

**MINUTES OF THE ANNUAL GENERAL MEETING OF THE COMPANY HELD AT THE KENYA INSTITUTE OF CURRICULUM DEVELOPMENT, DESAI ROAD - OFF MURANG'A ROAD, NAIROBI ON THURSDAY, 5<sup>TH</sup> SEPTEMBER 2019 AT 10:00AM.**

**Present:**

- |                  |   |  |
|------------------|---|--|
| 1. Linus Gitahi  | - | Chairman   |
| 2. Dan Awendo    | - | Managing Director  |
| 3. Peter Nduati  | - | Director   |
| 4. Ketan Shah    | - | Director   |
| 5. Mbugua Gecaga | - | Director   |
| 6. Luke Kinoti   | - | Director   |
| 7. Members       | - | 940 Members present in person and 76 proxies in attendance |

**In Attendance:**

- |                         |   |   |
|-------------------------|---|---|
| 1. Jayne Nyokabi        | - | Ag, Chief Finance Officer                                 |
| 2. Bruno Obodha         | - | Commercial Manager - Direct sales                         |
| 3. Asif Chaudhry        | - | Representative, PKF Kenya                                 |
| 4. Rina Hicks           | - | Representative, Faida Investment Bank limited             |
| 5. Lydia Muchiri        | - | Head Custody Sales & Registrar, Cooperative Bank of Kenya |
| 6. Madren Oluoch-Olunya | - | Company Secretary (Azali Certified Public Secretaries)    |
| 7. Anne Ngumbau         | - | Azali Certified Public Secretaries                        |
| 8. Edward Muinde        | - | Azali Certified Public Secretaries                        |

**Absent with apologies:**

- |                   |   |          |
|-------------------|---|----------|
| 1. Rachel Mbai    | - | Director |
| 2. Caroline Kigen | - | Director |

The Chairman called the meeting to order at 10:30am and welcomed members. A word of prayer was said by Mr. Luke Kinoti.

The Chairman introduced the Board of Directors, Company Secretary, Co-operative Bank Registrar, representative from PKF Kenya and Faida Investment Bank Limited to the members, after which the Managing Director introduced members of the Company's Management Team present.

**Min. 01/2019 Constitution of the meeting**

It was noted at the commencement of the proceedings, there were 940 members present in person and further, that as at the close of the proxy register, seventy-six (76) proxies covering a total of 1,072,401 shares had been received representing 0.26% of the issued share capital of the Company.

A quorum being present, the Chairman then declared the meeting as duly convened and constituted.

The notice convening the meeting was taken as read and adopted.

**Min. 02/2019 Confirmation of minutes of the previous AGM held on 14<sup>th</sup> June 2018**

On a proposal by Mr. Alois Wafula Chami and seconded by Mr. Irungu Kimani, it was resolved that the minutes of the minutes held on 14<sup>th</sup> June 2018 be adopted as a true record of the proceedings at the meeting and signed by the Chairman subject to the following amendments:

*Page 1, second sentence, delete the Word Gor, ... “A word of prayer was said by Florence Silvyia Gor”, to read as “Florence Silvyia”.*

*Min. 04/2018, page 4 ,1<sup>st</sup> line, ... “on a query by Mr. Nguu”, ...to read as “on a query by Mr. Nzau”*

*Min. 07/2018, second paragraph, first line, ... “to read as “Mr. Timothy Matolo”*

### **Min. 03/2019 Chairman’s Opening Remarks**

The Chairman informed members that the 2018 financial year had been tough for the real estate industry. This was mainly attributable to the slow economic growth in the country and the unavailability of money in the market. He however, assured the members that Company continues to be positive about the future as it strives to attain the Big 4 national agenda, especially on providing affordable housing to Kenyans. He added that the Board was working tirelessly to ensure that the Company identified suitable strategic partners as part of capital raising efforts. With this investment arrangement, the Company would not need to raise its share capital earlier endorsed by the members in 2016.

### **Min. 04/2019 Managing Director’s Report**

The Managing Director presented a report of the Company’s performance with the following highlights:

1. **Company update** - In the short term, he mentioned that the company would focus on liquidity, revenue diversification and project completion. This would be achieved through selling Mitini houses / plots and collection of debts; subdividing of Migaa PDS and originating new smart plot projects. In the medium term, he stated that the main focus would be on availing affordable housing and on growing house stock. In the long term, the company was aiming at focusing on market leadership in East Africa and growth and expansion into Sub Saharan Africa.
2. **Performance update** - he summarized the 2018 financial performance of the Company as follows:
  - Although the Group reported a 58.5% decline in its project percentage-of-completion based revenue, actual sales only declined by 36.8% owing to slow growth in the real estate sector amid constrained credit access and general slowdown in spending power among property buyers.
  - Owing to the Company’s revenue recognition model and guided by the International Financial Reporting Standards (IFRS-15), most of the revenues were booked as liabilities on the balance sheet.
  - The deferred revenue and deposits from sales of plots grew to Kshs. 2.6bn in 2018 compared to Kshs. 2.3bn in 2017. In line with the accounting policies, these amounts are carried as current liabilities in the balance sheet but would convert into revenues in the statement of profit and loss upon completion of the Migaa project.
3. **Projects update** – He reported that the road and golf course works in Migaa were in high gear, leading to improvement in the book value of the group’s sellable land from Kshs. 3.7bn in 2017 to Kshs. 3.8bn in 2018.

In conclusion, the Managing Director expressed gratitude to the Board of Directors for their guidance and continued support. He also thanked the shareholders and strategic business partners for entrusting the Company with their resources and the staff for their passion and enthusiasm as they continue to deliver on their areas of responsibility, despite the financial difficulties the Company is experiencing.

### **Min. 05/2019 Financial Statements for the year ended 31<sup>st</sup> December 2018**

Mr. Asif Chaudhry from PKF Kenya, the Independent Auditor, presented the audited financial statements for the year ended 31<sup>st</sup> December 2018.

He informed the members that his firm had not expressed an audit opinion, given that the Company was in continued discussions with strategic investors that needed to be concluded first. He also noted that there were no key audit matters to be highlighted.

He further noted that the Company had kept proper books of account and that the Financial Statements for the period ending 31<sup>st</sup> December 2018, gave a true and fair view of the state of affairs of the Company in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

The Chairman invited questions from members on the 2018 financial statements and the following matters were then raised:

Mr. Alois Wafula Chami inquired whether or not the Board of Directors had identified the risks in its investment plans, if there were ways of mitigating them and why the Company was making losses yet it was carrying out Corporate Social Responsibility. The Chairman responded by explaining that in any investment, there are usually risks and some can be mitigated fully while others cannot. On the issue of Corporate Social Responsibility, the Chairman added that it is good practice for companies to create good relations with the surrounding community and monitor their impact on the environment.

Catherine Nyamai, supported by other members raised several complaints including; late commencement of the meeting despite the notice of the AGM stating that it would start at 10:00 am.; poor reception by the share registrar despite the members arriving at the venue on time; decreasing share price and non-payment of dividends and the Company not investing in prime locations. On the issue of poor reception, the Chairman requested the share registrar representative, Ms. Lydia Muchiri, to respond and she apologized for the inconveniences caused, while promising a smooth reception at future meetings. The Chairman apologized for starting the meeting late although the quorum had been constituted by the required time. He however, explained that the Directors had noted the slow registration and delayed the meeting intentionally to ensure that more members were present in the hall. On the issue of the reduced share price, he attributed the decrease to the difficult economic times that had hit the real-estate sector hence the reason for not issuing dividends for 2018. He added that the Board continued to look for strategic investors/joint ventures which would be helpful to the Company. He added that once the ongoing projects were completed, the Company would start investing in prime areas as it would have a wider capital base.

Mr. Daniel Kimotho expressed his concern on the losses the company made in 2018 yet administrative expenses had increased. He also questioned the actions the Board would take in case a strategic investor was not found. The Managing Director responded that the increasing administrative expenses were mainly due to the sales and operational costs on several projects which were not yet complete.

Mr. Solomon Odhiambo raised a question on the quality of customer care by the Company as he had previously booked an appointment with the commercial team and his request was not attended to. The Managing Director promised to follow up on the matter and get back to the members as soon as possible.

Mr. Timothy Wanjala acknowledged the large turn up of the members and improved leadership through the current Board of Directors. He was however curious about the increase in Directors' remuneration in 2018. The Chairman explained that Directors had met more often to look for solutions to the Company's challenges.

Mr. Geoffrey Miseno voiced his concern about the Llango project noting that its shareholders had been left in the dark for the past one year and no progress was reported. The Managing Director reported that the transaction was in its final stages and communication would be sent to the members as soon as it was concluded.

Ms. Betty Muthoni raised a query on the Director's remuneration increase in 2018 and if it would be reduced. Mr. Peter Nduati, Chairman of the Board Finance, Procurement and Strategy Committee mentioned that Directors remuneration had since been reduced following consolidation of the various Subsidiary Companies' Boards.

Mr. Emanuel Masaba raised a question on business diversification by the Company, once the debts were settled. The Managing Director responded by saying that there was a plan to expand the business revenue streams once capital was available.

Gathere Wambai sought to know if members were entitled to discounts while purchasing the Company's properties and the percentage thereof. The Managing Director was glad to inform him that, all members were entitled to a 10% discount.

Tom Oloo inquired on the reason for delay in obtaining title deeds. The Managing Director responded that there was a delay due to Capital Gains Tax issues but most of the title deeds had been processed and were ready to be picked at Company's offices.

Upon all the questions being addressed satisfactorily, the Chairman moved to the next order of business which was adoption of the audited consolidated financial reports.

On a proposal by Mr. Alois Chami and seconded by Mr. Geoffrey Maoga, it was **unanimously resolved** that the audited financial statements for the year ended 31<sup>st</sup> December 2018 and reports of the Directors and Independent Auditor be received and adopted.

#### **Min. 06/2019 Declaration of Dividends**

It was noted that the Directors did not recommend the payment of a dividend for the year ended 31<sup>st</sup> December 2018.

#### **Min. 07/2019 Election of Directors**

- a) The Chairman stated that in accordance with the provisions of the Companies Act 2015 and Article 115 of the Company's Articles of Association, Mr. Luke Kinoti having been appointed as an additional Director on the Board with effect from 24th July 2019, was due for retirement and being eligible offered himself for re-election.

On a proposal by Mr. Joseph Masaba and seconded by Betty Muthoni, it was **unanimously resolved** that Mr. Luke Kinoti be elected as Director of the Company.

- b) The Chairman stated that in accordance with the provisions of Section 769 of the Kenyan Companies Act 2015 the following directors; Ms. Caroline Kigen (Chairperson), Ms. Rachel Mbai and Mr. Ketan Shah who serve as members of the Board's Audit, Risk and Compliance Committee

(that performs the function of oversight of the Financial Reporting Process and Internal Accounting Control Systems), be elected to continue serving as members of the said Committee.

On a proposal by Mr. Masaba and seconded by Mr. Irungu Kimani, it was **unanimously resolved** that in accordance with Section 769 of the Kenyan Companies Act 2015, Ms. Caroline Kigen, Ms. Rachel Mbai and Mr. Ketan Shah be elected to continue serving as members of the Board’s Audit, Risk and Committee.

#### **Min. 08/2019 Approval of Directors’ Remuneration**

The Chairman informed members that the Directors availed themselves for attendance of the Board and Committee meetings and applied their expertise in guiding the management and offering strategic direction on the affairs of the Company. The Directors’ Remuneration report had been published on page 110-115 of the Company’s 2018 Annual Report showing the remuneration paid to each director. This was in accordance with the enactment of the Companies (General Amendment) (2) Regulations 2017.

On a proposal by Mr. Geoffrey Maoga and seconded by Mr. Joseph Gituma, it was **unanimously resolved** that the Directors Remuneration Report for the year ended 31<sup>st</sup> December 2018 be approved and the Board be authorized to fix the remuneration of the Directors for the ensuing year.

#### **Min. 09/2019 Appointment and Remuneration of Auditors**

The Chairman stated that in accordance with the Company’s Articles of Association and Section 179 of the Kenyan Companies Act 2015, Messrs. PKF Kenya, the Independent Auditors had expressed their willingness to continue in office as Auditors of the Company. The Auditors remuneration for the year ended 31<sup>st</sup> December 2018 was indicated in the Audited Consolidated Financial statements and shown on page 146 of the 2018 annual report.

On a proposal by Mr. Joseph Otieno Baraza and seconded by Joseph Miricho, it was **unanimously resolved** that the Auditors remuneration for the year ended 31<sup>st</sup> December 2018 be confirmed and that Messrs. PKF Kenya, Certified Public Accountants having agreed to continue in office, be hereby re-appointed to act as the Independent Auditor of the Company and that the Board be authorized to fix their remuneration for the ensuing year.

#### **Min. 10/2019 Special Business**

*The Chairman handed over the meeting to Mr. Peter Nduati to chair this agenda item. He then stepped out of the meeting at this point.*

Mr. Nduati explained to the members the meaning of Conflict of Interest and informed them that there was a substantial property transaction between the company and a Board Director, Mr. Linus Gitahithat needed to be disclosed to shareholders for approval in accordance with the provisions of section 158 of the Companies Act 2015. The transaction related to a 40-acre piece of land in Isinya, Kenya which was sold to the company.

On a proposal by Mr. Mbugua Kimani and seconded by Mr. Willie Nzomo, it was **unanimously resolved** that the said property transaction between the Company and Mr. Gitahi be ratified.

*The Chairman re-joined the meeting at this point.*

#### **Min. 11/2019 Any other Business**

1. The Chairman thanked the members for their continued support to the Board and management over the years. He then informed them that his first term in office had come to an end and he would not be seeking an extension. He added that he would be handing over the chairmanship of the Board to Mr. Peter Nduati and urged them to work closely with him.
2. Mr. Nduati thanked the members for granting him the opportunity to serve the Company and called for continued support to the Board and Management as they endeavor to take the Company to great heights.

There being no other business, the meeting ended at 1:35pm.

**Confirmed as a true record of the proceedings at the meeting:**

Chairman: .....

Date: .....