

## CROWN PAINTS KENYA LIMITED

NOTICE IS HEREBY GIVEN that the 60<sup>th</sup> Annual General Meeting of the Company will be held at the Sarova Panafric Hotel, Kenyatta Avenue, Nairobi on Tuesday, 20 June 2017 at 11.00 am. to conduct the following business:

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### ORDINARY BUSINESS

- 1 To read the notice convening the meeting.
- 2 To table the proxies and confirm the presence of a quorum.
- 3 To consider and, if approved, adopt the audited Financial Statements for the year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon.
- 4 To declare a final dividend of KShs 0.60/= per ordinary share for the financial year ended 31 December 2016, and approve the closure of the Register of Members at 4.30 pm on 20 June 2017 for one day only.
- 5 To approve the Directors' remuneration paid in respect of the Financial Year ended 31 December 2016.
- 6 Directors:
  - a) Mr Francis Maina retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible, offers himself for re-election.
  - b) In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors, being members of the Board Audit and Risk Committee be elected individually to continue serving as members of the Committee:-
    - i) Mr Francis Maina
    - ii) Mr Stephen Oundo
- 7 To re-appoint Messrs Ernst & Young LLP as the auditors of the Company for the financial year ending 31 December 2017 in accordance with Section 719 (2) of the Companies Act, 2015 and to authorise the Directors to fix their remuneration for 2017.

### SPECIAL BUSINESS

- 8 Subject to clearance with the relevant authorities including the Registrar of Companies and the Capital Markets Authority, as applicable, to consider and, if thought fit, to pass resolutions a) and b) as Special Resolutions and c) as Ordinary Resolutions:-
  - a) Change of Name of the Company  
  
"That the name of the Company be and is hereby changed from Crown Paints Kenya Limited to Crown Paints Kenya plc in compliance with Section 53 of the Companies Act, 2015"
  - b) Adoption of amended Articles of Association in line with the Companies Act, 2015  
  
"That the regulations contained in the document now submitted to this meeting and, for the purpose of identification, initialled by the Chairman of the Company be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association thereof."

### **c) Share Buy-Back**

Subject to the shareholders passing the resolution adopting the new Articles of Association and in accordance with Part XVI of the Companies Act, 2015, the Company's new Articles of Association and any applicable regulations and or approvals, the Company be and is hereby authorised, to purchase ordinary shares in its share capital subject to the following:

- i) the Company be and is hereby authorised to purchase a maximum of 10,677,150 ordinary shares representing up to 15% of the Company's current issued share capital as quoted on the Nairobi Securities Exchange (the NSE);
- ii) such authority will remain in force until the day immediately preceding 18 months from the date of the authorisation or until revoked by a resolution passed at a general meeting of the shareholders;
- iii) the minimum price to be paid by the Company for any such purchase of its shares shall be a price per share calculated as the prevailing arithmetic mean of the daily closing share price at the NSE over the preceding 365 days from the date of the Directors' resolution to effect such buy-back; and
- iv) the maximum price to be paid by the Company for any such purchase of its shares shall be a price per share calculated as the prevailing arithmetic mean of the daily closing share price at the NSE over the preceding 365 days from the date of the Directors' resolution to effect such buy-back plus fifty percent (50%) of such prevailing arithmetic mean.

Further, subject to and following the passing of the resolution approving the share buy-back:

- i) the Company be and is hereby authorised and empowered subject to the applicable laws to: (i) cancel the shares that have been bought back; or (ii) retain the shares that have been bought back in treasury for future distribution as dividend to the Company's shareholders and/or for resale on the NSE; and
- ii) the Company Secretary be and is hereby authorised to make such filings and update any such records as may be required.

BY ORDER OF THE BOARD



Conrad Nyukuri  
Company Secretary

Date: 4 May 2017

1. In accordance with section 298 of the Companies Act, 2015 every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member. Proxy forms should be returned to The Registrar, Custody & Registrar Services Limited, 6<sup>th</sup> Floor Bruce House, Standard Street PO Box 8484, 00100 - Nairobi to arrive not later than 48 hours before the meeting or any adjournment thereof. A form of proxy is provided at the end of this report.

2. A copy of this notice, proxy form and Financial Statements are available on our website [www.crownpaints.co.ke](http://www.crownpaints.co.ke) or a printed copy may be obtained from the Company's Head Office, Likoni Road, Industrial Area, Nairobi upon request.

## **Explanatory Notes**

### **Change of Name**

The Companies Act, 2015 requires that limited companies which are also public companies have either the words "public limited company" or the abbreviation "plc" at the end of their name. We have therefore proposed that the abbreviation "plc" replaces the word "Limited" in the name of the Company so that it becomes "Crown Paints Kenya plc". Following this amendment, the Company will undertake to rebrand including on its letterhead and related materials.

### **Adoption of new Articles of Association**

The Company's current Articles of Association were drafted in 1958 on the basis of Table A as set out in the now repealed Companies Act, 1948. Following the enactment of the Companies Act, 2015 several amendments are required to bring the Company's Articles of Association into compliance with the Companies Act, 2015. The Directors are of the view that this is an opportune time to modernise the Company's Articles of Association as well as bring them into compliance with the new Companies Act, 2015 and therefore a new set of Articles of Association are being proposed. These will be available for review on the Company's website at [www.crownpaints.co.ke](http://www.crownpaints.co.ke). A copy of the draft Articles of Association can also be inspected at the Company's head office at the following address: P.O. Box Number 78848 – 00507, Likoni Road, Industrial Area, Nairobi, Kenya.

### **Share Buy-Back**

Section 447 of Part XVI of the Companies Act, 2015 now permits a limited company having a share capital to buy-back its shares from shareholders, provided that such shares are purchased from the Company's distributable profits or the proceeds of a fresh issue of shares made for the purpose of financing the purchase. The process is new in Kenya and as far as the Directors are aware, has not been undertaken previously by any company listed on the Nairobi Securities Exchange (the NSE), however, the Directors note that there may be several advantages to shareholders of the Company from a buy-back of shares. Specifically, a buy-back of shares by the Company is anticipated to:

- a) permit the Company to offer the shareholders an alternative to dividends in the form of a capital distribution;
- b) increase the average daily trading volume (ADTV) of the shares and provide liquidity in the shares benefiting all shareholders and the Company;
- c) enable true price discovery of the value of the Company and reduce cash outflow from the company going forward without reducing the dividend per share (as there will be fewer shares in circulation);
- d) create a more aggressive capital structure in the form of the Company's debt to equity ratio and effectively deliver a higher return on equity (ROE) which will be viewed as a positive feature for the Company in the marketplace; and
- e) provide shareholders with the option of a tax-efficient cash distribution of earnings and enhance the Company's earnings per share (EPS) thereby benefiting the shareholders.

The Company is seeking authorisation from the shareholders to provide the Directors with the option to initiate a buy-back of its shares on the market. The Companies Act, 2015 requires that this authorisation should state a maximum number of shares that can be purchased, should have a minimum and maximum price attached thereto and should be subject to a date on which such authority will expire. In this respect, the Company is seeking authority to purchase up to a maximum of 10,677,150 ordinary shares representing 15% of the Company's current issued share capital as quoted on the NSE. The Company proposes to purchase the shares at a price that will include a

minimum premium of 0% and a maximum premium of 50% to the prevailing arithmetic mean of the closing share price at the NSE over the preceding 365 days from the date of the Directors' resolution to effect such buy-back. The Company is seeking this authorisation from the date of approval of this resolution until the day immediately preceding 18 months from the date of the approval of this resolution.

Subject to receipt of such authorisation, the Company may, upon a determination by the Directors, offer to buy its own shares on one or more occasions and the Directors will determine the number and price of the shares to be purchased by the Company on each occasion and the duration for which such offer shall remain open based on the Company's distributable profits.

Following any purchase of shares by the Company pursuant to the authority granted by the shareholder, the Company may cancel the shares that have been bought back or retain them in treasury for future distribution as dividend to the Company's shareholders and/or for resale on the NSE.