



BRIEFING REPORT TO ALL- STAKEHOLDERS ON EVEREST PARK, ATHI RIVER, NAIROBI

Purpose of the Report

A local mainstream media outlet (the Nations Media) ran a story on its television and print channels on 19th September 2017 in connection with defects and complaints from occupants at the Everest Park Development, Athi River, Nairobi. The reports alleges that Shelter-Afrique faces a loss of up to Ksh730m as a result the defects.

The media report is alarmist and at best speculation. The purpose of this report is to provide accurate information to our partners including lenders and to allay any fears. The report provides the real background to the issue, what we are doing about it and information on any potential exposures to Shelter-Afrique.

Background

The Everest Park Development is a Joint-Venture between Shelter-Afrique and a local landowner/developer. The first phase comprising 180 affordable housing units for sale was completed in 2011 and fully sold and now being managed by a Management Company including the residents.

The units in Phase 1 were priced from US\$22,000 for 1 bed units to US\$45,000 for 3 bedroom units. Total capital Cost for Phase 1 is about US\$6m. In line with the Joint-Venture Agreement, the proceeds from Phase 1 are rolled over into the development of Phase 2 of the complex comprising of 200 no units for sale. Phase 2 in currently under construction.

Completion and Certifications

A qualified team of construction professionals including architects, engineers, Quantity Surveyor were retained on the Project with adequate professional indemnities. The Construction Works were carried out by a registered contractor with appropriate qualification and experience of similar works. As required by the Contract, the works are certified by the consultants. The completion certificate and approval of occupation of Phase 1 was granted by the County Authorities in 2011.

Building Defects

Following occupation, some residents made complaints about a number of defects including roof leaks. Most of these are typical post construction defects and being provided for in the Building Contract were mostly rectified by the Contractor.

However, by May 2017 pronounced diagonal cracks became noticeable in a number of the flats. These were concentrated in two of the blocks out of 18 blocks. On 22nd August, the Project Engineer following inspection reported the matter to the Joint-Venture Partners (not Shelter-Afrique) and the County Authorities.

In response to the notice, the National Construction Authority, The County Engineers and the National Building Inspectorate carried out a joint inspection on 18th September to determine the cause of the defects and recommend appropriate remedial works.

This was the first-time Shelter-Afrique became aware of the problem.

The Press

Unfortunately, a group of residents invited a media crew to attend the inspection and thereafter the airing and publication of wholly inaccurate and presumptuous reports as to the liability of Shelter-Afrique. As a result, the matter was aired on prime-time TV on 19th September 2017. Since then however, there has been no further coverage.

Managing the Incident

There are two aspects to the management of the incident and we are doing the following:

Engagement with the Customers

We will maintain an ongoing dialogue with the residents to provide assurance that although we do not assume liability, we will be supporting them and keeping them informed. Ultimately, we will do all possible to help resolve the problem and avoid financial loss to them. Senior Shelter-Afrique`s team, including the Managing Director, have visited the site.

We have also requested to be invited to a Residents Meeting early next week.

Engagement with the Authorities and Technical Team

This is the critical activity. The report of the Inspection which should give a definitive indication of the causes of the defects, remedy and costs will be available within the next 10 days. The nature/cause of the defects will also give an indication as to the direction of liability. As of this moment, the 2 Agencies involved have completed the on-site investigation. Once we receive the report, a detailed action plan will be developed in partnership with the residents.