2021;

(xii) in Nakuru (Nakuru showroom- Kijabe Row) for the display of the Company's products which expires on 29 June 2021;

(xiii) in Nairobi (Export warehouse- Nadume Road) for paint storage which expires on 11 December 2021;

(xiv) in Nairobi (Dar es Salaam Road) for the marketing, sale, dispensing and distribution of paints which expires on 20 December 2021;

(xv) in Nairobi (Karen showroom-Mutarakwa Road) for the display of the Company's products which expires on 20 December 2021;

(xvi) in Nairobi (Lavington showroom- Elmulu Drive) for the display of the Company's products which expires on 20 December 2021;

(xvii) in Nairobi (Head Office- Likoni Road) for the marketing, sale, dispensing and distribution of paints which expires on 20 December 2021;

(xviii) in Nairobi (Mogadishu Road factory-Mogadishu Road) for the manufacture of paints and resins which expires on 11 December 2021;

(xix) in Nairobi (Nanyuki Road) for the manufacture and distribution of adhesives which expires on 27 July 2021;

(xx) in Nairobi (Ruff n Tuff-Nanyuki Road) for the manufacture of paints and resins which expires on 20 December 2021;

(xxi) in Nairobi (Westlands) for the distribution and dispensing of paints which expires on 11 December 2021;

(xxii) in Nyeri (Nyeri depot-Nyahururu Road) for the display, distribution and sale of paints which expires on 20 December 2021; and

(xxiii) in Nyeri (New Nyeri depot-Nyahururu Road) for the display, distribution and sale of paints which expires on 21 December 2021.

(c) fire inspection certificate receipts for payment with respect to the following premises:

(i) in Eldoret for the Eldoret showroom;

(ii) in Kisumu for Kisumu depot- Alego;

(iii) in Kisumu for Kisumu factory;

(iv) in Meru for the Meru showroom;

(v) in Nairobi for L.R. 209/8376 (Mogadishu Road);

(vi) in Nairobi for L.R. 209/5792 (Mogadishu Road);

(vii) in Nairobi for L.R. 209/4275 (Likoni Road);

(viii) in Nairobi for land no 1159/385 (Mutarakwa Road- Karen);

(ix) in Nairobi for L.R. 209/3883 (Nanyuki Road);

(x) in Nairobi for L.R. 209/10492 (Lunga Lunga Road);

(xi) in Nyeri for Nyeri depot; and

(xii) in Nyeri for New Nyeri depot.

(d) a licence issued by the National Environmental Authority Management Agency (**NEMA**) with respect to LR No. Kisumu/Ojola/4790;

(e) conditional effluent discharge licences issued by the Nairobi City Water and Sewerage Company Limited permitting:

(i) the Company as a paint manufacturer to discharge effluent into the sewer network which is valid until 31 December 2021; and

(ii) the Company with a food service establishment for its staff canteen to discharge effluent into the sewer network which is valid until 31 December 2021.

3.4 **Ownership of Material Assets**

3.4.1 Based on the Property Searches, the Company is the registered and beneficial proprietor of the Properties:

(a) Kisumu/Ojola/2102; and

(b) Kisumu/Ojola/2103.

3.4.2 The Company operates the following branches, agencies, showrooms and offices on the following leased premises:

(a) a showroom in Eldoret on Land No. Eldoret Municipality Block 2/203;

(b) a showroom in Kisumu on Land No. Kisumu Municipality/Block 7/213;

(c) a showroom in Karen, Nairobi on Land No. L.R No. 1159/385;

(d) a depot in Meru on Land No. Ntima/Igoki 9227;

(e) a showroom in Mombasa/Block XX/193;

(f) a showroom in Westlands, Nairobi on Land No. L.R No. 209/19430; and

(g) a showroom in Nakuru Municipality/Block 9/20.

3.4.3 No registration regime for other moveable assets such as computers and other plant and equipment exists in Kenya and as far as we are aware there are no certificates issued in respect to their ownership.

3.5 **Material Contracts**

3.5.1 Save for the contracts disclosed in the Information Memorandum the Company has not entered into any material contracts other than contracts entered into in the ordinary course of the business carried on by the Company. No opinion is expressed as to the validity or enforceability thereof or as to the rights of the parties thereto.

3.6 **Material Litigation**

3.6.1 To the best of our knowledge, information and after due enquiry, save as otherwise provided in this section, there are no material claims or other criminal legal action against the Company.

3.6.2 Similarly, none of the Directors of the Company, are to our knowledge, information and belief after due enquiry, involved in any material litigation, prosecution or other civil or criminal legal action with respect to the operation of the Company.

3.6.3 For the purposes of our review and in line with the size and operations of the Company we have deemed a claim whose value exceeds Kenya Shillings Fifty Million (KES 50,000,000) to be material.

3.7 **Material Borrowing**

3.7.1 The Company has issued the following securities pursuant to its long term credit facilities used to finance the Company in the ordinary course of its business:

(a) Debenture dated 19 February 2010 issued by the Company in favour of NCBA Bank Kenya plc securing KES 110,000,000 and USD 500,000;

(b) Supplemental debenture dated 17 October 2011 issued by the Company in favour of NCBA Bank Kenya plc securing USD 500,000;

(c) Supplemental Debenture dated 14 November 2011 issued by the Company in favour of NCBA Bank Kenya plc securing USD 500,000;

(d) Charge dated 19 February 2010 over LR No. 209/5792 and LR No. 209/4275 issued by Company in favour of NCBA Bank Kenya plc securing KES 110,000,000 and USD 500,000;

(e) Further charge dated 14 November 2011 over LR No. 209/5792 and LR No. 209/4275 issued by Company in favour of NCBA Bank Kenya plc securing USD USD 500,000;

(f) Charge dated 12 November 2009 over LR No. 209/5792 and LR No. 209/4275 issued by Company in favour of KCB Bank Kenya Limited securing KES 257,500,000;

(g) Further charge dated 28 June 2013 over LR No. 209/5792 and LR No. 209/4275 issued by Company in favour of KCB Bank Kenya Limited securing USD 3,439,947.37;

(h) Second further charge dated 23 July 2015 over LR No. 209/5792 and LR No. 209/4275 issued by Company in favour of KCB Bank Kenya Limited securing KES 313,500,000 and USD 763,053;

(i) Debenture dated 12 November 2009 issued by the Company in favour of KCB Bank Kenya Limited securing KES 398,000,000;

(j) Supplemental Debenture dated 20 April 2012 issued by the Company in favour of KCB Bank Kenya Limited securing USD 1,051,567.35;

(k) Second Supplemental debenture dated 28 June 2013 in favour of KCB Bank Kenya Limited securing USD 773,437.54; and

(l) Third further supplemental debenture dated 23 July 2015 by way of a further charge in favour of KCB Bank Kenya Limited securing KES 173,000,000 and USD 2,374,995.11.

4 Reliance and Applicable Law

4.1 This Opinion is given to the directors of the Company for their own use in relation to the proposed Rights Issue and other than in the Information Memorandum may not be disclosed in whole or in part by any person or otherwise quoted, referred to or relied upon for any other purpose. This Opinion is not intended to act as a recommendation as to whether any person should invest in the Company.

4.2 We have acted as counsel to the Company and our opinions above relate only to the Company and to matters and authorities governed by the laws of Kenya. This opinion is based on the application of the laws of Kenya as such laws exist as of the date hereof and we undertake no obligation to update or supplement this opinion.

4.3 We have taken instructions from the Company. The issuance of this Opinion shall not be taken as an implication that we owe a fiduciary duty of care or a contractual duty of care to any person who is not our client.

5 Consent

We consent to the inclusion of this Opinion in the Information Memorandum to be issued for the Rights Issue. We confirm that we have given and, as at the date of issue of the Information Memorandum, have not withdrawn out consent to the inclusion of this Opinion in the Information Memorandum.

Yours sincerely,

Dominic Rebelo

for and on behalf of Anjarwalla & Khanna LLP

Schedule 1 Schedule of documents

Schedule of documents examined for the purposes of this Opinion

No.	Date of document	Document name
1.	N/A	List of material assets as at 31 December 2019
2.	8 May 2020	Offer letter issued by KCB Bank
3.	10 December 2020	Offer letter issued by NCBA Bank
4.	28 June 2018	2018 filed annual return
5.	28 June 2019	2019 filed annual return
6.	21 September 2020	2020 filed annual return
7.	30 October 2020	Reprinted memorandum and articles of association
8.	30 May 1958	Certificate of incorporation in the name of "Jenson & Nicholson (East Africa) Limited".
9.	1 January 1963	Certificate of change of name from "Jenson & Nicholson (East Africa) Limited" to "Kenya Paints (B.J.N) Limited".
10.	5 April 1966	Certificate of change of name from "Kenya Paints (B.J.N) Limited" to "Robbialac Paints Kenya Limited".
11.	31 December 1980	Certificate of change of name from "Robbialac Paints Kenya Limited" to "Berger Paints Kenya Limited".
12.	1 January 1991	Certificate of change of name from "Berger Paints Kenya Limited" and "Crown Berger Kenya Limited".
13.	22 June 2012	Certificate of change of name from "Crown Berger Kenya Limited to Crown Paints Kenya Limited.
14.	22 June 2017	Certificate of change of name from "Crown Paints Kenya Limited" to "Crown Paints Kenya plc"
15.	8 March 2021	Company secretarial confirmation letter
16.	8 March 2021	Extract of minutes for annual general meeting approving change of company name and alteration of Company name
17.	6 October 2020	Board minutes approving the Rights Issue
18.	30 October 2020	Extract of minutes of shareholders meeting approving the Rights Issue
19.	28 February 2021	Shareholder Register as at 28 February 2021
20.	N/A	Completed due-diligence checklist
21.	27 July 2020	Certificate of Registration of a workplace- for plot 21203 for paint storage and distribution

No.	Date of document	Document name
22.	15 June 2020	Certificate of Registration of a workplace- for plot VIMN/3072 for manufacture of paint
23.	15 June 2020	Certificate of Registration of a workplace- for plot XIV/56 for storage, dispensing and dispatch of paint
24.	21 December 2020	Certificate of Registration of a workplace- for plot 209/10492 for storage of paints
25.	21 December 2020	Certificate of Registration of a workplace- for plot NYERI/MUN/BK1/751 for the sale, dispensing, display and distribution of paints
26.	21 December 2020	Certificate of Registration of a workplace- for plot 209/4479 for the sale, dispensing, marketing and distribution of paints
27.	21 December 2020	Certificate of Registration of a workplace- for plot 4275 for the sale, dispensing, marketing and distribution of paints
28.	21 December 2020	Certificate of Registration of a workplace- for plot KSM/MCK/BLOCK 6/327 for the distribution, dispensing and storage of paints
29.	21 December 2020	Certificate of Registration of a workplace- for plot 7/183 for the distribution, dispensing and storage of paints
30.	21 December 2020	Certificate of Registration of a workplace- for plot PART OF NTIMA/IKOKI/3924 for the display, distribution, dispensing and storage of paints
31.	21 December 2020	Certificate of Registration of a workplace- for plot XX/192 for dispensing and distribution of paints
32.	21 December 2020	Certificate of Registration of a workplace- for plot NYERI/MUN/BLK 1/751 for the sale, dispensing, display and distribution of paints
33.	21 December 2020	Certificate of Registration of a workplace- for plot 209/1943 for dispensing and distribution of paints
34.	27 July 2020	Certificate of Registration of a workplace- for plot 209/7335 for manufacturing and distribution of adhesives
35.	21 December 2020	Certificate of Registration of a workplace- for plot KSM/OJOLA/4790 for the manufacture of paints
36.	21 December 2020	Certificate of Registration of a workplace- for plot 209/5792 for the manufacture of paints and resins
37.	21 December 2020	Certificate of Registration of a workplace- for plot 209/3883 for the manufacture of paints and resins
38.	21 December 2020	Certificate of Registration of a workplace- for plot 1159/385 for the showroom for Crown paints products
39.	27 July 2020	Certificate of Registration of a workplace- for plot 71213 for the showroom for Crown paints products
40.	21 December 2020	Certificate of Registration of a workplace- for plot 3734/794 for the showroom for Crown paints products

No.	Date of document	Document name
41.	29 June 2020	Certificate of Registration of a workplace- for plot 91120 for the showroom for Crown paints products
42.	21 December 2020	Certificate of Registration of a workplace- for plot 15429/1/MN for the showroom, dispensing and sale of paints
43.	15 June 2020	Certificate of Registration of a workplace- for plot MN/I/4864 for the showroom, storage, dispensing and sale of paints
44.	21 December 2020	Conditional Effluent Discharge Licence issued by Nairobi City Water and Sewerage Company Limited for Crown paints (paints manufacturing) to discharge effluent into the sewer network
45.	21 December 2020	Conditional Effluent Discharge Licence issued by Nairobi City Water and Sewerage Company Limited for Crown paints (Staff Canteen) to discharge effluent into the sewer network
46.	23 February 2021	Effluent Discharge Licence issued by National Environment Management Authority in relation to plot no. Kisumu/Ojola/4790
47.	15 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 209/8367 Mogadishu road
48.	14 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 209/5792 Mogadishu road
49.	14 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 209/4275 Likoni road
50.	14 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 1159/385 Mutarakwa road/ Dagoretti road
51.	14 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 209/3883 Nanyuki road
52.	14 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 209/4060 Lunga Lunga road
53.	14 January 2021	Fire inspection certificate receipt issued by the Nairobi County government for plot 209/10492 Lunga Lunga road
54.	19 January 2021	Fire inspection certificate invoice issued by the Uasin Gishu county government
55.	12 February 2021	Receipt issued by the Meru county government for: a) Trade licence; b) Fire safety inspection; c) Signboard; d) SBP; and e) Refuse collection.
56.	11 February 2021	Public Health Clearance for the year 2021

No.	Date of document	Document name
57.	1 February 2021	Receipt issued by the Nyeri county government for: a) Business permits; b) Fire safety inspection; c) Refuse collection; d) Renewal fee for single business permit; and e) On-street annual parking charge (small vehicle).
58.	9 February 2021	Receipt issued by the Kisumu county government for Fire inspection and survey on the Kisian Busia road, Kisumu
59.	9 February 2021	Receipt issued by the Kisumu county government for Fire inspection and survey on the Alego street, Kisumu
60.	11 January 2021	Single business permit issued by the Nairobi County government with respect to plot no. 209/3883
61.	3 February 2021	Trading licence (showroom) issued by the Kisumu County government in favour of Crown Paints Kenya plc serial no. TL-AAA02229
62.	3 February 2021	Trading licence (medium storage facility) issued by the Kisumu County government in favour of Crown Paints Kenya plc serial no. TL-AAA02221
63.	3 February 2021	Trading licence (large storage facility) issued by the Kisumu County government in favour of Crown Paints Kenya plc serial no. TL-AAA01884
64.	3 February 2021	Trading licence (large storage facility) issued by the Kisumu County government in favour of Crown Paints Kenya plc serial no. TL-AAA02223
65.	3 February 2021	Trading licence (large storage facility) issued by the Kisumu County government in favour of Crown Paints Kenya plc serial no. TL-AAA02225
66.	3 February 2021	Trading licence (large industrial plant-manufacturing and distribution) issued by the Kisumu County government in favour of Crown Paints Kenya plc serial no. TL-AAAXP4
67.	10 January 2020	Single Business Permit (large storage facility) issued by the Uasin Gishu on plot no. 2/203
68.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/7335
69.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/4479
70.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 1159/385
71.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/5792
72.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/10492 (large storage facility)

No.	Date of document	Document name
73.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/10492 (storage/exports)
74.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/19430
75.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 3734/794
76.	11 January 2021	Single Business Permit issued by the Nairobi County government with respect to plot no. 209/4275
77.	1 February 2021	Single Business Permit issued by the Nyeri County government with respect to plot no. 1/751
78.	12 February 2021	Single Business Permit issued by the Meru County government with respect to plot no. N/I 3924
79.	2 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/3580)
80.	2 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/4731)
81.	2 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/3581)
82.	14 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/4752)
83.	14 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/4753)
84.	14 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/4754)
85.	2 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NRB/EA/5/2/3582)
86.	24 September 2020	Effluent Discharge Licence issued by the National Environment Management Authority with respect to LR No Kisumu/Ojola/4790
87.	26 August 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/KSM/EA/5/2/0700)
88.	26 August 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/KSM/EA/5/2/0321)
89.	26 August 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/KSM/EA/5/2/0606)
90.	26 August 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/MSA/EA/5/2/1478)

No.	Date of document	Document name
91.	4 December 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/MSA/EA/5/2/1478)
92.	29 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/MSA/EA/5/2/1478)
93.	29 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/MSA/EA/5/2/1657)
94.	26 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/EA/MRU/5/2/746)
95.	27 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/NYR/EA/15/2/705)
96.	8 October 2020	Acknowledgment of Annual Environmental Audit issued by the National Environment Management Authority (NEMA/EA/UGC/5/2/1886)
97.	23 February 2021	Effluent Discharge Licence issued by the National Environment Management Authority with respect to LR No Kisumu/Ojola/4790
98.	11 March 2020	Land rent receipt for property no. 209/4275
99.	11 March 2020	Land rent receipt for property no. 209/5792
100.	11 March 2020	Land rent receipt for property no. 209/4479
101.	21 July 2020	Land rates demand notice issued by the Kisumu County government for plot no. Kisumu/Ojola/4790
102.	24 January 2020	Land rates receipt dated for property no. 209/5792
103.	8 January 2019	Property rates request for property no. 209/5792 issued by the Nairobi County government
104.	24 January 2020	Land rates receipt dated for property no. 209/4275
105.	8 January 2019	Property rates request for property no. 209/4275 issued by the Nairobi County government
106.	24 January 2020	Land rates receipt dated for property no. 209/4479
107.	24 January 2020	Property rates request for property no. 209/4479 issued by the Nairobi County government
108.	24 January 2020	Property rates request for property no. 209/5792 issued by the Nairobi County government
109.	24 January 2020	Property rates request for property no. 209/4275 issued by the Nairobi County government
110.	21 August 2019	a lease entered into between Crown Paints Kenya plc and Mahendra G. Patel with respect to a showroom in Eldoret on Land No. Eldoret Municipality Block 2/203

No.	Date of document	Document name
111.	24 March 2017	a lease entered into between Crown Paints Kenya plc and Farida Rahemtulla Surani with respect to a showroom in Kisumu on Land No. Kisumu Municipality/Block 7/213
112.	15 September 2015	a lease entered into between Crown Paints Kenya plc and Symbion Properties Limited with respect to a showroom in Karen, Nairobi on Land No. L.R No. 1159/385
113.	22 February 2021	a lease entered into between Crown Paints Kenya plc, Rose Nyambura Kangoro, Safina Mohamed Iqbal, Saira Mohamed Iqbal, Saira Mohamed Iqbal and Sajaad Iqbal Karim a depot in Meru on Land No. Ntima/Igoki 9227
114.	13 March 2017	a lease entered into between Crown Paints Kenya plc, Bhavesh Jayantilal Shah and Hiten Jayantilal Shah with respect to a showroom in Mombasa/Block XX/193
115.	1 February 2020	a lease entered into between Crown Paints Kenya plc and Muthithi Place Limited with respect to a showroom in Westlands, Nairobi on Land No. L.R No. 209/19430
116.	5 March 2020	a lease entered into between Crown Paints Kenya plc and Nacha Investments Limited with respect to a showroom in Nakuru Municipality/Block 9/20
117.	3 June 2020	A title deed with respect to plot no. Kisumu/Ojola/2102
118.	19 December 2019	A title deed with respect to plot no. Kisumu/Ojola/2103
119.	11 May 2013	A title deed with respect to plot no. Kisumu/Ojola/4790
120.	9 November 1959	A title deed with respect to plot no. LR No. 209/4275
121.	1954	A title deed with respect to plot no. LR No. 209/4479
122.	4 April 1960	A title deed with respect to plot no. LR No. 209/5792
123.	26 February 2019	Full Registration Information of Domestic Company with respect to Crown Paints Rwanda Limited
124.	16 March 2021	Certificate of Domestic Company Registration with respect to Crown Paints Rwanda Limited
125.	28 April 2015	Guarantee and Indemnity issued by Crown Paints and Building Products Limited in favour of KCB Bank plc
126.	23 July 2015	Second further charge issued by Crown Paints and Building Products Limited in favour of KCB Bank plc
127.	23 July 2015	Guarantee and Indemnity issued by Crown Paints and Building Products Limited in favour of KCB Bank plc
128.	23 July 2015	Agreement between Crown Paints Kenya plc and Crown Paints and Building Products Limited
129.	23 July 2015	Second further charge issued by Crown Paints Kenya plc in favour of KCB Bank plc
130.	23 July 2015	Third further supplemental debenture issued by Crown Paints Kenya plc in favour of KCB Bank plc
131.	16 July 2013	Deed of Addendum between KCB Bank plc, NCBA Bank and Crown Paints Kenya plc

No.	Date of document	Document name
132.	28 June 2013	Further charge issued by Crown Paints and Building Products Limited in favour of KCB Bank plc with respect to LR No. 209/4479
133.	28 June 2013	Further charge issued by Crown Paints and Building Products Limited in favour of KCB Bank plc with respect to LR No. 209/4275 and 209/5792
134.	28 June 2013	Supplemental debenture issued by Crown Paints Kenya plc in favour of KCB Bank plc
135.	19 February 2010	Debenture issued by Crown Paints Kenya plc in favour of NCBA Bank
136.	14 November 2011	Supplemental debenture issued by Crown Paints Kenya plc in favour of NCBA Bank
137.	14 November 2011	Further charge issued by Crown Paints Kenya plc in favour of NCBA Bank with respect to LR No. 209/4275 and 209/5792
138.	19 February 2010	Charge issued by Crown Paints Kenya plc in favour NCBA Bank plc with respect to LR No. 209/4275 and 209/5792
139.	14 November 2011	Further charge issued by Crown Paints and Building Products Limited in favour of KCB Bank plc with respect to LR No. 209/4479
140.	19 February 2010	Charge issued by Crown Paints and Building Products Limited in favour of NCBA Bank with respect to LR No. 209/4479
141.	12 November 2009	Charge issued by Crown Paints and Building Products Limited in favour of KCB Bank plc with respect to LR No. 209/4479
142.	23 May 2018	Guarantee and Indemnity issued by Crown Paints and Building Products Limited in favour of KCB Bank plc
143.	20 April 2012	Supplemental debenture issued by Crown Paints Kenya plc in favour of KCB Bank plc
144.	12 November 2009	Charge issued by Crown Paints Kenya plc in favour KCB Bank with respect to LR No. 209/4275 and 209/5792
145.	12 November 2009	Debenture issued by Crown Paints Kenya plc in favour of KCB Bank
146.	19 February 2010	Interlenders agreement between KCB Bank, NCBA Bank and Crown Paints Kenya plc
147.	8 May 2020	Facility Letter issued by KCB Bank Kenya Limited
148.	10 December 2020	Facility Letter issued by NCBA Bank Kenya plc
149.	25 March 2021	Company secretarial confirmation letters issued by Equatorial Secretaries and registrars Limited in relation to Regal Paints Uganda Limited
150.	19 March 2021	Company status report issued by Equatorial Secretaries and registrars Limited in relation to Regal Paints Uganda Limited
151.	17 March 2021	Company search report issued by the Principal Assistant Registrar of Companies in relation to Crown Paints Tanzania Limited
152.	18 May 2021	Updated company secretarial confirmation letter issued by Adili Corporate Services Kenya

No.	Date of document	Document name
153.	19 May 2021	a letter from the Company addressed to Anjarwalla & Khanna LLP confirming the appointment of the company secretary and certain other matters set out in such letter
154.	19 May 2021	a letter from the Company confirming that Crown paints Kenya plc has at all times complied with the special conditions of the grants (the **Property Compliance Letter**)
155.	19 May 2021	a letter from the Company confirming that Crown paints Kenya plc has at all times complied with all the consents, licences and authorisations which it has been issued with (the **Consent Compliance Letter**)
156.	19 May 2021	a letter from the Company confirming the validity and effectiveness of the documents we have reviewed, and certain other matters set out in such letter

Schedule 1 Provisional Allotment Letter

USE BLOCK LETTERS TO COMPLETE THE FORM

<table>
<tr><td colspan="2">CROWN PAINTS KENYA PLC</td><td colspan="2">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.</td><td colspan="2">PAL No:</td></tr>
<tr><td colspan="2">RIGHTS ISSUE 2021</td><td colspan="2">Sales Agent Stamp</td><td colspan="2">CDS A/C</td></tr>
<tr><td rowspan="6">OFFICIAL USE ONLY</td><td rowspan="6" colspan="3">Eligible Shareholders Name and Address</td><td>BOX 1
Existing Shares as of the Record Date</td><td rowspan="6">OFFICIAL USE ONLY</td></tr>
<tr><td></td></tr>
<tr><td>BOX 2
New Shares provisionally allotted to you</td></tr>
<tr><td></td></tr>
<tr><td>BOX 3
Amount payable (KES) in full</td></tr>
<tr><td></td></tr>
<tr><td colspan="2">ATTORNEY</td><td colspan="4">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.</td></tr>
<tr><td rowspan="2">PART 1A</td><td rowspan="2" colspan="3">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.</td><td colspan="2">Tick ✓</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td rowspan="2">PART 1B</td><td rowspan="2" colspan="2">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.</td><td>BOX 4
Number of Additional Shares</td><td colspan="2">BOX 5
Amount payable (KES) (multiply figure in Box 4 by KES 10.00</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td rowspan="2">PART 1C</td><td rowspan="2" colspan="2">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).</td><td>BOX 6
Number of total New Shares (Box 2 + Box 4)</td><td colspan="2">BOX 7
Amount payable (KES) (Box 3 + Box 5 + KES 30 CDSC Fee)</td></tr>
<tr><td></td><td colspan="2"></td></tr>
</table>

<table>
<tr><td rowspan="2">PART 2</td><td colspan="5" rowspan="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).</td><td>BOX 8
Number of New Shares accepted in part</td><td>BOX 9
Amount payable (KES) (multiply figure in Box 8 by KES [10.00])+ KES 30 CDSC Fee)</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="7">PART 3 PAYMENT</td><td>Tick ✓</td><td rowspan="2"></td><td rowspan="2">1 Direct Amount Payment</td><td rowspan="2">KES.</td><td rowspan="2"></td><td>Chq/ Transfer Ref No./ Deposit Ref No.</td><td>Bank Name & Branch</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Tick ✓</td><td></td><td>2 Mobile Money</td><td>KES.</td><td></td><td>Mobile Money Reference No.</td><td></td></tr>
<tr><td rowspan="4">Tick ✓</td><td rowspan="4"></td><td colspan="3" rowspan="4">3 Irrevocable: Bank Guarantee</td><td colspan="2">4 FINANCIER DETAILS</td></tr>
<tr><td>CDS Form 5 Serial No</td><td></td></tr>
<tr><td>Institution and Branch</td><td></td></tr>
<tr></tr>
<tr><td rowspan="4">PART 4 *Mandat</td><td colspan="4">Account Name (as per statement)</td><td>Bank Name</td><td colspan="2">Branch Code</td></tr>
<tr><td colspan="4"></td><td></td><td colspan="2"></td></tr>
<tr><td colspan="4">Country & Swift if not Kenya</td><td colspan="3">Account Number (full account No.)</td></tr>
<tr><td colspan="4"></td><td colspan="3"></td></tr>
<tr><td></td><td colspan="7">MPESA or Mobile money transfer option</td></tr>
<tr><td></td><td colspan="7">Mobile No:</td></tr>
<tr><td rowspan="2">PAR T 5</td><td colspan="7">SIGNATURE of Eligible Shareholder or Authorised Attorney</td></tr>
<tr><td colspan="5">Sign</td><td colspan="2">Date:</td></tr>
<tr><td>PA RT</td><td colspan="7">Email:
Mobile No:</td></tr>
</table>

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CROWN PAINTS KENYA PLC – RIGHTS ISSUE 2021- PAL RECEIPT	PAL No.	Eligible Shareholder	Sales Agent

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.

SALES AGENTS: [insert Sales Agents].

or for assistance contact: [insert company email address for rights issue] or [insert any other email queries can be addressed]

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

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

CROWN PAINTS KENYA PLC

RIGHTS ISSUE 2021

THE RENUNCIATION FORM 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 RENUNCIATION FORM. 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.

Sales Agent Stamp	CDS A/C

ELIGIBLE SHAREHOLDER. For NIL consideration, I/we the Eligible Shareholder hereby accept, subject to the terms of the Information Memorandum, my/our PAL, the Articles of Association of Crown Paints Kenya plc and requisite approvals from the regulator/s, to renounce my/our Rights as per my/our PAL in favour of person (s) named below in this Renunciation Form relating to such New Shares. Accordingly, I/we have signed below.

BOX 1 Eligible Shareholder Name	**BOX 2** PAL NUMBER	**BOX 4** New Shares provisionally renounced to the Renouncee (less than or equal to the New Shares provisionally allotted in PAL)	**BOX 5** Amount payable (KES) (multiply figure in Box 4 by KES 10.00)
	Box 3 Shareholder Member No		

SIGNATURE OF ELIGIBLE SHAREHOLDER OR AUTHORISED ATTORNEY	
Signature:	Date:

RENOUNCEE		
Renouncee	CDS A/C	Relationship to Eligible Shareholder
Name:	ID No./Passport No.	
Postal Address including post code & Email / Mobile No:		

PART 1A	**ACCEPTANCE IN FULL** I/We hereby accept in full, subject to the terms of the Information Memorandum, this Renunciation Form, the attached PAL and the Articles of Association of Crown Paints Kenya plc, the number of Rights specified in Box 4, and for the value in Box 5 above.	Tick ✓ ☐

PART 1B	**ADDITIONAL SHARES** Having accepted in full all the New Shares in PART 1A above, I/we hereby apply for Additional Shares, subject to the terms of the Information Memorandum, this Renunciation Form, the attached PAL and the Articles of Association of Crown Paint Kenya plc, the number of Additional Shares in Box 6 for the value in Box 7.	**BOX 6** **Number of Additional Shares**	**BOX 7** **Amount payable (multiply value in Box 6 by KES 10.00)**

<table>
<tr><td rowspan="2">PART 1C</td><td colspan="5" rowspan="2">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 8 for the value in Box 9 herein (including KES 30 for the CDSC Fee).</td><td>BOX 8
Number of total New Shares (Box 4 + Box 6)</td><td>BOX 9
Amount payable (KES) (Box 5 + Box 7 +
(including KES 30 for the CDSC Fee))</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="6">PART 2 PAYMENT</td><td rowspan="2">Tick ✓</td><td rowspan="2"></td><td rowspan="2">1 Direct Amount Payment</td><td rowspan="2">KES.</td><td rowspan="2"></td><td>Chq/ Transfer Ref No./ Deposit Ref No.</td><td>Bank Name & Branch</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Tick ✓</td><td></td><td>2 Mobile Money</td><td>KES.</td><td></td><td>Mobile Money Reference No.</td><td></td></tr>
<tr><td rowspan="3">Tick ✓</td><td rowspan="3"></td><td colspan="3" rowspan="3">3 Irrevocable: Bank Guarantee</td><td colspan="2">4. FINANCIER DETAILS</td></tr>
<tr><td>CDS Form 5 Serial No.</td><td></td></tr>
<tr><td>Institution and Branch</td><td></td></tr>
<tr><td rowspan="4">PART 3 REFUND</td><td colspan="5">Account Name (as per statement)</td><td>Bank Name</td><td>Branch Code</td></tr>
<tr><td colspan="5"></td><td colspan="2"></td></tr>
<tr><td colspan="5">Country & Swift if not Kenya</td><td colspan="2">Account Number (full account No.)</td></tr>
<tr><td colspan="5"></td><td colspan="2"></td></tr>
<tr><td colspan="8">MPESA or Mobile money transfer option</td></tr>
<tr><td colspan="8">Mobile No:</td></tr>
<tr><td colspan="7">SIGNATURE OF RENOUNCEE & DATE:</td><td>Date:</td></tr>
<tr><td colspan="6">ENDORSEMENT by SALES AGENT for RENUNCIATION
(where applicable)
Name, Signature & Stamp</td><td colspan="2">APPROVAL by REGULATOR for RENUNCIATION
(where applicable)
Name, Signature & Stamp</td></tr>
</table>

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

RENUNCIATION FORM RECEIPT – CROWN PAINTS RIGHTS ISSUE 2021			
Eligible Shareholder	Renunciation Form No.	New Shares Accepted	Sales Agent & Date

NOTES (RENUNCIATION FORM)

GENERAL INSTRUCTIONS:

- Please complete the Renunciation Form 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 Renunciation Form is subject to the terms and conditions in the Information Memorandum.
- Capitalised terms in the Information Memorandum shall have the same meaning in this Renunciation Form unless otherwise defined.

- For advice on the Rights Issue and completion of this Renunciation Form, the Eligible Shareholder and Renouncee 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 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 Renouncee.
- 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 5.00pm 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. Renouncee 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:

The Chief Executive Officer
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]

Schedule 4 Form E

CROWN PAINTS KENYA PLC - FORM OF ENTITLEMENT | **FORM - E**

Agent Stamp & Name	**Agent Code**	FORM E SERIAL NUMBER

DETAILS OF THE APPLICANT(S):	APPLICANT'S CITIZENSHIP: KINDLY TICK IN THE APPROPRIATE BOX BELOW	**TEL NO:**
	KENYA ☐ UGANDA ☐ TANZANIA ☐ OTHER ☐	....
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):

Qualifying Investor(s) or Authorised Attorneys signature(s). (All joint holders must sign)

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

<table>
<tr><td>FORM R</td><td>FORM OF RENUNCIATION</td><td>PAL NUMBER:</td><td></td></tr>
<tr><td>Agent's Name</td><td colspan="2">Agent's Code</td><td>Agent's Stamp</td></tr>
<tr><td></td><td colspan="2"></td><td></td></tr>
<tr><td colspan="4">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</td></tr>
<tr><td>BOX(1) Number of Rights Available in Renouncer's Name</td><td>BOX (2) Number of Rights to be Renounced</td><td colspan="2">BOX (3) Amount payable for Renounced Rights</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="3" rowspan="3"><u>RENOUNCER</u>
Name and Address: ____
____
Signature ____Date: ________________
Joint Signature _______________________________________Date: ________________</td><td>Renouncer ID/PP Number</td></tr>
<tr><td>Renouncer (Joint) ID/PPNumber</td></tr>
<tr><td>Renouncer Company Seal</td></tr>
<tr><td colspan="3" rowspan="3"><u>RENOUNCEE</u>
Name and Address: ____
____
Signature ____Date: ________________
Joint Signature _______________________________________Date: ________________
KENYA UGANDA TANZANIA OTHER</td><td>Renouncee ID/PP Number</td></tr>
<tr><td>Renouncee (Joint) ID/PP Number</td></tr>
<tr><td>Renouncee Company Seal</td></tr>
<tr><td colspan="4">Read carefully: To be completed by RENOUNCEE</td></tr>
<tr><td colspan="2"><u>PURCHASE OF RENOUNCED RIGHTS SHARES</u>
For use by the Investor who is the RENOUNCEE herein.
(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</td><td>BOX(4)
Number of Renounced Rights accepted as per BOX(2)</td><td>BOX(5)Amount payable for Purchase of renounced Rights as per BOX(3)</td></tr>
</table>

(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.		

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: +254-020-7602525/020 2226440	**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	PO 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