FINANCIAL STATEMENTS

Year ended 31 March 2019

DIRECTOR'S REPORT

The Directors submit their report together with the audited financial statements of Centum Investment Company Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2019.

Business review

The structure of the Group's consolidated financial statements has significantly changed over the last few years, reflecting the evolution in the mix of the businesses that the Group has invested in.

In evaluating performance, management segments the business into four portfolio classifications:

a) Real estate;

b) Private equity portfolio - representing our trading subsidiaries or investments that have progressed from development to a cash generating stage. Investments under this segment include the beverage, publishing, financial services and utility companies;

c) Development portfolio - representing investments outside of real estate, that are still under development; and

d) Marketable securities and cash.

Operating cash flow at the Group are primarily from dividends, interest income and proceeds from exits in the growth and marketable securities portfolio.

Perfomance

The Group reported a profit after tax of Ksh 4.1 billion representing a 48% growth driven by higher realised gains, improved performance of our publishing business and higher property valuations.

Total trading revenue grew by 7% to Ksh 10.9 billion driven by publishing businesses while beverage business revenues remained resilient against chilly weather conditions, distribution interuptions and a challenging economic environment.

Financial services income increased by 23% to 3.5 billion as non funded income from banking business continued on its growth streak in the year. Growth in interest income remained subdued as interest capping regulation remained in force.

Outlook

The Group's five-year strategic plan dubbed Centum 4.0 sets out strategic pillars which will institutionalize Centum through focusing on delivering consistent and sustainable returns to both our investors and shareholders. These pillars are centred on return and dividend payout, capital structure and liquidity, operating costs, portfolio focus and organisational effectiveness.

Results

For the year ended 31 March:	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Profit before tax	4,438,846	3,146,650	826,749	1,029,740
Income tax expense	(318,600)	(490,352)	(83,883)	11,513
Net profit from continuing operations	4,120,246	2,656,298	742,866	1,041,253
Profit from discontinued operation net of tax	-	135,600	-	-
Profit for the year	4,120,246	2,791,898	742,866	1,041,253

The results for the year are set out fully on pages 125 to 252 in the financial statements.

Dividend

The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2019 (2018: KES 1.20 per share).

Directors

The directors who served during the year and to the date of this report are:

1. Dr. D Kaberuka - Chairman
2. Dr. J M Mworia - Managing Director
3. Dr. C Kirubi
4. Dr. L Macharia
5. Hon. W Byaruhanga
6. Mrs. C Igathe
7. Mrs. M Ngige
8. Industrial Commercial and Development Corporation
9. Mrs. S Githuku
10. Dr. M Ikiara

Disclosures to auditors

The directors confirm that with respect to each director at the time of approval of this report:

a) there was, as far as each director is aware, no relevant audit information of which the Company's and Group's auditor is unaware; and

b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's and Group's auditor is aware of all that information.

Term of appointment of auditors

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

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Mwangi J. Mbogo

Secretary

Nairobi

11 June 2019

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Board of Directors reviews and recommends the remuneration structure of Directors annually, subject to approval of the Shareholders at the Company's annual general meetings. The Company gathers relevant remuneration data and explores market conditions that are used to determine the Directors' remuneration.

Executive Directors

The remuneration of Executive Directors is determined based on remuneration benchmarks in the industry, prevailing market conditions as well as the Company's performance and profitability. The Executive Directors' remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee of the Board. Executive Directors are eligible to participate in the Company's bonus scheme which is dependent on the Company's performance and profitability. The basis for determination of staff bonus is set out under Note 2.3.2 to the financial statements. The Executive Directors do not earn fees or sitting allowances.

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years which is dependent on regulatory approval and ratification by shareholders. Non-Executive Directors retire by rotation and eligibility for re-election is subject to performance. Independent non-executive directors can only serve for a maximum term of nine years.

The Company undertakes a Board evaluation on an annual basis to review its performance and that of the individual directors and the various Board committees.

The Group has a policy in place that guides the remuneration of Non-Executive Directors. There is no direct link between Non-Executive Directors' remuneration and the annual results of the Company.

The remuneration comprises of a quarterly allowance, sitting allowances for board and committee meetings and a travel allowance.

Professional Indemnity Cover

In line with best market practice, the Company provides Directors' and Officers' Liability Insurance to Executive and Non-Executive Directors in undertaking their duties in such capacity.

Share options

The Company has no share options issued to the Executive and Non-Executive Directors.

Information subject to audit

The following table shows a single figure remuneration for the Executive Director, Chairman and Non-Executive directors in respect of qualifying services for the year ended 31 March 2019 together with the comparative figures for 2018. The aggregate Directors' emoluments are shown on note 12.1 (iv) to the financial statements.

For the year ended 31 March, 2019	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Bonuses Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	2,744	-	2,744
Dr. Christopher Kirubi	-	-	2,508	-	2,508
Industrial and Commercial Development Corporation	-	-	763	-	763
Mr. Kennedy Wanderi	-	-	466	-	466
Hon. William Byaruhanga	-	-	1,908	-	1,908
Dr. Laila Macharia	-	-	2,868	-	2,868
Mrs. Mary Ngige	-	-	2,668	-	2,668
Mrs. Catherine Igathe	-	-	2,868	-	2,868
Dr. Moses Ikiara	-	-	2,628	-	2,628
Mrs. Susan Wakhungu-Githuku	-	-	2,568	-	2,568
Mr. William Haggai			1,339	-	1,339
Dr. James Mworia	42,123	3,161	-	-	45,284
	42,123	3,161	23,328	-	68,612

For the year ended 31 March, 2018	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Bonuses Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	2,591	-	2,591
Dr. Christopher Kirubi	-	-	2,490	-	2,490
Industrial and Commercial Development Corporation	-	-	763	-	763
Mr. Kennedy Wanderi	-	-	2,087	-	2,087
Mr. Henry Njoroge	-	-	1,302	-	1,302
Hon. William Byaruhanga	-	-	2,082	-	2,082
Mr. Imtiaz Khan	-	-	1,410	-	1,410
Dr. Laila Macharia	-	-	2,730	-	2,730
Dr. James Mcfie	-	-	1,350	-	1,350
Mrs. Mary Ngige	-	-	2,664	-	2,664
Mrs. Catherine Igathe	-	-	2,730	-	2,730
Dr. Moses Ikiara	-	-	537	-	537
Mrs. Susan Wakhungu-Githuku	-	-	1,254	-	1,254
Dr. James Mworia	42,362	3,177	-	132,019	177,558
	42,362	3,177	23,990	132,019	201,548

On behalf of the Board

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Dr. Laila Macharia

Chairperson, Nomination and Governance Committee

11 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company at the end of the financial year and of their financial performance for the year then ended. The directors are responsible for ensuring that the Company and Group keep proper accounting records that are sufficient to show and explain the transactions of the Company and Group; disclose with reasonable accuracy at any time the financial position of the Group and of the Company; and that enables them to prepare financial statements of the Group and of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Centum Investment Company Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 125 to 252, which comprise the consolidated statement of financial position at 31 March 2019 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 March 2019 and the Company statement of profit or loss, Company statement of comprehensive income, Company statement of changes in equity and Company statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of Centum Investment Company Plc give a true and fair view of the financial position of the Group and the Company at 31 March 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Fair value measurement of unquoted investments The Group holds unquoted investments, comprising investments in unlisted entities, measured at fair value. As explained under Note 1.5.1 of the financial statements, the Group uses a variety of approaches in estimating the fair value of these investments. The methods used in determining the fair value of the unquoted investments involves significant estimates and assumptions of unobservable inputs such as comparable market multiples, marketability discounts and control premiums. Changes in these assumptions could result in material adjustments to the carrying amounts of the investments and the recorded gains/losses at the end of year.	We assessed management's processes and controls for determination of the fair values of investments, including the oversight from those charged with governance. We assessed the appropriateness and consistency of the valuation method used and the underlying assumptions such as the selected comparable entities, liquidity discounts, and any other adjustments. We tested the accuracy of the computations. We evaluated the adequacy and consistency of disclosures in the financial statements.
Valuation of investment properties The Group holds significant investment properties measured at fair value. The Group's accounting policy is to measure investment properties at fair value using either the market approach or the income approach depending on the type of property. As explained in Note 1.5.2 of the financial statements, the Group uses external independent property valuers to determine the fair values of investment properties at the year end. The external valuers make significant estimates and assumptions of unobservable inputs in the valuation models such as comparable market prices based on location and zoned use of the property, projected future cash flows, future rent escalations, exit values and the discounting rates. The fair values of the investment properties are highly sensitive to the changes in the underlying estimates and assumptions.	We assessed management's processes and controls over the valuation of investment properties, including the oversight from those charged with governance. We evaluated the objectivity, independence and expertise of the external independent valuation specialists. We assessed the appropriateness of the valuation methodology used and the reasonableness of the applicable assumptions depending on the type of property. Where possible, we tested the calculations of the valuations. We agreed the carrying amounts and the related valuation gains/ losses of the investment properties in the financial statements to the independent valuers reports. We assessed the adequacy of the disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Credit risk and provision for expected credit losses (ECL) on loans and advances Loans and advances is a significant balance in the Group's statement of financial position. The Group implemented IFRS 9 Financial Instruments, on 1 April 2018 which requires recognition of expected credit losses on the Group's loans and advances and off-balance financial assets. Previously, under IAS 39, impairment losses on financial assets were recognised on an incurred loss basis. As explained in Notes 1.5.3 and 7.1 of the financial statements, the determination of expected credit losses involves significant judgment, assumptions and estimates made by management, and the use of complex models. Our audit procedures focused on the following areas in the calculation of the expected credit losses whose outcomes have a significant impact on the financial performance and position of the Group: • the loan classification at the reporting date, including identification of financial assets that have experienced significant increase in credit risk (SICR) or default; • the determination of key inputs in calculating the expected credit losses such as the Probabilities of Default (PDs), the Loss Given Default (LGDs), Exposures at Default (EADs), and the forward looking information. These inputs are based on the analysis of the historical credit patterns of the Group's portfolio of loans and advances, and, in some instances, use of external proxy data; and • the conceptual logic and accuracy of the expected credit losses calculation models used by the Group.	We evaluated the Group's IFRS 9 implementation process, including the governance processes. We obtained an understanding of Group's controls over origination, loan monitoring and identification of loans or counterparties that may have experienced a significant increase in credit risk. We reviewed and assessed management's accounting policies over key IFRS 9 concepts especially significant increase in credit risk, default definition, forecasting of forward looking macro-economic factors, and weighting of expected loss scenarios. We selected a sample of loans and advances accounts and tested their classification in accordance with the IFRS 9 requirements; We tested the completeness and accuracy of historical data used in deriving the key model assumptions. We reviewed the conceptual logic of the modelsand tested the accuracy of the expected credit losses calculation models used by the Group We evaluated the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the matter
Carrying value of goodwill arising from acquisitions As disclosed in note 8.2 of the financial statements, the Group has significant goodwill arising from acquisitions of subsidiaries. The goodwill is tested annually for impairment by comparing the carrying amount of the individual cash generating unit (CGU) to its recoverable amount. The determination of recoverable amounts, being the higher of value in use and fair value less costs to dispose, requires an estimation of the fair values of the cash generating units (CGUs) or underlying investee entities. The methods, estimates and assumptions used in the determination of the fair values of the CGUs or investee entities are disclosed in note 1.5.1 of the financial statements.	We evaluated the assumptions used by management to determine the fair value of the cash generating units or investee entities as explained in Note 1.5.1 of the financial statements. We performed a sensitivity analysis of the key assumptions used in determining the recoverable amounts to assess the reasonableness of management's conclusions. We assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Other information

The other information comprises the Directors' report, Directors' Remuneration report and Statement of Directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CENTUM INVESTMENT COMPANY PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's and Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the directors' report on pages 114 and 115 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 116 to 117 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers.

Certified Public Accountants **11 June 2019**

Nairobi

FCPA Michael Mugasa, Practising certificate No. 1478

Signing partner responsible for the independent audit

FINANCIAL STATEMENTS

Consolidated statement of profit or loss

		2019	2018
Continuing operations	**Notes**	**Ksh'000**	**Ksh'000**
Trading business:			
Sales	2.2	10,864,087	10,171,132
Cost of sales	2.3.1(a)	(6,861,496)	(6,586,459)
Gross profit		4,002,591	3,584,673
Operating and administrative expenses	2.3.1(b)	(2,885,221)	(2,515,764)
Trading profit		**1,117,370**	**1,068,909**
Financial services:			
Income from provision of financial services	2.2	3,502,548	2,844,698
Interest expenses	2.4	(962,351)	(812,481)
Net impairment of loans and advances	7.1	(736,469)	(449,171)
Operating and administrative expenses	2.3.1(b)	(2,264,965)	(2,123,637)
Operating loss from financial services		**(461,237)**	**(540,591)**
Investment operations:			
Investment income	2.2	9,549,277	5,569,458
Project and development management fees	2.2	303,329	143,382
Operating and administrative expenses	2.3.1(b)	(2,128,453)	(2,028,205)
Finance costs	2.4	(2,517,605)	(1,761,201)
Share of profits of associates after tax	6.2.1	279,000	236,978
Share of (losses)/profits of joint ventures after tax	6.2.2	(1,702,835)	457,920
Profit before tax		**4,438,846**	**3,146,650**
Income tax expense	3.1	(318,600)	(490,352)
Profit from continuing operations		**4,120,246**	**2,656,298**
Profit from discontinued operations, net of tax		-	135,600
Profit for the year		**4,120,246**	**2,791,898**
Attributable to:			
Owners of the parent		4,446,508	2,633,918
Non controlling interests		(326,262)	157,980
		4,120,246	**2,791,898**
Earnings per share (Basic and diluted)	2.6	6.68	3.96

Consolidated statement of comprehensive income

	Notes	2019 Ksh'000	2018 Ksh'000
Profit for the year		**4,120,246**	**2,791,898**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Revaluation deficit on land and buildings	8.1	-	(404,353)
Fair value loss on unquoted investments	5.2	(402,718)	-
Fair value (loss) on quoted investments	5.3	(530,540)	-
Deferred tax on revaluation gains	3.2	73,967	-
Reserves released on disposal of investments	2.7	(187,121)	-
Items that may be subsequently reclassified to profit or loss			
Fair value loss on unquoted investments		-	(465,782)
Fair value gain/(loss) on quoted investments		-	584,324
Deferred tax on revaluation (loss)/gains		-	(9,332)
Reserves released on disposal of investments		-	(34,124)
Currency translation differences		(161,002)	(84,675)
Total other comprehensive loss		(1,207,414)	(413,942)
Total comprehensive income for the year		**2,912,832**	**2,377,956**
Attributable to:			
Owners of the parent		3,239,094	2,219,976
Non-controlling interest		(326,262)	157,980
		2,912,832	**2,377,956**
Total comprehensive income for the year attributable to owners of Centum Investment Company Plc arises from:			
Continuing operations		3,239,094	2,120,513
Discontinued operations		-	99,463
		3,239,094	**2,219,976**

Company statement of profit or loss and other comprehensive income

	Notes	2019 Ksh'000	2018 Ksh'000
Investment income	2.2	3,167,358	3,528,853
Expenses			
Operating and administrative expenses	2.3.1(b)	(630,932)	(852,713)
Finance costs	2.4	(1,709,677)	(1,646,400)
		(2,340,609)	(2,499,113)
Profit before tax		**826,749**	**1,029,740**
Income tax (expense)/credit		(83,883)	11,513
Profit for the year		**742,866**	**1,041,253**
Other comprehensive income for the year			
Items that will not be subsequently reclassified to profit or loss			
Reserves released on disposal of investments	6.1	(1,262,453)	(7,399)
Fair value gain on subsidiaries	6.1	4,135,364	3,767,153
Fair value gain/(loss) on associates	6.2.1	1,834,168	689,661
Fair value loss on unquoted investments	5.2	(422,579)	(466,180)
Fair value gain/(loss) on quoted investments	5.3	(45,556)	17,651
Deferred tax on fair value gains and losses	3.2	(269,192)	(365,156)
Total other comprehensive income		**3,969,752**	**3,635,730**
Total comprehensive income		**4,712,618**	**4,676,983**

Consolidated statement of financial position

	Notes	2019 Ksh'000	2018 Ksh'000
Assets			
Property plant and equipment	8.1	11,067,734	9,665,461
Investment properties	5.1	40,033,745	32,718,667
Intangible assets - goodwill	8.2	1,768,281	2,561,522
Intangible assets - software	8.2	726,765	685,257
Deferred income tax assets	3.2	757,499	460,088
Prepaid operating lease rentals	8.4	57,683	44,481
Investments:			
- Associates	6.2.1	2,920,670	2,745,989
- Joint ventures	6.2.2	7,065,230	9,797,800
- Unquoted equity investments	5.2	4,146,239	4,362,975
- Quoted investments	5.3	1,561,164	1,738,828
- Government securities and corporate bonds	7.2	3,469,523	4,056,427
Loans and advances	7.1	13,188,526	11,772,121
Finance lease receivable	8.3	46,817	4,974
Inventories	4.1	2,146,907	1,692,476
Current income tax	3.1	492,034	459,008
Receivables and prepayments	4.2	6,921,565	5,877,286
Cash and bank balances	4.3	5,393,271	5,819,819
		101,763,653	**94,463,179**
Assets classified as held for sale	8.5	-	1,824,905
Total assets		**101,763,653**	**96,288,084**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	1,182,443	2,389,857
Retained earnings		38,184,443	35,157,517
Total equity attributable to equity holders of the company		**40,289,360**	**38,469,848**
Non-controlling interest	6.1	11,286,455	12,427,316
Total equity		**51,575,815**	**50,897,164**
Liabilities			
Borrowings (excluding banking subsidiary)	9.1	24,403,263	21,254,255
Banking subsidiary:			
- Customer deposits	7.3	14,816,684	12,832,395
- Borrowings	9.1	2,467,698	3,209,313
Payables and accrued expenses	4.4	5,300,863	4,999,633
Dividends payable	11.3	211,675	154,139
Deferred income	4.5	75,855	90,239
Current income tax liabilities	3.1	24,117	25,516
Deferred income tax liabilities	3.2	2,887,683	2,622,372
Liabilities classified as held for sale	8.5	-	203,058
Total liabilities		**50,187,838**	**45,390,920**
Total equity and liabilities		**101,763,653**	**96,288,084**

The financial statements on pages 125 to 252 were approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Dr. James M. Mworia

Mrs. Mary Ngige

Company statement of financial position

Assets	Notes	2019 Ksh'000	2018 Ksh'000
Property and equipment	8.1	127,719	133,106
Intangible assets	8.2	-	205
		127,719	**133,311**
Investment portfolio carried at fair value:			
- Investment in subsidiaries	6.1	42,156,542	37,089,731
- Debt investment in subsidiaries	12.1	15,696,348	13,385,790
- Investment in associates	6.2.1	6,915,641	5,081,473
- Investment in joint ventures	6.2.2	2,097,549	2,099,631
- Unquoted investments	5.2	3,619,410	3,886,780
- Quoted investments	5.3	52,578	98,134
Total portfolio		**70,538,068**	**61,641,539**
Receivables and prepayments	4.2	725,504	910,510
Cash and bank balances	4.3	252,752	1,077,666
		71,516,324	**63,629,715**
Assets classified as held for sale	6.1	-	2,324,230
Total assets		**71,644,043**	**66,087,256**
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	37,798,090	33,828,338
Retained earnings		13,879,605	13,935,269
Total equity		**52,600,169**	**48,686,081**
Liabilities			
Borrowings	9.1	16,144,795	14,842,631
Payables and accrued expenses	4.4	535,452	530,684
Dividends payable	11.3	211,675	154,139
Current income tax	3.1	21,549	23,752
Deferred income tax	3.2	2,130,403	1,849,969
Total liabilities		**19,043,874**	**17,401,175**
Total equity and liabilities		**71,644,043**	**66,087,256**

The financial statements on pages 125 to 252 were approved by the Board of Directors on 11 June 2019 and signed on its behalf by:

Dr. James M. Mworia | **Mrs. Mary Ngige**

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Owners equity	Non-controlling interest	Total equity
Year ended 31 March 2019		**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year		332,721	589,753	2,389,857	35,157,517	38,469,848	12,427,316	50,897,164
Changes on initial application of IFRS 9		-	-	-	(130,995)	(130,995)	-	(130,995)
		332,721	589,753	2,389,857	35,026,523	38,338,853	12,427,316	50,766,170
Comprehensive income								
Profit for the year		-	-	-	4,446,508	4,446,508	(326,262)	4,120,246
Other comprehensive income:								
Reserves released on disposal of investments	2.7	-	-	(187,121)	-	(187,121)	-	(187,121)
Fair value loss in unquoted investments	5.2	-	-	(402,718)	-	(402,718)	-	(402,718)
Fair value gain in quoted investments	5.3	-	-	(530,540)	-	(530,540)	-	(530,540)
Currency translation differences		-	-	(161,002)	-	(161,002)	-	(161,002)
Deferred tax on revaluation gains	3.2	-	-	73,967	-	73,967	-	73,967
Total other comprehensive income		-	-	(1,207,414)	-	(1,207,414)	-	(1,207,414)
Total comprehensive income		-	-	(1,207,414)	4,446,508	3,239,094	(326,262)	2,912,832
Transactions with owners in their capacity as owners:								
First and final 2018 dividends paid	11.3	-	-	-	(798,530)	(798,530)	-	(798,530)
Dividends paid to non-controlling interests		-	-	-	-	-	(244,916)	(244,916)
Transactions with non controlling interest		-	-	-	(490,058)	(490,058)	(569,683)	(1,059,741)
At end of year		332,721	589,753	1,182,443	38,184,443	40,289,360	11,286,455	51,575,815

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity	Non-controlling interest	Total equity
Year ended 31 March 2018		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year		332,721	589,753	2,803,798	33,570,323	37,296,595	12,177,609	49,474,204
Comprehensive income								
Profit for the year		-	-	-	2,633,917	2,633,917	157,980	2,791,897
Other comprehensive income:								
Reserves released on disposal of investments	2.7	-	-	(34,124)	-	(34,124)	-	(34,124)
Fair value loss in unquoted investments	6.1	-	-	(465,781)	-	(465,781)	-	(465,781)
Fair value gain in quoted investments	6.2.1	-	-	584,324	-	584,324	-	584,324
Revaluation deficit on property	5.2	-	-	(404,353)	-	(404,353)	-	(404,353)
Currency translation differences	5.3	-	-	(84,675)	-	(84,675)	-	(84,675)
Deferred tax on revaluation gains	3.2	-	-	(9,332)	-	(9,332)	-	(9,332)
Total other comprehensive income		-	-	(413,941)	-	(413,941)	-	(413,941)
Total comprehensive income		-	-	(413,941)	2,633,917	2,219,976	157,980	2,377,956
Transactions with owners in their capacity as owners:								
First and final 2017 dividends paid		-	-	-	(798,530)	(798,530)	-	(798,530)
Dividends paid to non-controlling interests		-	-	-	-	-	(282,676)	(282,676)
Transactions with non controlling interest		-	-	-	(248,193)	(248,193)	374,403	126,210
At end of year		332,721	589,753	2,389,857	35,157,517	38,469,848	12,427,316	50,897,164

Company statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 March 2019		**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Kshs'000**
At start of year		332,721	589,753	33,828,338	13,935,269	48,686,081
Comprehensive income						
Profit for the year		-	-	-	742,866	742,866
Other comprehensive income:						
Reserves released on disposal of investments	2.7	-	-	(1,262,453)	-	(1,262,453)
Fair value gain in subsidiaries	6.1	-	-	4,135,364	-	4,135,364
Fair value loss in associates	6.2.1	-	-	1,834,168	-	1,834,168
Fair value loss in unquoted investments	5.2	-	-	(422,579)	-	(422,579)
Fair value loss in quoted investments	5.3	-	-	(45,556)	-	(45,556)
Deferred tax on revaluation gains	3.2	-	-	(269,192)	-	(269,192)
Total other comprehensive income		-	-	3,969,752	-	3,969,752
Total comprehensive income		-	-	3,969,752	742,866	4,712,618
Transactions with owners in their capacity as owners:						
First and final 2018 dividends paid	11.3	-		-	(798,530)	(798,530)
At end of year		332,721	589,753	37,798,090	13,879,605	52,600,169

Company statement of changes in equity

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 March 2018		**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
At start of year		332,721	589,753	30,192,608	13,692,546	44,807,628
Comprehensive income						
Profit for the year		-	-	-	1,041,253	1,041,253
Other comprehensive income:						
Reserves released on disposal of investments	2.7	-	-	(7,399)	-	(7,399)
Fair value gain in subsidiaries		-	-	3,767,153	-	3,767,153
Fair value loss in associates	6.2.1	-	-	689,661	-	689,661
Fair value loss in unquoted investments	5.2	-	-	(466,180)	-	(466,180)
Fair value loss in quoted investments	5.3	-	-	17,651	-	17,651
Deferred tax on revaluation gains	3.2		-	(365,156)	-	(365,156)
Total other comprehensive income		-	-	3,635,730	-	3,635,730
Total comprehensive income		-	-	3,635,730	1,041,253	4,676,983
Transactions with owners:						
First and final 2017 dividends paid		-		-	(798,530)	(798,530)
At end of year		332,721	589,753	33,828,338	13,935,269	48,686,081

Consolidated statement of cash flows

		2019	2018
Cash flows from operating activities	**Notes**	**Ksh'000**	**Ksh'000**
Cash generated from operations	2.5	3,928,472	3,481,143
Income tax paid	3.1	(288,046)	(780,613)
Net cash generated from/(utilised in) operating activities		**3,640,426**	**2,700,530**
Cash flows from investing activities			
Purchase of investment property	5.1	(86,781)	(361,238)
Purchase of property, plant and equipment	8.1	(3,231,802)	(1,752,058)
Purchase of intangible assets	8.2	(180,457)	(410,263)
Purchase of shares in associates	6.2.1	(115,673)	(81,149)
Purchase of unquoted equity investments	5.2	(185,982)	(263,727)
Purchase of quoted equity investments	5.3	(644,082)	(386,106)
Purchase of corporate bonds at amortised cost	7.2.3	(162,295)	-
Purchase of commercial papers at amortised cost		(30,000)	(340,943)
Purchase of government securities at fair value through profit or loss	7.2.1	(343,541)	(398,739)
Purchase of government securities at amortised cost	7.2.2	(979,791)	(1,886,843)
Proceeds from disposal of unquoted investments	2.7	2,324,230	-
Proceeds from disposal of quoted investments	2.7	320,854	669,801
Proceeds on disposal of government securities at fair value through profit or loss	7.2.1	12,780	50,922
Proceeds on disposal of government securities at amortised cost	7.2.2	1,626,329	1,202,244
Dividends received from associates	6.2.1	216,844	150,544
Proceeds from disposal of associate	2.7	-	1,909,584
Proceeds from disposal of corporate bonds at amortised cost	7.2.3	-	406,415
Net cash used in investing activities		**(2,397,252)**	**(1,491,556)**
Cash flows from financing activities			
Proceeds from borrowings		7,277,245	10,027,559
Repayments of borrowings		(3,581,712)	(8,523,503)
Interest paid on borrowings		(2,989,116)	(2,568,094)
Unclaimed dividends paid	11.3	(17,385)	(16,383)
Dividends paid		(721,779)	(710,733)
Net cash generated from financing activities		**(32,747)**	**(1,791,154)**
Net increase/ (descrease) in cash and cash equivalents		**1,210,427**	**(582,180)**
Movement in cash and cash equivalents			
At start of year		4,074,446	4,656,626
Increase/(decrease)		1,210,427	(582,180)
At end of year	**4.3**	**5,284,873**	**4,074,446**

Company statement of cash flows

		2019	2018
Cash flows from operating activities	**Notes**	**Ksh'000**	**Ksh'000**
Cash generated from operations	2.5	1,486,204	4,794,121
Proceeds from disposal of subsidiary		2,324,230	-
Income tax paid	3.1	(74,846)	(57,009)
Net cash generated from/(utilised in) operating activities		**3,735,588**	**4,737,112**
Cash flows from investing activities			
Purchase of property and equipment	8.1	(14,784)	(116,060)
Investment in subsidiaries	6.1	(931,448)	(335,915)
Net debt investment in subsidiaries		(1,743,017)	(3,226,955)
Purchase of shares in unquoted investments	5.2	(155,209)	(217,261)
Proceeds from disposal of investments in commercial papers		621,507	19,565
Net cash used in investing activities		**(2,222,951)**	**(3,876,626)**
Cash flows from financing activities			
Proceeds from borrowings		3,525,005	6,572,078
Repayments of borrowings		(1,944,015)	(7,438,920)
Interest paid on borrowings		(1,340,199)	(1,601,353)
Dividends paid		(721,779)	(710,733)
Unclaimed dividends paid	11.3	(17,385)	(16,383)
Net cash generated from financing activities		**(498,373)**	**(3,195,311)**
Net increase/(decrease) in cash and cash equivalents		**1,014,264**	**(2,334,825)**
Movement in cash and cash equivalents			
At start of year		(869,910)	1,464,915
Increase/(decrease)		1,014,264	(2,334,825)
At end of year	**4.3**	**144,354**	**(869,910)**

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting framework and critical judgements

1.1 General information

Centum Investment Company Plc is incorporated and domiciled in Kenya. Its shares are listed on the Nairobi Securities Exchange and on the Uganda Securities Exchange. The address of its registered office is:

Two Rivers Office Towers

8th Floor, South Tower, Limuru Road

P O Box 10518 – 00100, Nairobi

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

1.2 Basis for preparation

(i) Compliance with IFRS

The consolidated financial statements of Centum Investment Company Plc (the "Company"), its subsidiaries and its interests in associates and joint ventures (together, the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Centum Group has operations across various industries. In order to achieve a more informative presentation of the financial statements, the expenses in the consolidated statement of profit or loss have been presented using a mix of both nature and function classification. As required by IFRS, a detailed breakdown of the expenses has been presented in the notes to the financial statements. The directors are satisfied that mixing the presentation provides more relevant information and does not have an effect of misstating any balance or giving any undue bias.

The consolidated statement of profit and loss has been presented based on the nature of the various businesses that the Group engages in. A list of the subsidiaries and the nature of their operations has been presented under note 6.1

(ii) New and ammended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 April 2018:

IFRS 15: Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

1.2 Basis for preparation (continued)

IFRS 15: Revenue from Contracts with Customers (continued)

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied

The application of the standard, retrospectively has not had a material impact on the financial position or financial performance of the Group and a prior period adjustment has therefore not been required.

IFRS 9: Financial Instruments

This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition, summarised as follows:

- IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics
- For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.
- For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures
- The derecognition provisions are carried over almost unchanged from IAS 39.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and ammended standards adopted by the Group (continued)

IFRS 15: Revenue from Contracts with Customers (continued)

Impact on change in accounting policies

IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 March 2018, but are recognised in the opening balance sheet on 1 April 2018.

The following tables show the adjustments recognised for each individual line item.

Group Balance sheet (extract)	31 Mar 2018 As originally presented	Impact of IFRS 9	2018
Assets	**Ksh'000**	**Ksh'000**	**Ksh'000**
Prepaid operating lease rentals	44,481	-	44,481
Investments in associates	2,745,989	-	2,745,989
Investments in joint ventures	9,797,800	-	9,797,800
Investment in unquoted equity investments	4,362,975	-	4,362,975
Investments in quoted investments	1,738,828	-	1,738,828
Investments in government securities	4,056,427	-	4,056,427
Loans and advances	11,772,121	(177,258)	11,594,863
Finance lease receivable	4,974	-	4,974
Receivables and prepayments	5,877,286	-	5,877,286
Cash and bank balances	5,819,819	(9,877)	5,809,942
Assets classified as held for sale	1,824,905	-	1,824,905
Total assets	**48,045,605**	**(187,135)**	**47,858,470**
Liabilities			
Banking subsidiary: customer deposits	12,832,395	-	12,832,395
Banking subsidiary: borrowings	3,209,313	-	3,209,313
Trade and other payables	4,999,634	-	4,999,634
Dividends payable	154,139	-	154,139
Deferred income	90,239	-	90,239
Liabilities classified as held for sale	203,057	-	203,057
Total liabilities	**21,488,777**	**-**	**21,488,777**

Reconciliation of impairment allowance balances from IAS 39 to IFRS 9

The following table reconciles the prior year's closing impairment allowances measured in accordance with IAS 39 incurred loss model and to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at 1 April 2019

Group and Company

Measurement category	Credit loss allowance under IAS 39	Remeasurement	Credit loss allowance under IFRS 9
	Ksh'000	**Ksh'000**	**Ksh'000**
Loans and advances	890,197	177,258	1,067,455
Cash and bank balances	19,754	9,877	9,877
Total liabilities	**909,951**	**187,135**	**1,077,332**

1.2 Basis for preparation (continued)

Impact on change in accounting policies (continued)
Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

The impact of these changes on the Group's equity is as follows:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original Shs '000	New Shs '000	Difference Shs '000
Group					
Financial assets					
Investment in associates	Available for sale	Fair value through other comprehensive income	2,745,989	2,745,989	-
Investment in joint ventures	Available for sale	Fair value through other comprehensive income	9,797,800	9,797,800	-
Investment in unquoted equity investments	Available for sale	Fair value through other comprehensive income	4,362,975	4,362,975	-
Quoted investments	Available for sale	Fair value through other comprehensive income	1,738,828	1,738,828	-
Government securities and corporate bonds	Amortised cost	Amortised cost	3,654,872	3,654,872	-
Government securities and corporate bonds	Available for sale	Fair value through other comprehensive income	401,555	401,555	-
Loans and advances	Amortised cost	Amortised cost	11,772,121	11,594,863	177,258
Receivables and prepayments	Amortised cost	Amortised cost	5,877,286	5,877,286	-
Cash and bank balances	Amortised cost	Amortised cost	5,819,819	5,809,942	9,877
Assets classified as held for sale	Available for sale	Fair value through other comprehensive income	1,824,905	1,824,905	-
			47,996,150	47,809,015	187,135
Financial liabilities					
Customer deposits	Amortised cost	Amortised cost	12,832,395	12,832,395	-
Borrowings	Amortised cost	Amortised cost	3,209,313	3,209,313	-
Trade and other payables	Amortised cost	Amortised cost	4,999,633	4,999,633	-
Dividends payable	Amortised cost	Amortised cost	154,139	154,139	-
Deferred income	Amortised cost	Amortised cost	90,239	90,239	-
			21,285,719	21,285,719	-
Company					
Financial assets					
Investment in subsidiaries	Available for sale	Fair value through other comprehensive income	37,089,731	37,089,731	-
Debt investment in subsidiaries	Amortised cost	Amortised cost	13,385,790	13,385,790	-
Investment in associates	Available for sale	Fair value through other comprehensive income	5,081,473	5,081,473	-
Investment in joint ventures	Available for sale	Fair value through other comprehensive income	2,099,631	2,099,631	-
Unquoted investments	Available for sale	Fair value through other comprehensive income	3,886,780	3,886,780	-
Quoted investments	Available for sale	Fair value through other comprehensive income	98,134	98,134	-
Receivables and prepayments	Amortised cost	Amortised cost	910,510	910,510	
Cash and cash equivalents	Amortised cost	Amortised cost	1,077,666	1,077,666	
Assets classified as held for sale	Available for sale	Fair value through other comprehensive income	2,324,230	2,324,230	-
			65,953,945	65,953,945	-
Financial liabilities					
Borrowings	Amortised cost	Amortised cost	14,842,631	14,842,631	-
Trade and other payables	Amortised cost	Amortised cost	530,684	530,684	-
Dividends payable	Amortised cost	Amortised cost	154,139	154,139	-
			15,527,454	15,527,454	-

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

(ii) New and ammended standards adopted by the Group (continued)

Annual improvements 2014-2016 cycle

The following improvements were finalised in December 2016:

Amendment to IFRS 1 - The amendment, applicable to annual periods beginning on or after 1st January 2018, deletes certain short-term exemptions and removes certain reliefs for first- time adopters.

Amendment to IAS 28 - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition

Amendments to IAS 40: Transfers of Investment Property - The amendments, applicable to annual periods beginning on or after 1st January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

IFRIC 22: Foreign Currency Transactions and Advance Consideration.

The Interpretation, applicable to annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non- monetary asset or liability.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published tat are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the Group and Company. The Group and Company's assessment of the impact of these new standards and interpretations is as set out below

IFRS 16: Leases

Nature of the change

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

Impact on the Group and Company

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

Application of IFRS 16 in FY 2020 will require right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Group and Company is the lessee.

Based on the Directors' preliminary assessment right of use assets, right of use liabilities and deferred tax assets that will be recognised in 1 April 2019 will not have a material impact on the Group

Date of adoption of the Group and Company

The standard must be applied for financial years commencing on or after 1 January 2019.

The Group and Company intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

iii New standards and interpretations not yet adopted

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

IFRIC 23: Uncertainty over Income Tax Treatments

The Interpretation, applicable to annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendmentts to IAS 28 and IFRS 10: Sale or contribution of assets between an investor and its associate or joint venture

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

Annual improvements 2015-2017 cycle

Amendments to IFRS 3 - The amendments, applicable to annual periods beginning on or after 1 January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

1 Accounting framework and critical judgements (continued)

1.2 Basis for preparation (continued)

iii New standards and interpretations not yet adopted (continued)

Annual improvements 2015-2017 cycle (continued)

Amendments to IAS 23 - The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 12 - The amendments, applicable to annual periods beginning on or after 1 January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

The directors have made an assessment of the standards and determined them not to have a material effect on the current year results and performance. The standards will be adopted in accordance with their respctive adoption dates as determined by the IASB

iv Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities 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. When measuring the fair value of an asset or a liability, the Group and Company use market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- 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 prices) or indirectly (i.e. derived from prices).

- 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).

Transfers between levels of the fair value hierarchy are recognised by the at the end of the reporting period during which the change occurred.

1 Accounting framework and critical judgements (continued)

1.3 Going concern

The Group and the Company forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and the Company should be able to operate within their current funding levels into the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.4 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the related notes to the Group financial statements.

The principal accounting policies applied are consistent with those adopted in the prior year, unless otherwise stated.

1.4.1 Principles of consolidation and equity accounting

i. *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Centum Investment Company Plc.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

iii Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

vi Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

vii Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

viii Changes in ownership interests with change of control

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

ix Business combinations

The Group accounts for business combinations using the acquisition method when control is obtained by the Group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any noncontrolling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase gain.

An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32 Financial Instruments: Presentation. The Group classifies any rights to the return of consideration previously transferred as a financial asset. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with the corresponding gain or loss recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amount recognised at that date, are considered to be measurement period adjustments.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

ix Business combinations (continued)

The Group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information that they were seeking about the facts and circumstances that existed at the acquisition date or learns that information cannot be obtained. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.4.2 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kenyan Shillings (Ksh)', which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation. The Group has not qualifying cash fow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss

For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

Transactions and balances (continued)

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.4.3 Measurement principles

Key assets and liabilities shown in the statement of financial position are measured as follows:

Item included in the statement of financial position	**Measurement principle**	**Item included in the statement of financial position**	**Measurement principle**
Assets		*Liabilities*	
Property, plant and equipment	Historical cost less accumulated depreciation and impairment losses except for land and buildings that are carried at fair value.	Borrowings	Amortised cost

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.3 Measurement principles (continued)

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Assets			
Biological assets	Fair value less cost to sale	Quoted investments	Fair value through other comprehensive income
Investment properties	Fair value	Loans and advances	Amortised cost
Goodwill	Historical cost less impairment losses	Cash and cash equivalents	Amortised cost
Intangible assets	Historical cost less accumulated amortisation and impairment losses	Receivables and prepayments	Amortised cost
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised.	Government securities, corporate bonds and commercial papers	Fair value through profit and loss, and fair value through other comprehensive income
Investments in associates and joint ventures	Group: Cost adjusted for share of movements in net assets less impairment losses. Company: Fair value based on price of a recent transaction or earnings multiples of comparable	Current income tax recoverable	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Unquoted investments	Fair value based on price of a recent transaction or earnings multiples of comparable companies or cost.	Investment in subsidiaries	Company: Fair value based on recent transactions or price multiples, or net asset value
Liabilities			
Customer deposits	Amortised cost	Deferred income	Nominal value
Deferred income tax liabilities	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the liability is settled.	Current income tax liabilities	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Provisions	Present value of the best estimate of the settlement amount	Payables and accruals	Amortised cost
		Bank overdraft	Amortised cost

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments

(i.) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii.) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii.) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(iii.) Measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv.) Impairment

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(v.) Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

(vi.) Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

(vii.) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

(viii) Accounting policies applied until 31 March 2018

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 March 2018, the Group classified its financial assets in the following categories

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(viii) Accounting policies applied until 31 March 2018 (continued)

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-forsale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 1.5.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

1 Accounting framework and critical judgements (continued)

1.4 Significant accounting policies (continued)

1.4.4 Financial instruments (continued)

(viii) Accounting policies applied until 31 March 2018 (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

1.4.5 COMPARATIVES

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

1.5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions 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. The "Critical accounting judgements, estimates and assumptions" note should be read in conjunction with the "Significant accounting policies" disclosed in note 1.4.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments

Valuation of the Group's unquoted investments is an area of judgement, involving significant estimates and assumptions.

The Group's policy is to measure all unquoted investments at fair value on the Company statement of financial position. On the consolidated statement of financial position, only unquoted investments with a holding of less than 20% are measured at fair value as subsidiaries are consolidated and associates are accounted for under the equity accounting method. Unquoted investments on the Company statement of financial position are classified as fair value through other comprehensive income

Valuation of unquoted investments involves making use of significant unobservable inputs. The main inputs into the valuation models for these investments include:

a) EBITDA multiples - based on the most recent EBITDA achieved on rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable companies;

b) Price-to-Book multiples for the banking subsidiary, using the closing balance sheet of the subsidiary and average priceto-book multiples of comparable listed banks in Kenya adjusted for control premium since theb multiple has been determined using minority stakes;

c) Discounted cash flow methodology which reflects the specifics of the entity and its operating environment; and

d) Marketability discounts, based on guidance under International Private Equity and Venture Capital Valuation (IPEV) Guidelines. In principle, the Group applies an illiquidity discount between 1% and 30% set out under IPEV guidelines.

The Group also considers the original transaction prices, recent transactions in the same or similar instruments and completed third party transactions in comparable companies instruments in valuation of some of the unquoted investments.

Real Estate subsidiaries are valued on the basis of the Group's proportionate share of their Net Asset Values as the underlying properties are measured at fair value. A cost or net asset value approach is also used for some of the unquoted investments and early stage portfolio companies.

In evaluating the valuations, management reviews the performance of the portfolio investee companies on a monthly basis and is regularly in contact with the management of the portfolio companies in order to make assessments of business and operational matters which are considered in the valuation process. Where appropriate, management also tracks peer company multiples, recent transaction results and credit ratings for similar instruments and companies.

The valuations are prepared by management and are reviewed on a regular basis by the Board Finance and Investment Committee and the Board Audit Committee. The Board Committees consider the appropriateness of the valuation model itself, the significant and key inputs as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry.

In determining the continued appropriateness of the chosen valuation technique, management may perform back-testing to consider the various models' actual results and how they have historically aligned to actual market transactions. As a result of this process, management may recalibrate the valuation techniques appropriately.

Where EBITDA multiples are used, management determine comparable companies based on industry, size, development stage, revenue generation and strategy. The trading multiple for each comparable company identified is then calculated. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA).

The trading multiple is then adjusted for discounts with regards to such considerations as illiquidity and other differences, advantages and disadvantages between the portfolio company and the comparable public company based on company specific facts and circumstances.

The table below present those investments in portfolio companies whose fair values have been determined on the basis described above.

1.5 Accounting framework and critical judgements (continued)
1.5 .1 Valuation of unquoted investments (continued)

Description	Ownership	Fair value at 31 March 2019 Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,020,892	Comparable trading multiples	EBITDA multiple	7.15x	1%	15,917
				Marketability discount	30%	5%	(43,305)
				Discounted EBITDA multiple	5.01x		
				EBITDA (KES 'm)	ND*	10%	1 59,168
				Net debt (KES 'm)	ND*	NA	NA
NAS Airport Services Limited	15%	882,185	Comparable trading multiples	EBITDA multiple	5.89x	1%	8,550
				Marketability discount	30%	5%	(18,904)
				Discounted EBITDA multiple	4.12x		
				EBITDA (KES 'm)	ND*	10%	85,501
				Net debt (KES 'm)	ND*	NA	NA
Capital Market Challenge Fund		5,000	Cost				
Africa Crest Education (ACE) Holdings		711,333	Cost				
Total - Company		**3,619,410**					
Associates: Company							
Nairobi Bottlers Limited	27.6%	6,912,212	Comparable trading multiples	EBITDA multiple	9.60x	1%	77,323
				Marketability discount**	13%	5%	(51,643)
				Discounted EBITDA multiple	8.35x		
				EBITDA (KES 'm)	ND*	10%	773,234
				Net debt (KES 'm)	ND*	NA	NA
UAP Financial Services (U) Limited		3,429	Cost				
Total - Company		**6,915,641**					

* These are private companies where the Group holds a minority interest. The EBITDA and debt information is market sensitive information and has therefore not been disclosed.
** An illiquidity discount of 13% has been used for Nairobi Bottlers Limited and Almasi Beverages Limited which falls between the 1% to 30% range as per the Group's policy and IPEV guideines.
This illiquidity discount is reflective of marketability of these investments following their disposal as is disclosed in note 13

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Subdiaries: Company

Assets	**Ownership**	**31-Mar-19 Ksh'000**	**31-Mar-18 Ksh'000**	**Valuation basis for the year ended 31 March 2018**
Two Rivers Development Limited	58.3%	9,897,778	12,357,406	Net asset value which represents the fair value of the underlying asset. Note 6.1
Almasi Beverages Limited	53.9%	9,851,141	8,696,825	Market multiples. See below
Vipingo Development Limited	100%	10,753,609	5,146,193	Net asset value which represents the fair value of the underlying asset. Note 6.1
Bakki Holdco Limited	100%	3,313,403	3,889,825	Net asset value note 6.1
GenAfrica Investment Management Limited	73.4%	-	2,324,230	Recent transaction.
Centum Development Limited	100%	4,165,516	3,537,356	Net asset value which represents the fair value of the underlying property. Note 6.1
Longhorn Publishers Limited	60.2%	1,039,849	762,665	Market prices. The entity is listed on the Nairobi Securities Exchange.
Rasimu Limited	100%	572,833	710,182	Net asset value which represents the fair value of the underlying asset. The company owns 3.65% of Two Rivers Development Limited.
Nabo Capital Limited	100%	442,633	403,799	Net asset value. Note 6.1
Vipingo Estates Limited	100%	1,549,797	1,007,166	Net asset value which represents the fair value of the underlying asset. Note 6.1
Uhuru Heights Limited	100%	239,034	281,553	Net asset value which represents the fair value of the underlying asset. The company owns 1.05% of Two Rivers Development Limited.
Zohari Leasing Limited	100%	253,048	212,975	Net asset value. Note 6.1
Greenblade Growers Limited	100%	60,764	60,322	Net asset value. Note 6.1
Tribus TSG Limited	100%	17,137	100	Net asset value. Note 6.1
Centum Exotics Limited	100%	-	23,366	
		42,156,542	**39,413,962**	

Valuation:	**Ownership**	**Valuation technique**	**Ksh'000**	**Unobervable inputs**	**Weighted average input**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation +/-**
Almasi Beverages Limited	53.9%	Market multiples	9,851,141	EBITDA multiple	9.60x	1%	9 6,417
				Marketability discount*	13%	5%	(73,600)
				Discounted EBITDA multiple	8.35x		
				EBITDA (KES 'm)	2,140,191	10%	7 73,234
				Net debt (KES 'm)	(446,289)	NA	NA
Sidian Bank Limited	81.9%	Market multiples	3,314,669	PB Ratio multiple	0.85x	1%	3 3,147
				NAV (KES 'm)	3,981,021	10%	331,467
				Control premium	20%	10%	55,244

A complete list of the Group's subsidiaries is included under note 6.1

* An illiquidity discount of 13% has been used for Nairobi Bottlers Limited and Almasi Beverages Limited which falls between the 1% to 30% range as per the Group's policy and IPEV guideines. This illiquidity discount is reflective of developments around their disposal, as set out under Note 13.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Year ended 31 March 2018

Description	Ownership	Fair value at 31 March 2018 Ksh'000	Valuation technique	Unobervable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted investments: Company							
Isuzu East Africa Limited	17.8%	2,469,726	Recent transaction	NA			
NAS Airport Services Limited	15%	855,930	Comparable trading multiples	EBITDA multiple	5.99x	1%	7,866
				Marketability discount	30%	5%	(18,341)
				Discounted EBITDA multiple	4.19x		
				EBITDA (KES 'm)	ND*	10%	78,660
				Net debt (KES 'm)	ND*	NA	NA
Capital Market Challenge Fund		5,000	Cost				
Africa Crest Education (ACE) Holdings		556,124	Cost				
Total - Company		**3,886,780**					
Associates: Company							
Nairobi Bottlers Limited	27.6%	5,078,044	Comparable trading multiples	EBITDA multiple	9.91x	1%	58,756
				Marketability discount	30%	5%	(108,815)
				Discounted EBITDA multiple	6.94x		
				EBITDA (KES 'm)	ND*	10%	587,559
				Net debt (KES 'm)	ND*	NA	NA
UAP Financial Services (U) Limited		3,429	Cost				
Total - Company		**5,081,473**					

*These are private companies where the Group holds a minority interest. The EBITDA and debt information is market sensitive information and has therefore not been disclosed.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

Subdiaries: Company

Assets	Ownership	31-Mar-18 Ksh'000	31-Mar-17 Ksh'000	Valuation basis for the year ended 31 March 2018
Two Rivers Development Limited	58.3%	12,357,406	12,315,989	Net asset value which represents the fair value of the underlying asset. Note 6.1
Almasi Beverages Limited	53.9%	8,696,825	7,716,472	Market multiples. See below
Vipingo Development Limited	100%	5,146,193	3,950,863	Net asset value which represents the fair value of the underlying asset. Note 6.1
Bakki Holdco Limited	100%	3,889,825	3,232,233	Net asset value Note 6.1
Investpool Holdings Limited	100%	-	2,117,147	Net asset value Note 6.1
GenAfrica Investment Management Limited	73%	2,324,230	1,404,183	Recent transaction. See below
Centum Development Limited	100%	3,537,356	860,896	Net asset value which represents the fair value of the underlying property. Note 6.1
Longhorn Publishers Limited	60.2%	762,665	738,063	Market prices. The entity is listed on the Nairobi Securities Exchange.
Rasimu Limited	100%	710,182	755,769	Net asset value which represents the fair value of the underlying asset. The company owns 3.65% of Two Rivers Development Limited.
Nabo Capital Limited	100%	403,799	410,802	Net asset value. Note 6.1
Vipingo Estates Limited	100%	1,007,166	1,089,628	Net asset value which represents the fair value of the underlying asset. Note 6.1
Uhuru Heights Limited	100%	281,551	261,349	Net asset value which represents the fair value of the underlying asset. The company owns 1.05% of Two Rivers Development Limited.
Zohari Leasing Limited	100%	212,975	207,781	Net asset value. Note 6.1
Greenblade Growers Limited	100%	60,322	207,104	Net asset value. Note 6.1
Athena Properties Limited	100%	-	25,093	Net asset value. Note 6.1
Centum Business Solutions Limited	100%	-	17,519	Net asset value. Note 6.1
Centum Exotics Limited	100%	23,366	-	Net asset value. Note 6.1
Tribus TSG Limited	100%	100	-	Net asset value. Note 6.1
		39,413,961	**35,310,891**	

Valuation:	Valuation technique	Ksh'000	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Almasi Beverages Limited	Market multiples	8,696,825	EBITDA multiple	9.91x	1%	85,654
			Marketability discount	30%	5%	(186,361)
			Discounted EBITDA multiple	6.94x		
			EBITDA (KES '000)	2,292,037	10%	856,545
			Net debt (KES '000)	(348,309)	NA	NA
GenAfrica Investment Management Limited	Recent transaction	2,324,230	NA			
Sidian Bank Limited	Market multiples	3,891,091	PB Ratio multiple	1.16x	10%	
			NAV (KES 'm)	3,629,348	1%	38,911
			Control premium	20%	10%	389,109

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.1 Valuation of unquoted investments (continued)

The change in valuation disclosed in the above table shows the relative increase or decrease in the input variables deemed to be subjected to the most judgement and estimate and the respective impact on the fair value presented in these financial statements. For equity securities, increases in the EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However an increase in the discount for lack of marketability would lead to a decrease in value.

1.5.2 Valuation of investment property

The fair value model has been applied in accounting for investment property. The Group commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the locations and types of investment properties valued to determine the fair value of the investment property as at 31 March 2019 and 31 March 2018 on the basis of open market value. The current use of the investment properties equates to the highest and best use.

The valuation of the investment properties is derived by making reference to recent comparable sales transactions in the relevant property market, on the assumption that the property had already been completed at the valuation date. The fair value gains have been credited to 'income' in the income statement (Note 2.2).

The Group's investment properties are valued by reference to a level 3 fair value measurement. In 2019 and 2018, there were no transfers between different levels within the fair value hierarchy. Level 3 measurement uses one or more significant inputs not based on observable data other than quoted prices included within Level 3 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000
31 March 2019			
Investment property	-	-	**40,033,745**
31 March 2018			
Investment property	-	-	**32,718,667**

See note 5.1 for the reconciliation of investment property.

1.5.3 Impairment losses on loans and advances

The Group implemented IFRS 9 effective 1 January 2018 which requires assessment on a forward looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan committments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting period. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

1 Accounting framework and critical judgements (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.4 Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates.

For purposes of impairment testing, goowill acquired in a business combination is allocated to CGUs. On the basis described on the accounting policy above, the Group's primary CGUs are as outlined above. Goodwill is tested for impairment annually in the fourth quarter by comparing the recoverable amount of each goodwill carrying CGU with its carrying amount. In addition, in accordance with IAS 36, the Group tests goodwill whenever a triggering event is identified. The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use.

See assumptions as discussed in Note 8.2

1.5.5 Estimation of fair value for land and buildings and estimation of useful lives of property, plant and equipment

See note 8.1

1.5.6 Consolidation decisions and classification of joint arrangements

See note 6.2

2 Results of operations

2.1 Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Group's chief operating decision maker is the executive management committee. The executive management committee consists of the Group Chief Executive Officer, Group Finance Director, Managing Director - Private Equity and heads of the various business units.

Effective 1 April 2017, the Group new operating structure comprises the reportable segments below:

1. Private equity - These consists of all the mature businesses, i.e. Almasi Beverages Limited, Longhorn Publishers Limited, Sidian Bank Limited, GenAfrica Asset Managers Limited up to 2018, Nairobi Bottlers Limited and Nabo Capital Limited;
2. Real Estate - These consists of all the Group companies involved in real estate development. The details of the companies are listed under note 6.1;
3. Development - These consists of all companies whose business are still in the establishment and ramp up phase. They include; Greenblade Growers Limited and King Beverage Limited; and
4. Marketable Securities - These consists of Centum Exotics Limited and Oleibon Investments Limited that are involved in investment of funds in quoted equity and fixed income securities.

Performance is reviewed from a total return perspective.

i Total return

Total return is the total value created in the period which includes cash value as well as unrealised movements in the portfolio. Total return is calculated as the gross portfolio return less portfolio and funding costs. Total return is expressed in absolute amount or as a percentage of opening net asset value in the period.

2 Results of operations (continued)

2.1 Segment information (continued)

ii Gross portfolio return

Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio. Gross return is analysed into the following components:

(a) Portfolio income

Portfolio income is that portion of income that is directly related to the return from individual investments. It is recognised to the extent that it is probable that there will be economic benefit and the income can be reliably measured. Portfolio income includes; dividend income, interest income, realised and unrealised profit, rental income as well as fee income.

- Realised profits on the disposal of investments are the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity, and its carrying value at the start of the accounting period.

  Although the net realised gains are similar to those in the statement of comprehensive income, the disclosure differs under the Group's segment reporting.

  The difference between the sales proceeds and cost of the investments are accounted for in the income statement, while the difference between the gains and the opening fair value is then disclosed under other comprehensive income as reserves released on disposal of investments.

- Unrealised profits on the revaluation of investments are the movement in the carrying value of investments between the start and end of the accounting year.

Under the Group's segment reporting, there is no differentiation between fair value through profit or loss and fair value through other comprehensive income. All value movements are passed through the statement of total return.

(b) Portfolio costs

Portfolio costs include all expenses, operating and administrative incurred in the furtherance of investment activity during the accounting period.

(c) Total assets

Total assets represents the portfolio value, which includes the carrying value of equity investments as well as marketable securities.

The segment information provided to the executive management committee for the reportable segments for the year ended 31 March 2019 and 31 March 2018 is as overleaf.

2 Results of operations (continued)

2.1 Segment information (continued)

Group	Growth	Real Estate	Development	Marketable securities	Total
Year ended 31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Dividend income	181,429	-	-	88,185	269,614
Interest income	2,228,062	7,899	-	72,753	2,308,714
Lease rentals	41,691	-	-	-	41,691
Fund management income	116,086	-	-	-	116,086
Sales income	10,051,667	333,900	478,520	-	10,864,087
Other income	66,577	98,058	-	-	164,635
Realised gains	1,525,878	-	-	27,871	1,553,749
Fee, commission and forex trading income	1,130,068	-	-	-	1,130,068
Project and development management fees	284,548	17,009	-	-	301,557
Share of profit/(loss) of associates and joint ventures	279,000	(1,702,835)	-	-	(1,423,835)
Unrealised value movements	(400,848)	7,300,479	-	(638,003)	6,261,628
Gross return	**15,504,158**	**6,054,511**	**478,520**	**(449,194)**	**21,587,992**
Finance costs	(1,975,633)	(1,452,609)	(37,484)	(14,229)	(3,479,956))
Portfolio costs	(11,718,981)	(2,498,940)	(624,154)	(34,529)	(14,876,605
Net return	**1,809,544**	**2,102,961**	**(183,118)**	**(497,953)**	**3,231,431**
Tax	(287,158)	(31,443)	-	-	(318,601)
Total return	**1,522,386**	**2,071,518**	**(183,118)**	**(497,953)**	**2,912,832**
Gross Return on opening shareholder funds (%)	96%	25%	-12%	-17%	56%
Return on opening shareholder funds (%)	9%	9%	5%	-19%	8%
Opening shareholder funds					
Total assets	44,578,672	47,294,509	1,743,994	2,670,909	96,288,084
Borrowings	(7,268,482)	(13,764,044)	(3,431,042)	-	(24,463,568)
Other liabilities	(16,426,016)	(2,083,837)	(2,318,459)	(99,039)	(20,927,351)
Non-controlling interest	(4,769,684)	(7,657,632)		-	(12,427,316)
Net asset value attributable to equity holders	**16,114,490**	**23,788,996**	**(4,005,507)**	**2,571,870**	**38,469,849**
Closing shareholder funds					
Total assets	44,202,384	53,143,345	1,970,317	2,447,607	101,763,653
Borrowings	(7,046,804)	(16,420,985)	(3,403,173)	-	(26,870,961)
Other liabilities	(6,845,519)	(13,785,781)	(2,581,862)	(103,715)	(23,316,877)
Non-controlling interest	(4,445,865)	(6,840,590)	-	-	(11,286,455)
Net asset value attributable to equity holders	**25,864,196**	**16,095,990**	**(4,014,718)**	**2,343,892**	**40,289,360**

2 Results of operations (continued)

2.1 Segment information (continued)

Group

Year ended 31 March 2018	Growth	Real Estate	Development	Marketable securities	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	207,464	-	-	63,605	271,069
Interest income	1,927,138	2,703	4	98,412	2,028,257
Lease rentals	17,926	-	-	-	17,926
Fund management income	124,125	-	-	-	124,125
Sales income	9,629,365	260,648	281,119	-	10,171,132
Other income	222,015	14,350	-	22,358	258,723
Realised gains	647,443	-	-	138,595	786,038
Fee, commission and forex trading income	745,322	-	-	-	745,322
Project and development management fees	88,681	54,701	-	-	143,382
Share of profit of associates and joint ventures	236,978	457,920	-	-	694,898
Discontinued operations	135,600	-	-	-	135,600
Unrealised value movements	(876,565)	4,114,277	-	531,042	3,768,754
Gross return	**13,105,492**	**4,904,599**	**281,123**	**854,011**	**19,145,225**
Finance costs	(1,359,990)	(1,164,043)	(35,317)	(14,332)	(2,573,682)
Portfolio costs	(11,524,427)	(1,439,225)	(517,988)	(221,597)	(13,703,236)
Net return	**221,075**	**2,301,331**	**(272,182)**	**618,083**	**2,868,307**
Tax	50,232	(541,912)	1,328	-	(490,352)
Total return	**271,307**	**1,759,419**	**(270,854)**	**618,083**	**2,377,955**
Gross Return on opening shareholder funds (%)	199%	17%	31%	51%	51%
Return on opening shareholder funds (%)	4%	6%	-30%	37%	6%
Opening shareholder funds					
Total assets	39,426,406	44,067,380	1,802,749	3,089,073	88,385,608
Borrowings	(12,533,378)	(6,247,065)	(839,641)	(1,366,294)	(20,986,378)
Other liabilities	(16,021,168)	(1,778,569)	(61,872)	(63,417)	(17,925,026)
Non-controlling interest	(4,289,278)	(7,888,331)	-	-	(12,177,609)
Net asset value attributable to equity holders	**6,582,582**	**28,153,415**	**901,236**	**1,659,362**	**37,296,595**
Closing shareholder funds					
Total assets	44,578,672	47,294,509	1,743,994	2,670,909	96,288,084
Borrowings	(7,268,482)	(13,764,044)	(3,431,042)	-	(24,463,568)
Other liabilities	(16,426,016)	(2,083,837)	(2,318,459)	(99,039)	(20,927,351)
Non-controlling interest	(4,769,684)	(7,657,632)		-	(12,427,316)
Net asset value attributable to equity holders	**16,114,490**	**23,788,996**	**(4,005,507)**	**2,571,870**	**38,469,849**

2 Results of operations (continued)

2.1 Segment information (continued)

Company

Year ended 31 March 2019	Growth	Real Estate	Development	Marketable securities	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	699,892	-	-	-	699,892
Interest income	14,050	747,918	13,863	421,667	1,197,499
Other income	7,514	-	-	-	7,514
Realised gains	1,262,453	-	-	-	1,262,453
Unrealised value movements	163,381	3,891,063	(61,326)	(23,366)	3,969,752
Gross return	2,147,290	4,638,981	(47,463)	398,301	7,137,109
Finance costs	(872,665)	(786,547)	(36,236)	(14,229)	(1,709,677)
Portfolio costs	(274,425)	(339,773)	(12,016)	(4,718)	(630,932)
Net return	**1,000,200**	**3,512,662**	**(95,715)**	**379,353**	**4,796,500**
Tax	(40,980)	(1,732)	(40,491)	(680)	(83,883)
Total return	**959,220**	**3,510,930**	**(136,206)**	**378,673**	**4,712,617**
Gross Return on opening shareholder funds (%)	**13%**	**19%**	**-2%**	**9%**	**15%**
Return on opening shareholder funds (%)	**6%**	**14%**	**-5%**	**9%**	**10%**
Opening shareholder funds					
Total assets	25,090,254	31,824,902	3,491,161	5,680,939	66,087,256
Borrowings	(6,389,631)	(6,247,065)	(839,642)	(1,366,294)	(14,842,631)
Other liabilities	(1,730,410)	(827,271)	(329)	(535)	(2,558,544)
Net asset value attributable to equity holders	**16,970,214**	**24,750,566**	**2,651,190**	**4,314,111**	**48,686,081**
Closing shareholder funds					
Total assets	25,873,312	35,890,378	5,430,747	4,449,607	71,644,043
Borrowings	(3,043,473)	(9,698,142)	(3,403,181)	-	(16,144,795)
Other liabilities	(1,623,149)	(1,273,038)	(2,886)	(5)	(2,899,078)
Net asset value attributable to equity holders	**21,206,690**	**24,919,197**	**2,024,680**	**4,449,602**	**52,600,170**

2 Results of operations (continued)

2.1 Segment information (continued)

Company

Year ended 31 March 2018	**Growth**	**Real Estate**	**Development**	**Marketable securities**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Dividend income	2,033,390	-	-	6,755	2,040,145
Interest income	11,470	885,983	10,222	439,320	1,346,996
Other income	139,635	(1,657)	-	(4,943)	133,034
Realised gains	-	-	-	8,678	8,678
Unrealised value movements	66,057	3,725,076	(187,853)	32,450	3,635,730
Gross return	2,250,552	4,609,402	(177,631)	482,261	7,164,584
Finance costs	(802,932)	(792,640)	(36,497)	(14,332)	(1,646,400)
Portfolio costs	(417,928)	(413,649)	(15,176)	(5,959)	(852,712)
Net return	**1,029,692**	**3,403,113**	**(229,304)**	**461,970**	**4,665,471**
Tax	5,624	238	5,557	93	11,513
Total return	**1,035,316**	**3,403,351**	**(223,747)**	**462,063**	**4,676,984**
Gross Return on opening shareholder funds (%)	**12%**	**24%**	**-7%**	**11%**	**16%**
Return on opening shareholder funds (%)	**5%**	**18%**	**-8%**	**11%**	**10%**
Opening shareholder funds					
Total assets	26,450,295	25,947,637	3,491,163	5,680,939	61,570,034
Borrowings	(6,203,126)	(6,247,065)	(839,642)	(1,366,294)	(14,656,126)
Other liabilities	(1,278,146)	(827,271)	(329)	(535)	(2,106,280)
Net asset value attributable to equity holders	**18,969,024**	**18,873,301**	**2,651,192**	**4,314,111**	**44,807,628**
Closing shareholder funds					
Total assets	25,090,254	30,302,259	5,301,266	5,393,477	66,087,257
Borrowings	(2,225,361)	(9,186,220)	(3,431,050)	-	(14,842,631)
Other liabilities	(961,438)	(1,311,142)	(42,773)	(243,190)	(2,558,543)
Net asset value attributable to equity holders	**21,903,455**	**19,804,897**	**1,827,443**	**5,150,287**	**48,686,083**

2 Results of operations (continued)

2.2 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

The Group's revenue comprises of the following:

Type	Nature	Description	Recognition
Sale of goods	Beverages	Beverage sales relate to sales by Almasi Beverages Limited and King Beverages Limited who deal in soft drinks, Coca Cola drinks and Alcoholic beverages respectively.	Revenues from the various sources are recognised in the period in which the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.
	Educational materials	Sale of educational material is through Longhorn Publishers Limited.	
	Agricultural products	The Group exports exotic herbs through Greenblade Growers Limited.	
Financial services	1. Interest income 2. Fund management income 3. Fees, commissions and trading income 4. Leasing income	1. Interest income relates to income earned by the Sidian Bank Limited and fixed income investments by the asset management subsidiaries. 2. Fund management income relates to management fees earned by Nabo Capital Limited and GenAfrica Investment Management Limited until 2018 who are asset managers. 3. Fees, commissions and trading income is the non funded income earned by Sidian Bank Limited. 4. Leasing income relates to rental and finance lease income earned on operating and finance leases provided by Zohari Leasing Limited.	- Interest income is accrued using the effective interest rate method, by reference to the principal outstanding and the interest rate applicable. - Fund management income is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided. - Fees and commissions are recognised on an accrual basis when the service has been provided. Loan commitment fees for advances are credited to income upon first utilisation of the facility and are charged on an annual basis.
Sale of services	1. Project management fees 2. Utilities	1. Project management fees relate to fees earned by Athena Properties Limited on Real Estate projects. 2. Utilities relate to income earned by Two Rivers Power Company Limited and Two Rivers Water and Sanitation Company Limited on the provision of electricity and water at the Two Rivers Mall.	- Project management fees are recognised in the period in which the services are rendered, by reference to completion of the specific project assessed on the basis of the actual service provided as a percentage of the total service to be provided. - Electricity and water revenue are recognised when electricity and/or water is consumed by the user and is stated net of value added tax and other Government levies.
Investment income		1. Dividend income 2. Gains on disposal of investments	- Dividend income from investments is recognised when the shareholders' right to receive payment has been established. - Gains on disposal of investments are recognised when the Company has no unfulfilled obligation that could affect the completion of the transaction.

2 Results of operations (continued)

2.2 Revenue (continued)

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Sale of goods and services:					
- Beverage business		8,456,951	8,571,143	-	-
- Publishing business		1,973,953	1,280,482	-	-
- Utilities		333,900	260,648	-	-
- Agribusiness		99,283	58,859	-	-
Total from continuing operations		**10,864,087**	**10,171,132**	**-**	**-**
Financial services					
- Banking subsidiary:					
- Interest income		2,180,464	1,889,529	-	-
- Fees, commission and forex trading income		1,130,068	745,322	-	-
- Other income		19,182	21,880	-	-
- Asset management subsidiaries:					
- Fund management income		116,086	124,125	-	-
- Interest income		7,296	35,976	-	-
- Other income		-	7,710	-	-
- Leasing:					
- Interest income		1,412	1,603	-	-
- Lease rentals		41,691	17,926	-	-
- Other income		6,349	627	-	-
Total from continuing operations		**3,502,548**	**2,844,698**	**-**	**-**
Discontinued operations		-	542,494	-	-
		3,502,548	3,387,192	-	-
Others:					-
Project, development management and other fees		301,557	143,352	-	-
Other income		1,772	30	-	-
		303,329	143,382	-	-
		14,669,964	**13,701,706**	**-**	**-**
Investment income					
Dividend income		269,614	271,069	699,892	2,040,145
Interest income from investing and financing activities		119,542	101,149	1,197,499	1,346,996
Gain on disposal of investments	2.7	1,553,749	786,219	1,262,453	8,678
Unrealised gains on investment property	5.1	7,464,105	4,181,985	-	-
Unrealised gains on government securities		3,163	711	-	-
Other income		139,104	228,325	7,514	133,034
		9,549,277	**5,569,458**	**3,167,358**	**3,528,853**
Dividend income					
Subsidiaries		-	-	301,619	1,714,179
Associates		-	-	216,844	150,544
Unquoted investments		181,429	207,464	181,429	168,667
Quoted investments		88,185	63,605	-	6,755
		269,614	**271,069**	**699,892**	**2,040,145**
2.3 Expenses					
2.3.1(a) Cost of sales					
Beverage business		5,734,286	5,824,010	-	-
Publishing business		898,861	495,225	-	-
Utilities business		144,836	205,236	-	-
Agribusiness		83,513	61,988	-	-
		6,861,496	**6,586,459**	**-**	**-**

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.1 (b) Operating and administrative expenses

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Employee benefits expense (Note 2.3.2)	2,442,398	2,117,874	245,231	313,935
Directors' fees and expenses	120,032	98,493	37,854	23,990
Auditor's remuneration	35,771	57,515	13,487	9,299
Office rent and service charge	282,830	243,378	23,636	16,283
Depreciation and amortisation	427,656	601,224	20,375	6,227
Goodwill impairment	793,241	-	-	-
Write-down in investment in joint venture	1,965,538	-	-	-
AGM and annual report printing	27,670	30,030	27,202	30,030
Business development costs	109,119	64,991	24,241	11,892
Advertising and PR costs	64,348	13,319	2,627	3,252
Share registration costs	13,014	15,963	13,014	15,963
Listing expenses	6,967	6,699	5,678	5,247
Consultancy	353,465	377,772	54,347	160,315
Provision for expected losses	146,329	306,837	-	-
Donations	27,505	20,789	9,127	6,644
Selling and distribution	1,504,624	1,364,473	-	-
Writeback of amount due from joint venture	(1,648,317)	-	-	-
Other costs*	606,449	1,348,249	154,113	249,636
	7,278,639	**6,667,606**	**630,932**	**852,713**
Analysed as below:				
Trading Subsidiaries	2,885,221	2,515,764	-	-
Financial services subsidiaries	2,264,965	2,123,637	-	-
Other	2,128,453	2,028,205	630,932	852,713
	7,278,639	**6,667,606**	**630,932**	**852,713**

*other costs relate to software licences, legal fees, connectivity charges, printing and stationery, travel and accomodation expenses among other operating expenses.

2.3.2 Employee benefits expense

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.2 Employee benefits expense

Retirement benefits obligations
The Group operates a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund. The scheme is administered by independent fund managers and is funded by contributions from both the employer and the employees.

The Group also contributes to the statutory National Social Security Fund. This is a defined contribution pension scheme registered under the National Social Security Act. The Group's obligations under the scheme are limited to specific obligations legislated from time to time and are currently limited to a maximum of Ksh 200 per month per employee.

The Group contributions in respect of retirement benefit schemes are charged to profit or loss in the year to which they relate.

Performance bonus
The bonus scheme is designed to optimize the cash return on the assets managed by Centum for the shareholders. The scheme aligns the staff reward system to creation of cash return on assets at a rate greater than that of the market. This return does not include periodic revaluation of assets.

Determination of the bonus pool is as follows:

a. Private equity (Growth) and marketable securities portfolios

The annual performance-based bonus pool for the Private Equity and Marketable Securities portfolios is subject to attainment of a total cash return as a percentage of Company opening cash- adjusted shareholder funds of 15% or more in the financial year.
The annual bonus pool is then computed as 20% of the total cash return that is above the hurdle rate of 15%. Should total return exceed 25%, then the performance pool will be increased by 1% for each 1% above total return.

Elements of cash return for the two portfolios are:
i. Monetization events which include sale/exit of a stake in a portfolio company and securing equity partnerships at multiples to the carrying value of the portfolio investments;
ii. Dividend and interest income from the portfolio; and
iii. Cash Net Asset Value movements in the portfolio companies, representing the Company's share of distributable dividends.

b. Real estate portfolio

The Real Estate portfolio bonus pool is only determined on the attainment of a cash return (property sale or an exit transaction) in a real estate portfolio company. However, the hurdle rate in Real Estate cash returns is tied to a relevant index of value appreciation (Hass Composite Land Property Index) to ensure that management is not incentivized for ordinary/inflationary increases in property values. The percentage cash return is therefore effectively adjusted downwards for the effects of ordinary property value appreciation.

The Real Estate bonus pool is based on 10% of return in excess of the hurdle adjusted base. The base refers to the actual cash deployed into the investment. At the end of a financial year where sale or exit transactions have occurred, the base is adjusted for the hurdle rate plus all costs incurred (investment and operational).

The bonus entitlement for a particular year is paid out to staff in three tranches over a period of three years. The vesting conditions are:
i. Shareholder funds (defined as Net Asset Value) will not fall below the level they were at the point of the bonus award (high water mark);
ii. The high water mark will be adjusted for owner related adjustments such as payment of dividends or new capital raisings; and
iii. An eligible employee must remain in the employ of the Company for the entire period unless a specific waiver is granted by the Board of Directors.

The performance hurdle rates described above were not met in the year ended 31 March 2019 and accordingly, no bonus pool has been accrued in relation to the year then ended (2018: Nil). However, the above vesting conditions that are required to unlock bonus tranche for the previous year ended 31 March 2017 were met. The bonus accrual set out below for the year ended 31 March 2019 relates to the vested tranches arising from the year ended 31 March 2017.

Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an accrued expense.

2 Results of operations (continued)

2.3 Expenses (continued)

2.3.2b Employee benefits expense (continued)

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Salaries	1,957,397	1,661,771	211,314	189,569
Performance bonus	185,111	131,443	32,664	92,381
Retirement benefit scheme contributions	84,589	69,830	-	10,444
National Social Security Fund contributions	9,466	8,665	-	84
Accrued leave	9,281	29,104	1,253	3,172
	2,245,844	1,900,813	245,231	295,650
Staff medical expenses	85,704	75,262	-	7,290
Other staff costs	110,850	141,799	-	10,995
	2,442,398	2,117,874	245,231	313,935
Average number of employees	2,785	2,773	23	34

2.4 Finance costs

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions and net foreign exchange that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial services:				
- Interest on customer deposits	654,294	491,776	-	-
- Interest on bank and other borrowings	308,057	320,705	-	-
	962,351	812,481	-	-
Other finance costs:				
- Interest on bank and other borrowings	1,572,472	1,159,438	830,636	595,741
- Commitment and other fees	152,502	67,816	81,452	57,775
- Foregn exchange gains on borrowings	(50,179)	(187,918)	(45,222)	(121,122)
- Bond issue costs	-	77,750	-	77,750
- Interest on corporate bonds	842,811	1,036,256	842,811	1,036,256
	2,517,606	2,153,342	1,709,677	1,646,400
Less: amounts capitalised on qualifying assets (Note 5.1)	-	(392,141)	-	-
	2,517,606	1,761,201	1,709,677	1,646,400
Total finance costs	**3,479,957**	**2,573,682**	**1,709,677**	**1,646,400**

2 Results of operations (continued)

2.4 Finance costs (continued)

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Analysed as below:				
Financial services subsidiaries	962,351	812,481	-	-
Other entities*	2,517,605	1,761,201	1,709,677	1,646,400
Average number of employees	3,479,956	2,573,682	1,709,677	1,646,400

*other entities refer to trading subsidiaries and investment operations companies as detailed under note 6.1.

2.5 Cash generated from operations

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Reconciliation of profit before income tax to cash generated from operations:					
Profit before income tax from:					
Continuing operations		4,438,846	3,146,650	826,749	1,029,740
Discontinued operations		-	201,264	-	-
Profit before income tax including discontinued operations		4,438,846	3,347,914	826,749	1,029,740
Adjustments for:					
Finance costs	2.4	3,479,956	2,573,682	1,709,677	1,646,400
Depreciation on property, plant and equipment	8.1	1,421,255	1,444,507	20,170	5,799
Amortisation of intangible assets	8.2	135,461	130,904	205	358
Gains on disposal of investments	2.7	(1,553,749)	(786,219)	(1,262,453)	(8,678)
Fair value gains on investment property	5.1	(7,464,105)	(4,181,985)	-	-
Unrealised exchange gains		(139,104)	(228,506)	2,082	44,891
Fair value gains/(losses) on government securities through profit and loss	7.2.1	(2,494)	1,051	-	-
Net impairment in joint ventures		1,965,538	-	-	-
Share of loss/(profit) from joint ventures	6.2.2	1,702,835	(457,920)	-	-
Share of profit from associates	6.2.1	(279,000)	(236,978)		
Impairment of goodwill	2.3.1	793,241	-	-	-
Changes in working capital:		-	-	-	-
- inventories		(454,431)	(66,519)	-	-
- receivables and prepayments		(745,220)	(1,690,453)	185,006	1,991,396
- payables and accrued expenses		117,784	(253,628)	4,768	84,215
- biological assets		-	8,634	-	-
- finance lease receivable		(41,843)	2,947	-	-
- deferred income		(14,384)	(21,221)	-	-
- loans and advances		(1,416,405)	861,287	-	-
- customer deposits		1,984,289	3,033,646	-	-
		3,928,472	**3,481,143**	**1,486,204**	**4,794,121**

2 Results of operations (continued)

2.6 Earnings per share

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders.

Diluted earnings per share

The Company has not issued any convertible securities and as such, the basic and diluted earnings per share is the same.

	2019 Ksh'000	2018 Ksh'000
Basic and diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	6.68	3.81
From discontinued operations	-	0.15
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	**6.68**	**3.96**
Reconciliation of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basic and diluted earnings per share:		
Basic and diluted earnings per share		
From continuing operations	4,446,507	2,534,455
From discontinued operations	-	99,463
	4,446,507	**2,633,918**
Weighted average number of ordinary shares in issue (thousands)	665,442	665,442

2.7 Gain on disposal of investments

		Group			Company		
Year ended 31 March 2019	**Notes**	**Carrying value Ksh'000**	**Proceeds Ksh'000**	**Gain on disposal Ksh'000**	**Cost Ksh'000**	**Proceeds Ksh'000**	**Gain on disposal Ksh'000**
Quoted investments		292,983	320,854	27,871	-	-	-
Unquoted investments, including subsidiaries		1,169,097	2,324,230	1,155,133	1,061,777	2,324,230	1,262,453
Investment property		74,503	445,248	370,745	-	-	-
		1,536,583	3,090,332	1,553,749	1,061,777	2,324,230	1,262,453
Reserves released on disposal:							
Quoted investments	5.3			187,121			-
				187,121			-
Gains during the year				1,740,870			-
Year ended 31 March 2018							
Quoted investments		531,026	669,801	138,775	10,887	19,565	8,678
Associates		1,262,140	1,909,584	647,444	-	-	-
		1,793,166	2,579,385	786,219	10,887	19,565	8,678
Reserves released on disposal:							
Quoted investments	5.3			34,124			(7,399)
				34,124			(7,399)
Gains during the year				820,343			1,279

3 Income tax

3.1 Income tax expense

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Group		Company	
a) Income tax expense	**2019**	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Current income tax	276,733	369,294	72,642	27,164
Deferred income tax	41,86	121,058	11,241	(38,677)
	318,600	490,352	83,883	(11,513)

3 Income tax (continued)

3.1 Income tax expense (continued)

b) Tax rate reconciliation

The table below explains the differences between the expected tax expense at the Kenyan statutory tax rate of 30% and the Group's total tax expense.

	Group		Company	
	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Accounting profit before tax	4,438,846	3,146,650	826,749	1,029,740
Tax at the applicable rate of 30% (2018: 30%)	1,331,654	943,995	248,025	308,922
Tax effect of:				
Income not subject to tax	(803,060)	(754,185)	(209,968)	(612,044)
Income subject to capital gains tax rate*	(1,848,232)	(486,994)	(315,613)	-
Expenses not deductible for tax	1,221,930	343,024	73,362	22,641
Unrecognised deferred tax assets	389,288	318,808	288,077	268,968
Adjustment in respect of prior periods	-	85,904	-	-
Differences in overseas tax rates	27,020	39,800	-	-
	318,600	490,352	83,883	(11,513)

c) Tax losses

	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
Unused tax losses for which no deferred tax asset has been recognised	1,297,627	1,062,694	960,257	677,342
Potential tax benefit at 30%	389,288	318,808	288,077	203,203

	Group		Company	
d) Unrecognised temporary differences	2019 Ksh'000	2018 Ksh'000	2019 Ksh'000	2018 Ksh'000
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:				
Foreign currency translation	(114,631)	46,371	-	-
Undistributed earnings	2,655,955	2,655,955	-	-
	2,541,324	2,702,326	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	254,132	270,233	-	-

Temporary differences of Kshs 114 Million (2018 – Kshs 46 Million) have arisen as a result of the translation of the financial statements of the Group's subsidiaries in Mauritius, Uganda and Tanzania. However, a deferred tax liability has not been recognised as the liability will only eventuate in the event of disposal of the subsidiaries, and no such disposals are expected in the foreseeable future.

*relates to capital gains tax on fair value movements on investment property and realised gains/(losses) on disposal of investments.

3 Income tax (continued)

3.1 Income tax expense (continued)

e) Current income tax (recoverable)/payable	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
At start of year	(433,492)	(97,268)	23,752	53,597
Charge for the year - continuing operations	276,733	369,294	72,642	27,164
Charge for the year - discontinued operations	-	60,141	-	-
Payments during the year	(288,046)	(780,613)	(74,846)	(57,009)
Reclassified to liabilities held for sale	-	18,729	-	-
Prior year over provision	(23,112)	(3,775)	-	-
At end of year	(467,917)	(433,492)	21,548	23,752
Analysed as:				
Current income tax recoverable	(492,034)	(459,008)	-	-
Current income tax payable	24,117	25,516	21,549	23,752
	(467,917)	(433,492)	21,549	23,752

3.2 Deferred income tax

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2018: 30%) and the capital gains tax rate of 5% (2018: 5%). The movement on the deferred income tax account is as follows:

	Group 2019 Ksh'000	Group 2018 Ksh'000	Company 2019 Ksh'000	Company 2018 Ksh'000
At start of year	2,162,284	2,027,254	1,849,969	1,523,490
Deferred tax on acquisition of subsidiary	-	-	-	-
Charge/(credit) to income statement	41,867	121,058	11,241	(38,677)
(Credit)/charge to other comprehensive income	(73,967)	9,332	269,192	365,156
Reclassified to liabilities held for sale	-	4,640	-	-
At end of year	2,130,184	2,162,284	2,130,402	1,849,969
Deferred income tax assets and liabilities are analysed as follows:				
Deferred income tax assets	(757,499)	(460,088)	-	-
Deferred income tax liabilities	2,887,683	2,622,372	2,130,402	1,849,969
	2,130,184	2,162,284	2,130,402	1,849,969

3 Income tax (continued)

3.2 Deferred income tax

Group	At start of year Ksh'000	On acquisition/ disposal of s subsidiary Ksh'000	Charged/ (credited) to P/L Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2019					
Property, plant and equipment:					
- on historical cost basis	894,318		(711,012)	-	183,306
- on fair value basis	105,413	-	-	281,320	386,733
Tax losses	(1,658,586)	-	322,904	-	(1,335,682)
Performance bonus provision	-	-	(18,614)	-	(18,614)
Leave pay provision	-	-	(4,761)	-	(4,761)
Other deductible temporary differences	(393,348)		316,362	-	(76,986)
Exchange differences	(63,693)	-	70,946	-	7,253
Fair value gains on investment property	3,648,351	-	69,621	-	3,717,972
Fair value gains on investments	(370,171)	-	(3,580)	(355,287)	(729,038)
	2,162,284	**-**	**41,867**	**(73,967)**	**2,130,184**
Year ended 31 March 2018					
Property, plant and equipment:					
- on historical cost basis	482,384	710	411,224	-	894,318
- on fair value basis	129,210	-	-	(23,797)	105,413
Tax losses	(830,910)	-	(827,676)	-	(1,658,586)
Performance bonus provision	-	-	-	-	-
Leave pay provision	-	-	-	-	-
Other deductible temporary differences	(239,894)	3,930	(157,384)	-	(393,348)
Exchange differences	(13,081)	-	(50,612)	-	(63,693)
Fair value gains on investment property	2,613,312	-	1,035,039	-	3,648,351
Fair value gains on investments	(113,767)	-	(289,533)	33,129	(370,171)
	2,027,254	**4,640**	**121,058**	**9,332**	**2,162,284**

3 Income tax (continued)

3.2 Deferred income tax (continued)

Company

	At start of year	Charged/ (credited) to P/L	Charged/ (credited) to OCI	At end of year
Year ended 31 March 2019				
Property and equipment	224	1,206	-	1,430
Other deductible temporary differences	(32,425)	6,997	-	(25,428)
Fair value gains on investments	1,890,307	-	269,192	2,159,499
Tax losses	(8,137)	3,038	-	(5,099)
	1,849,969	11,241	269,192	2,130,402
Year ended 31 March 2018				
Property and equipment	1,819	(1,595)	-	224
Other deductible temporary differences	(3,480)	(28,945)	-	(32,425)
Fair value gains on investments	1,525,151	-	365,156	1,890,307
Tax losses	-	(8,137)	-	(8,137)
	1,523,490	(38,677)	365,156	1,849,969

The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The Group is expected to continue generating taxable income.

4 Working capital

4.1 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by use of weighted average. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Beverage business:		
- Raw materials	708,008	681,076
- Finished products	315,730	188,610
- Bottles, crates and crowns	51,387	63,930
- Spare parts and other inventories	235,999	327,044
- Provision for obsolescence	(308)	(8,100)
Publishing business:		
- Educational materials	516,556	499,050
- Provision for obsolescence	(65,672)	(61,825)
Real estate:		
- Work in progress (residential units under construction)	380,676	-
Agribusiness:		
- Consumables	4,531	2,691
	2,146,907	1,692,476

Inventories are held in Almasi Beverages Limited, King Beverages Limited, Longhorn Publishers Limited and Greenblade Growers Limited. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Ksh. 6,883,566,000 (2018:Ksh 6,381,223,000).

Inventories are also held at Vipingo Development Limited and Pearl Marina Estates Limited. These relate to land and construction work in progress of residential units under construction for sale. The inventories are held at cost.

No amounts of inventory have been pledged as security for any borrowings.

4.2 Receivables and prepayments

Receivables are amounts due from investments and sales in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are accounted for as current assets. If not, they are non-current assets.

Receivables are recognised initially at fair value and subsequently recognised at amortised cost, less any provision for impairment.

4 Working capital (continued)

4.2 Receivables and prepayments (continued)

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Trade receivables		2,915,393	2,926,501	-	-
Less: expected credit losses allowance		(601,149)	(549,599)	-	-
Net trade receivables		2,314,244	2,376,902	-	-
VAT recoverable		1,146,404	950,716	-	-
Other receivables*		1,443,790	1,470,156	330,815	300,343
Reclassification to assets held for sale		-	(299,059)	-	-
Prepayments		156,181	679,976	32,056	70,147
Amounts due from related parties	7.2	-	-	-	297,786
Dividend receivable		113,586	31,620	362,633	242,236
		5,174,205	5,210,311	725,504	910,512
Amounts due from joint ventures		2,306,482	2,874,414	-	-
Less: Provision for impairment		(559,122)	(2,207,439)	-	-
		1,747,360	666,975	-	-
		6,921,565	5,877,286	725,504	910,512

The carrying amount of receivables and prepayments approximate their fair values.

*other receivables include deposits, deferred staff benefit derived from valuation of loans provided at below market rates among other receivables.

	Group		Company	
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Movement in provision for expected credit losses				
At start of year	549,599	258,015	-	-
Charge in the year	146,329	306,837	-	-
Write back of provisions	(94,779)	(15,253)	-	-
At end of year	601,149	549,599	-	-

4 Working capital (continued)

4.3 Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost in accordance with the accounting policies.

Cash and cash equivalents includes deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, including overdrafts.

Cash and bank balances:

		Group		Company	
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
Banking subsidiary:					
- Bank balances		1,757,338	4,411,186	-	-
Others:					
- Call deposits (maturing within 90 days)		1,752,703	978,786	204,950	820,950
- Bank balances		1,883,230	632,050	47,802	256,716
		5,393,271	6,022,022	252,752	1,077,666
Reclassified to assets held for sale	8.6	-	(202,203)	-	-
		5,393,271	5,819,819	252,752	1,077,666

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

Cash and bank balances	5,393,271	6,022,022	252,752	1,077,666
Bank overdrafts	(108,398)	(1,947,576)	(108,398)	(1,947,576)
	5,284,873	4,074,446	144,354	(869,910)

At 31 March 2019 the Company had undrawn committed borrowing facilities amounting to Kshs 1,891,151,000 (2018: Kshs 52,424,000). The effective interest rate for the bank overdraft is 11% (2018: 14%). The overdraft facility is secured by a floating debenture over the corporate bonds and quoted shares.

4 Working capital (continued)

4.4 Payables and accrued expenses

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Other payables are recognised at their nominal value.

		Group		Company	
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
Trade payables		801,302	1,160,404	-	-
Payable to property contractors		1,164,053	1,321,113	-	-
Accrued expenses		924,132	1,331,480	148,991	158,600
Other payables*		2,360,702	1,267,271	35,383	78,286
Reclassified to liabilities held for sale	8.5	-	(183,446)	-	-
Dividends payable		11,309	30,015	-	-
Due to related parties		39,365	72,796	351,078	293,798
		5,300,863	4,999,633	535,452	530,684

The carrying amounts of the payables approximate to their fair values.

*include deposits, statutory deductions among other payables and are non-interest bearing.

4.5 Deferred income

	Group	
	2019	2018
	Ksh'000	Ksh'000
Deferred income	75,855	90,239
The deferred income will be armotised as follows:		
Within 1 year	33,416	28,196
Within 2 to 5 years	42,012	59,073
After 5 years	427	2,970
	75,855	90,239
Almasi Bottlers Limited	61,674	82,579
Zohari Leasing Limited	14,181	7,660
	75,855	90,239

4 Working capital (continued)

4.5 Deferred income (continued)

Almasi Beverages Limited

Deferred income represents unamortised portion of funds received by Almasi Beverages Limited from Coca-Cola Central East & West Africa Limited (CEWA) towards the purchase of marketing equipment (coolers). The amortisation is equivalent to the depreciation rate for marketing equipment.

Zohari Leasing Limited

Deferred income relates to income billed and received in advance relating to the period after year end.

5 Investments

5.1 Investment properties

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation and are not occupied by the Group are classified as investment property and are non-current assets. Investment property is carried at fair value, representing open market value determined annually by external valuers. Properties under construction and development sites with projected use as investment properties are valued at projected fair values taking into account current market conditions. Changes in fair values are included in investment income in the income statement.

Borrowing costs directly attributable to the acquisition and construction of investment properties are capitalised.

	Group	
	2019	2018
	Ksh'000	Ksh'000
At start of year	32,718,667	27,311,091
Additions	118,381	1,098,049
Capitalised borrowing costs	(64,878)	392,141
Transfers to inventory/other assets	(125,539)	(96,153)
Transfers to property, plant and equipment	-	(154,451)
Gain from fair value adjustments	7,464,105	4,181,985
Disposals	(74,503)	-
Translation differences	(2,488)	(13,995)
	40,033,745	32,718,667

Capitalised borrowing costs

Capitalised borrowing costs relate to interest costs incurred during the development phase of Pearl Marina Estates Limited.

Transfers to inventory/other assets

These relate to transfers of investment property in Vipingo Development Limited and Pearl Marina Estates Limited to inventory following a change of use in these investment properties.

5 Investments (continued)

5.1 Investment properties (continued)

Transfers to property, plant and equipment

These relate to transfers of investment property in Two Rivers Development Limited to property, plant and equipment following a change of use in these investment properties

Valuation

The information is set out under Note 1.5.2

Cashflow

For the purposes of the statement of cash flows, additions during the year are made up of:

	Group	
	2019	2018
	Ksh'000	Ksh'000
Actual cash payments	86,781	361,238
Accrued expenses	31,599	736,811
	118,380	1,098,049

Valuers

The fair value of the investment property is based on the valuation carried out by Regent Valuers International (K) Limited, Standard Valuers International (K) Limited, and Arc Consultants Limited independent valuers. . The valuers are registered valuers and have recent experience in the locations and the category of the investment properties being valued.

Pledges as security for borrowings

Investment property valued at Kshs 15bn (2018: Kshs 15bn) has been pledged as security for borrowings in the Group.

Amounts in profit and loss:	Group	
	2019	2018
	Ksh'000	Ksh'000
Gain from fair value adjustments	7,464,105	4,181,985
Translation differences	(2,488)	(13,995)
	7,461,617	4,167,990

5 Investments (continued)

5.2 Unquoted equity investments

		Group		Company	
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year		4,362,975	4,226,166	3,886,780	3,796,836
Movements in the year:					
Additions		185,982	263,727	155,209	217,261
Reclassification from associates	6.2.1	-	294,863	-	294,863
Transfers from other assets		-	44,000	-	44,000
Fair value losses		(402,718)	(465,781)	(422,579)	(466,180)
		(216,736)	136,809	(267,370)	89,944
At end of year		4,146,239	4,362,975	3,619,410	3,886,780

The Group's unquoted investments relate to investments in Isuzu East Africa Limited, Nas Servair, Africa Crest Education (ACE) Holdings, Capital Market Challenge Fund and Nabo Unit Trusts Fund.

Africa Crest Education (ACE) Holdings is carried at cost as the fair value cannot be reliably determined at this stage given the level of development of the asset. This is a private equity investment with no quoted market.

Capital Market Challenge Fund is also carried at cost as the fair value cannot be reliably determined. This is a private equity investment with no quoted market.

The fair value of unquoted investments is determined by using the earnings multiples method using multiples as derived from comparable companies at the year-end date, adjusted for points of difference between the comparable company and the company being valued. Unquoted investments are non-current assets. See detailed disclosure under Note 1.5.1.

5.3 Quoted equity investments

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year		1,738,828	1,223,152	98,134	99,957
Movements in the year:					
Additions		644,082	386,106	-	-
Disposals		(104,617)	(422,593)	-	-
Reserves released on disposal	2.7	(187,121)	(34,124)	-	(10,887)
Translation differences		532	1,963	-	(8,587)
Fair value (losses)/gains		(530,540)	584,324	(45,556)	17,651
		(177,664)	515,676	(45,556)	(1,823)
At end of year		1,561,164	1,738,828	52,578	98,134

The fair value of all equity securities is based on the quoted closing market prices on the listed securities market at the year end date.

6 Group composition

6.1 Interest in subsidiaries

The companies interest in subsidiaries is as set out below:

		Cost			Cumulative fair value gains			Fair value	
	Ownership	1-Apr-18	Additions/ disposals	31-Mar-19	1-Apr-18	In the year	31-Mar-19	31-Mar-19	31-Mar-18
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Athena Properties Limited	100%	114,735	-	114,735	(114,735)	-	(114,735)	-	-
Rasimu Limited	100%	100	-	100	710,082	(137,349)	572,733	572,833	710,182
Centum BVI Limited	100%	8	-	8	(8)	-	(8)	-	-
Two Rivers Development Limited	58.30%	1,216,458	-	1,216,458	11,140,948	(2,459,628)	8,681,320	9,897,778	12,357,406
Uhuru Heights Limited	100%	100	-	100	281,451	(42,517)	238,934	239,034	281,553
eTransact Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Exotics Limited	100%	100	-	100	23,266	(23,366)	(100)	-	23,366
Centum Development Limited	100%	91	-	91	3,537,265	628,160	4,165,425	4,165,516	3,537,356
Nabo Capital Limited	100%	438,000	-	438,000	(34,201)	38,834	4,633	442,633	403,799
Investpool Holdings Limited	100%	68	-	68	(68)	-	(68)	-	-
GenAfrica Investment Management Limited	73.35%	-	-	-	1,262,453	(1,262,453)	-	-	2,324,230
Mvuke Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	100	(100)	-	(100)	-	-
King Beverage Limited	100%	68,000	-	68,000	(68,000)	-	(68,000)	-	-
Almasi Beverages Limited	53.85%	3,261,043	7,530	3,268,573	5,435,782	1,146,786	6,582,568	9,851,141	8,696,825
Bakki Holdco Limited	100%	3,728,036	857,172	4,585,207	161,789	(1,433,593)	(1,271,804)	3,313,403	3,889,825
Vipingo Development Limited	100%	364	-	364	5,145,829	5,607,416	10,753,245	10,753,609	5,146,193
Vipingo Estates Limited	100%	386,209	-	386,209	620,957	542,631	1,163,588	1,549,797	1,007,166
Greenblade Growers Limited	100%	258,482	61,746	320,228	(198,160)	(61,304)	(259,464)	60,764	60,322
Mwaya Investments Company Limited	100%	1,000	-	1,000	(1,000)	-	(1,000)	-	-
Longhorn Publishers Limited	60.20%	749,866	-	749,866	12,799	277,184	289,983	1,039,849	762,665
Zohari Leasing Limited	100%	214,428	-	214,428	(1,453)	40,073	38,620	253,048	212,975
Tribus TSG Limited	100%	100	-	100	-	17,037	17,037	17,137	100
Barium Capital Limited	100%	-	5,000	5,000	-	(5,000)	(5,000)	-	-
		11,499,264	(130,329)	11,368,935	27,914,697	2,872,911	30,787,608	42,156,542	39,413,962
Disposal of subsidiary									
GenAfrica Investment Management Limited		(1,061,777)	1,061,777	-	(1,262,453)	1,262,453	-	-	(2,324,230)
		10,437,487	931,448	11,368,935	26,652,244	4,135,364	30,787,608	42,156,542	37,089,732

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

The companies interest in subsidiaries is as set out below:

		Cost			Cumulative fair value gains			Fair value	
	Ownership	01-Apr-17	Additions	31-Mar-18	01-Apr-17	In the year	31-Mar-18	31-Mar-18	31-Mar-17
	%	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Athena Properties Limited	100%	114,735	-	114,735	(89,642)	(25,093)	(114,735)	-	25,093
Rasimu Limited	100%	100	-	100	755,669	(45,587)	710,082	710,182	755,769
Centum BVI Limited	100%	8	-	8	(8)	-	(8)	-	-
Two Rivers Development Limited	58.33%	1,216,458	-	1,216,458	11,099,531	41,417	11,140,948	12,357,406	12,315,989
Uhuru Heights Limited	100%	100	-	100	261,249	20,202	281,451	281,551	261,349
eTransact Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Exotics Limited	100%	100	-	100	(100)	23,366	23,266	23,366	-
Centum Development Limited	100%	91	-	91	860,805	2,676,460	3,537,265	3,537,356	860,896
Nabo Capital Limited	100%	438,000	-	438,000	(27,198)	(7,003)	(34,201)	403,799	410,802
Investpool Holdings Limited	100%	68	-	68	2,117,079	(2,117,147)	(68)	-	2,117,147
GenAfrica Investment Management Limited	73.35%	1,079,453	-	1,079,453	324,730	920,047	1,244,777	2,324,230	1,404,183
Mvuke Limited	100%	100	-	100	(100)	-	(100)	-	-
Centum Business Solutions Limited	100%	100	-	100	17,419	(17,519)	(100)	-	17,519
King Beverage Limited	100%	68,000	-	68,000	(68,000)	-	(68,000)	-	-
Almasi Beverages Limited	53.85%	3,254,023	7,020	3,261,043	4,462,449	973,333	5,435,782	8,696,825	7,716,472
Bakki Holdco Limited	100%	3,447,650	280,385	3,728,036	(215,417)	377,206	161,789	3,889,825	3,232,233
Vipingo Development Limited	100%	364	-	364	3,950,499	1,195,330	5,145,829	5,146,193	3,950,863
Vipingo Estates Limited	100%	386,209	-	386,209	703,419	(82,462)	620,957	1,007,166	1,089,628
Greenblade Growers Limited	100%	210,072	48,410	258,482	(2,968)	(195,192)	(198,160)	60,322	207,104
Mwaya Investments Company Limited	100%	1,000	-	1,000	(1,000)	-	(1,000)	-	-
Longhorn Publishers Limited	60.20%	749,866	-	749,866	(11,803)	24,602	12,799	762,665	738,063
Zohari Leasing Limited	100%	214,428	-	214,428	(6,647)	5,194	(1,453)	212,975	207,781
Tribus TSG Limited	100%	-	100	100	-	-	-	100	-
		11,181,025	335,915	11,516,940	24,129,866	3,767,154	27,897,020	39,413,961	35,310,891
Disposal of subsidiary GenAfrica Investment Management Limited		(1,079,453)	-	(1,079,453)	(324,730)	(920,047)	(1,244,777)	(2,324,230)	(1,404,183)
		10,101,572	335,915	10,437,487	23,805,136	2,847,107	26,652,243	37,089,731	33,906,708

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

i) Incorporation and principal activity

Company	Country of incorporation	Classification	Principal activity
Athena properties Limited	Kenya	Investment operations	End-to-end project and development management services for real estate projects
Rasimu Limited	Kenya	Investment operations	Investment holding company. At 31 March 2019, the company's sole holding was a 3.65% stake in Two Rivers Development Limited
Pearl Marina Estates Limited	Uganda	Investment operations	Real estate development in Uganda
Two Rivers Development Limited	Kenya	Investment operations	Real estate development. The company is developing the Two Rivers project in Nairobi. The company holds a joint controlling stake of 50% at Two Rivers Lifestyle Center Limited and a 100% stake in Two Rivers Luxury Apartments Limited, Two Rivers Power Company Limited, Two Rivers Water and Sanitation Company Limited, Two Rivers Property Owners Limited, Two Rivers Office Suites Limited, Two Rivers Development Phase 2 Limited and Two Rivers Theme Park Limited.
Uhuru Heights Limited	Kenya	Investment operations	The company is an investment holding company . At 31 March 2019, the company's holdings included a 1.05% stake in Two Rivers Development Limited and investment property.
Centum Exotics Limited	Mauritius	Investment operations	The company is engaged in investment in quoted private equity investments. At 31 March 2019, the company held 100% stake in Oleibon Investments Limited.
Centum Development Limited	Mauritius	Investment operations	The company is an investment holding company for real estate development. At 31 March 2019, the company's sole holding was in Pearl Marina Estates Limited
Nabo Capital Limited	Kenya	Financial services	The company is involved in fund management and transaction advisory services.
Investpool Holdings Limited	Mauritius	Investment operations	Investment Holding Company. At 31 March 2019, the company held 100% of Kilele Holdings Limited that is a private equity holding company and Mvuke Limited that is a special purpose vehicle to explore Geothermal opportunities in Africa.
Centum Business Solutions Limited	Kenya	Investment operations	Provision of shared services to Centum Investment Company Plc and its subsidiaries.
King Beverages Limited	Kenya	Trading	Importation, distribution and sale of alcoholic beverages
Almasi Beverages Limited	Kenya	Trading	Investment holding company for Mount Kenya Bottlers, Kisii Bottlers and Rift Valley Bottlers Limited. The principal activity of these subsidiaries is to bottle and market soft drinks under a franchise from the Coca-Cola Company.
Bakki Holdco Limited	Kenya	Financial services	Holding company for the Group's investment in Sidian Bank Limited.
Vipingo Development Limited	Kenya	Investment operations	Real estate development
Vipingo Estates Limited	Kenya	Investment operations	Real estate development
Greenblade Growers Limited	Kenya	Trading	Agricultural production
Shefa Holdings Limited	Mauritius	Investment operations	Private equity investments
Zohari Leasing Limited	Kenya	Financial services	Leasing services
Mvuke Limited	Kenya	Investment operations	Investment holding company for Akiira Geothermal Limited.
eTransact Limited	Kenya	Investment operations	Dormant entity
Centum BVI Limited	British Virgin Islands	Investment operations	Dormant entity
Mwaya Investment Company Limited	Mauritius	Investment operations	Dormant entity
Longhorn Publishers Limited	Kenya	Trading	Public limited liability company involved in publishing and distribution of learning materials in Kenya and East Africa.
Tribus TSG Limited	Kenya	Investment operations	Training, security and governance consultancy services.

6 Group composition (continued)

6.1 Interest in subsidiaries (continued)

ii) Significant restrictions

No local exchange control regulations apply in relation to exporting capital in the foreign jurisdictions where the Group has incorporated subsidiaries.

iii) Non controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	GenAfrica Asset Managers Limited		Sidian Bank Limited		Almasi Beverages Limited		Two Rivers Development Limited		Longhorn Publishers Limited	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised balance sheet										
Current assets	-	501,261	10,761,179	9,969,025	3,461,113	3,782,809	6,200,317	6,475,132	1,372,949	1,291,622
Current liabilities	-	(202,174)	(17,520,782)	(17,485,705)	(1,334,814)	(2,011,450)	(1,807,386)	(1,764,236)	(559,941)	(440,639)
Net current assets	-	299,087	(6,759,603)	(7,516,680)	2,126,299	1,771,359	4,392,931	4,710,896	813,008	850,983
Non current assets	-	76,434	12,521,705	11,864,531	7,220,379	7,108,083	25,339,215	22,481,143	667,611	632,197
Non current liabilities	-	(883)	(1,781,081)	(718,503)	(1,438,490)	(1,352,756)	(10,621,411)	(8,814,081)	(560,934)	(574,159)
Net non current assets	-	75,551	10,740,624	11,146,028	5,781,889	5,755,327	14,717,804	13,667,062	106,677	58,038
Net assets	-	374,638	3,981,021	3,629,348	7,908,188	7,526,686	19,110,735	18,377,958	919,685	909,021
Accumulated NCI	-	99,841	721,759	834,024	3,649,629	3,473,566	7,969,176	7,658,095	366,035	361,790
Summarised income statement										
Income	-	542,494	3,329,713	2,659,267	8,077,713	8,348,883	481,143	313,277	1,973,953	1,280,482
Profit/(loss) for the year	-	134,235	(274,227)	(439,245)	593,671	920,563	(3,486,897)	(1,004,590)	247,281	106,756
Other comprehensive income	-	-	-	-	(325)	(394,057)	163,298	-	-	-
Total comprehensive income	-	134,235	(274,227)	(439,245)	593,346	526,505	(3,323,599)	(1,004,590)	247,281	106,756
Profit/(loss) allocated to NCI	-	35,774	(49,717)	(100,938)	273,829	242,982	(1,385,941)	(418,613)	98,418	42,489
Dividends paid to NCI	-	44,985	-	-	199,100	196,301	-	-	45,816	41,389

6 Group composition (continued)

6.2 Investment in associates and joint ventures

At the Company level, associates and joint ventures are accounted for at fair value in accordance with IFRS 9. At the Group level, associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of post acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the profit attributable to the Group is recognised in profit or loss.

The Group's share of any post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The carrying amount of the Group's investments in associates and joint ventures is reduced to recognise any potential impairment in the value of individual investments. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless the Group has an obligation, issued guarantees or made payments on behalf of the associate or joint venture.

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interests in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments have been made where necessary to align the accounting policies of the associates and joint ventures with those of the Group.

6.2.1 Investment in associates

Set out below are the associates of the Group as at 31 March 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	*Country of incorporation*	*% of ownership interest*	
		2019	*2018*
Nairobi Bottlers Limited	Kenya	27.62%	27.62%
UAP Financial Services Limited	Uganda	29.00%	29.00%
Akiira Geothermal Limited	Kenya	37.50%	37.50%

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Movements in investments in associates is as follows:

			Group		Company
		2019	2018	2019	2018
		Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year		2,745,989	4,135,409	5,081,473	4,686,675
Share of profits after income tax		279,000	236,978	-	-
Fair value (loss)/gain		(3,148)	-	1,834,168	689,661
Dividends received		(216,844)	(150,544)	-	-
Additions during the year		115,673	81,149	-	
Reclassification to unquoted investments	5.2	-	(294,863)	-	(294,863)
Disposal at share of net assets		-	(1,262,140)	-	-
		2,920,670	2,745,989	6,915,641	5,081,473

Associates are accounted for under the equity method in the Group's financial statements. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus share of subsequent profits and other comprehensive income less any impairment in the value of individual investments.

The Group used audited financial statements for associates for the year ended 31 December 2018 to account for the Group's investment in associates using the equity method. Significant transactions (if any) in the intermediate period are adjusted.

Associates are held at fair value in the Company's financial statements. See note 1.5.2

Disposal of associates

Year ended 31 March 2019

There were no disposal of associates during the year.

6 Group composition (continued)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Summarised financial information of associates

Set out below is the summarised financial information of the associates that are material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy. There were no modifications for differences in accounting policy in 2019 and 2018.

	Fast moving consumer goods		Financial services		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised statement of financial position								
Cash and cash equivalent	364,874	145,807	-	-	-	-	364,874	145,807
Other current assets	4,961,454	4,718,817	-	-	-	-	4,961,454	4,718,817
Total current assets	5,326,328	4,864,624	-	-	-	-	5,326,328	4,864,624
Non current assets	11,118,471	11,697,527	-	-	-	-	11,118,471	11,697,527
Financial liabilities (excluding trade payables)	(1,682,458)	(2,514,787)	-	-	-	-	(1,682,458)	(2,514,787)
Other current liabilities	(6,333,671)	(5,495,149)	-	-	-	-	(6,333,671)	(5,495,149)
Total currrent liabilities	(8,016,129)	(8,009,936)	-	-	-	-	(8,016,129)	(8,009,936)
Financial liabilities	(1,117,544)	(1,756,140)	-	-	-	-	(1,117,544)	(1,756,140)
Other non current liabilities	(2,056,616)	(1,981,091)	-	-	-	-	(2,056,616)	(1,981,091)
Total non current liabilities	(3,174,160)	(3,737,231)	-	-	-	-	(3,174,160)	(3,737,231)
Net assets	5,254,510	4,814,984	-	-	-	-	5,254,510	4,814,984
Reconciliation to carrying amounts:								
Opening net assets at 1 April:	4,814,984	4,520,084	-	-	-	-	4,814,984	4,520,084
Profit for the year	1,010,139	857,993	-	-	-	-	1,010,139	857,993
Other comprehensive income	-	-	-	-	-	-	-	-
Dividends paid	(570,613)	(563,093)	-	-	-	-	(570,613)	(563,093)
Closing net assets	5,254,510	4,814,984	-	-	-	-	5,254,510	4,814,984
Summarised statement of comprehensive income								
Revenue	17,957,688	15,593,512	-	-	-	-	17,957,688	15,593,512
Interest income	67,429	-	-	-	-	-	67,429	-
Interest expense	(507,749)	(352,898)	-	-	-	-	(507,749)	(352,898)
Income tax expense	(460,715)	(454,687)	-	-	-	-	(460,715)	(454,687)
Profit/(loss) for the period	1,010,139	857,993	-	-	-	-	1,010,139	857,993
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	1,010,139	857,993	-	-	-	-	1,010,139	857,993
Dividends received from associates	216,844	150,544	-	-	-	-	216,844	150,544

For the purposes of this disclosure, the associates have been Grouped by industry sector.

6 Group composition (continued)

6.2 Investment in associates and joint ventures

6.2.2 Investment in joint ventures

Set out below are the joint ventures of the Group at 31 March 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest	
		2019	2018
Two Rivers Lifestyle Centre Limited	Mauritius	50%	50%
Amu Power Company Limited	Kenya	51%	51%

Movements in joint ventures are as follows:

	Group		Company	
	2019	2018	2019	2018
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	9,797,800	9,384,701	2,099,631	2,144,452
Additions during the year	937,885	-	-	-
Share of (loss)/profits after income tax	(1,702,835)	457,920	-	-
Foreign exchange loss *	(2,082)	(44,821)	(2,082)	(44,821)
Write-down of investment in joint venture	(1,965,538)	-	-	-
	7,065,230	9,797,800	2,097,549	2,099,631
Analysed as follows:				
- Joint ventures (equity)	4,967,681	7,698,169	-	-
- Joint ventures (debt)	2,097,549	2,099,631	2,097,549	2,099,631
	7,065,230	9,797,800	2,097,549	2,099,631

Joint ventures are accounted for under the equity method in the Group's and company's financial statements. Under the equity method, joint ventures are carried in the consolidated and standalone statements of financial position at cost plus share of subsequent profits and other comprehensive income less any impairment in the value of individual investments.

The Group used audited financial statements of Two Rivers Lifestyle Centre Limited for the year ended 31 March 2019 to account for the Group's joint ventures using the equity method. Amu Power Company Limited is carried at cost and still in the development phase. This is a private equity investment with no quoted market. Significant transactions in the intermediate period are adjusted.

* relates to foreign exchange differences in the debt investment in joint ventures. The debt investment is in US Dollars and as such this is a loss on translation of this debt investment to the presentation currency of the Group

i) Summarised financial information for joint ventures

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

6.2 Investment in associates and joint ventures (continued)

6.2.2 Investment in joint ventures

i) Summarised financial information for joint ventures (continued)

	Two Rivers Lifestyle Centre Limited	
	2019	**2018**
Summarised balance sheet	**Ksh'000**	**Ksh'000**
Current assets:		
- Cash and cash equivalent	70,002	30,394
- Other current assets	2,431,964	2,172,057
Total current assets	2,501,966	2,202,451
Non current assets	19,911,911	22,480,598
Current liabilities:		
- Financial liabilities (excluding trade payables)	(576,220)	(111,835)
- Other current liabilities	(1,957,056)	(1,671,216)
Total current liabilities	(2,533,276)	(1,783,051)
Non current liabilities		
- Financial liabilities (excluding trade payables)	(8,223,826)	(7,877,795)
- Other non current liabilities	(1,721,654)	(2,636,626)
Total non current liabilities	(9,945,480)	(10,514,421)
Net assets	**9,935,121**	**12,385,577**
Reconciliation to carrying amounts:		
Opening net assets 1 April	12,402,904	11,487,065
(Loss)/Profit for the year	3,405,670	915,839
Other comprehensive income	-	-
Capital contribution	937,887	-
Dividends paid	-	-
Closing net assets	**16,746,461**	**12,402,904**
Group's share in %	50%	50%
Group's share in KES	8,373,230	6,192,789
Goodwill	-	-
Carrying amount	**8,373,230**	**6,192,789**
Summary statement of comprehensive income		
Income	(3,523,825)	871,861
Interest income	-	584
Depreciation and amortisation	(51,487)	(48,241)
Interest expense	(836,722)	(597,927)
Income tax credit/(expense)	1,709,072	1,459,356
Profit for the year	**(3,405,670)**	**915,839**
Other comprehensive income	-	-
Total comprehensive income	**(3,405,670)**	**915,839**

ii) Other joint ventures

In addition to the interest in joint ventures disclosed above, the Group also has interests in Amu Power Company Limited. The carrying amount of the investment is at the historical cost and represents the Group's investments in the company's power project. The management considers the cost to be the estimate of fair values.

There were no commitmens and contingent liabilities with respect to associate and joint ventures that have a material impact on the Group.

7 Other financial assets and liabilities

7.1 Loans and advances

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Term loans	13,239,376	12,017,349
Overdrafts	1,509,344	822,227
Credit cards	5,181	-
Interest in suspense	(299,886)	-
Gross loans and advances	14,454,015	12,839,576
Expected credit loss allowance	(1,265,489)	(1,067,455)
	13,188,526	11,772,121
Analysis of gross loans and advances by maturity		
Maturing within one year	3,149,398	1,790,219
Between two and three years	5,112,319	4,151,554
Over 3 years	6,192,298	6,897,803
	14,454,015	12,839,576
The movement in the expected credit loss allowance:		
Statement of financial position		
At start of year	1,067,455	795,880
Charged through profit or loss in the year (loans and advances)	736,469	449,171
Charged to opening retained earnings	187,135	-
Write - offs in the year	(725,570)	(177,596)
At end of year	1,265,489	1,067,455
Profit and loss		
Provision in the year	758,364	463,545
Recoveries on amounts previously provided for	(21,895)	(14,373)
	736,469	449,171

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Loans and advances are held by Sidian Bank Limited.

The aggregate amount of non-performing advances was Ksh 2,961,040,000 (2018: Ksh 2,614,882,587) against which provisions of Ksh 1,265,489,000 (2018: ksh 1,067,455,000) in addition to the suspended interest. The weighted average effective interest rate on loans and advances as at 31 March 2019 was 11.2% (2018: Shs 14%).

The collateral held against these loans includes mortgages, motor vehicles, land and building, chattels, share certificates among other assets.

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Fair value of collateral held	36,587,473	27,847,691

Impairment of loans and advances

The estimation of impairment of loans and ad=vances is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of impairment of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loans and advances at a counterparty level, the Group considers three components: (i) the 'Probability of Default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure at Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, the level of collateral for retail exposures, and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the credit officers to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for other types of portfolio held by the Group:

Expected credit loss measurement

IFRS 9 outlines a 'three-Stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

Expected credit loss measurement (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirement of the standard are as follows;

(a) Significant Increase in credit risk (SICR)

The Group's decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date.

The Group considers a financial instruments to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

Quantitative Criteria

The quantitative criteria is based on relative and not absolute changes in credit quality as stated in the table above driven by ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The Group considers if there has been an increase in the customer's rating, the facility is deemed to have a significant increase in credit risk. The standard also sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This 30 days past due simplification permits the use of delinquency or past due status to identify a significant increase in credit risk. In adherence to the standard, the Group shall at every reporting period assess the loan portfolio individually for possible breach of the 30 days past due SICR criterion. Where there is a breach and the loan has not been transferred to stage 2, the Group shall rebut the 30 days rebuttable presumption based on availability of supportable and reasonable information to justify that credit quality has not deteriorated significantly since initial recognition.

The Group's quantitative credit grading, as compared to CBK's prudential guidelines, into five prudential guidelines categories as follows:

IFRS 9 credit staging	CBK PG/04 Guidelines	Days past due
1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
2	Watch	31 to 90 days overdue
3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(a) Significant Increase in credit risk (SICR) (continued)

Qualitative Criteria

In addition to the above, the Group considers other qualitative factors in determining the classification above, and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to the following:

1. Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage
2. Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g. other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected)
3. Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations
4. Significant changes in the value of collateral which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default.
5. Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
6. Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

Backstop

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments

(b) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of creditimpaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy;
- The borrower is in breach of financial covenants;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(b) Definition of default and credit-impaired assets (continued)

Quantitative criteria (continued)

The Group considers a facility that is more than 90 days past due as credit impaired as per internal risk rating.

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(c) Measuring expected credit loss – inputs, assumptions and estimation techniques

The expected credit loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows;

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortising products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/ refinance assumptions are also incorporated.
- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(c) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/ book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

(d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument.

Forecasts of the base economic scenario and the possible scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

The most significant assumptions affecting the ECL allowance are as follows. The scenarios "base", "upside" and "downside" were used for all portfolios.

	All segments		
	Base	Upside	Downside
Exchange rate (USD)	100.85	97.16	104.54
Nominal Gross domestic product (GDP)	6.00%	5.77%	6.20%
Money supply	2.18%	2.12%	2.23%
Fiscal revenue	2.90%	2.77%	3.03%
Inflation	4.70%	4.50%	4.90%

The weightings assigned to each economic scenario at 1 April 2018 and 31 March 2019 were as follows:

	Base	Upside	Downside
Weightings	50%	30%	20%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(d) Forward-looking information incorporated in the ECL models (continued)

Maximum exposure to credit risk before collateral held

The breakdown of loans and advances is summarised below:

Group and Bank				2019	2018
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL			
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Individually impaired / non performing facilities					
Grade 3: Substandard	-	-	488,470	488,470	409,376
Grade 4: Doubtful	-	-	2,044,260	2,044,260	2,009,623
Grade 5: Loss	-	-	249,190	249,190	195,884
Gross amount	**-**	**-**	**2,781,920**	**2,781,920**	**2,614,883**
Credit impairment losses	-	-	908,591	908,591	955,408
Carrying amount	**-**	**-**	**1,873,329**	**1,873,329**	**1,659,474**
Collectively impaired					
Grade 1: Normal	11,170,158	-	-	11,170,158	9,727,478
Grade 2: Watch	-	801,823	-	801,823	821,040
Gross amount	**11,170,158**	**801,823**	**-**	**11,971,981**	**10,548,518**
Credit impairment losses	579,576	77,208	-	656,784	435,871
Carrying amount	**10,590,582**	**724,615**	**-**	**11,315,197**	**10,112,647**
Total carrying amount	**10,590,582**	**724,615**	**1,873,329**	**13,188,526**	**11,772,121**

(e) Collateral and other credit enhancements

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(e) Collateral and other credit enhancements (continued)

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the Bank's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Bank guarantees.
Personal loans	Checkoffs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the Bank's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Bank guarantees.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances. The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the period.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed between 3 to 5 year intervals.

Lending limits

The Group maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

(f) Impairment and provisioning policies

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance in the year due to these factors:

Group and Bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Khs '000	**Khs '000**	**Khs '000**	**Khs '000**
Loss allowance at 31 March 2018	87,416	24,631	955,408	1,067,455
Changes on application of IFRS 9	83,620	104,499	(984)	187,135
Loss allowance at 1 April 2019	171,036	129,130	954,424	1,254,590
Net staging transfers	225,167	(76,464)	(148,703)	-
Changes in PDs/LGDs/EADs	-	-	-	-
Changes in model assumptions	-	-	-	-
Modification of contractual cash flows	-	-	-	-
Unwind of discount	-	-	-	-
New financial assets originated or purchased	207,899	21,876	298,716	528,491
Net charge to profit or loss in the year	604,102	74,542	1,104,437	1,783,082
Other movements with no P&L impact:				-
Net staging transfers	-	-	-	-
Financial assets derecognised	(5,254)	(7,759)	(27,098)	(40,111)
Write-offs	-	-	(177,596)	(177,596)
At year end	**598,848**	**66,783**	**899,743**	**1,565,375**

7 Other financial assets and liabilities (continued)

7.1 Loans and advances (continued)

The following table below shows the movement in gross carrying amount of loans and advances to help explain the changes in the loss allowance for the same portfolio:

Group and Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Khs '000	Khs '000	Khs '000	Khs '000
Gross carrying amount at 31 March 2018	9,403,654	821,040	2,614,883	12,839,576
Changes on initial application of IFRS 9	-	-	-	-
Gross carrying amount at 1 April 2019	**9,403,654**	**821,040**	**2,614,883**	**12,839,576**
Net staging transfers	259,887	(541,658)	281,771	-
Financial assets derecognised	(3,814,667)	(78,479)	(161,016)	(4,054,162)
New financial assets originated	5,685,640	129,156	579,375	6,394,171
Modification of contractual cash flows	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	(425,684)	(425,684)
FX translation and other movements	-	-	-	-
At year end	**11,534,513**	**330,059**	**2,889,329**	**14,753,901**

7.2 Government securities and corporate bonds

		Group		Company	
		2019	2018	2019	2018
	Notes	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Government securities at fair value through profit or loss	7.2.1	735,319	401,555	-	-
Government securities at amortised cost	7.2.2	2,598,122	3,151,297	-	-
Corporate bonds at amortised cost	7.2.3	106,082	143,694	-	-
Commercial papers at amortised cost	7.2.4	30,000	359,881	-	297,786
		3,469,523	**4,056,427**	**-**	**297,786**

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds (continued)

7.2.1 Government securities at fair value through profit or loss

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	**401,555**	**51,662**	**-**	**-**
Movements in the year:				
Additions	343,541	398,739	-	-
Disposals	(12,780)	(50,922)	-	-
Accrued interest	509	3,127	-	-
Fair value gains/(losses)	2,494	(1,051)	-	-
	333,764	**349,893**	**-**	**-**
At end of year	**735,319**	**401,555**	**-**	**-**

Changes in fair values of government securities at fair value through profit and loss are recorded in 'investment income' in the income statement.

	Group		Company	
	2019	2018	2019	2018
7.2.2 Government securities at amortised cost	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	**3,151,296**	**2,225,716**	**-**	**-**
Movements in the year:				
Additions	979,791	1,886,843	-	-
Disposals	(1,626,329)	(1,202,244)	-	-
Accrued interest	93,364	240,981	-	-
	(553,174)	925,580	-	-
At end of year	**2,598,122**	**3,151,296**	**-**	**-**
7.2.3 Corporate bonds at amortised cost				
At start of year	**143,695**	**744,120**	**-**	**-**
Movements in the year:				
Additions	162,295	-	-	-
Impairment of corporate bonds	(200,000)	(200,000)	-	-
Accrued interest	92	5,990	-	-
Maturities	-	(406,415)	-	-
	(37,613)	**(600,425)**	**-**	**-**
At end of year	**106,082**	**143,695**	**-**	**-**

7 Other financial assets and liabilities (continued)

7.2 Government securities and corporate bonds (continued)

7.2.4 Commercial papers at amortised cost

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	359,881	-	-	-
Movements in the year:				
Additions	30,000	340,942	-	287,442
Accrued interest	-	18,939	-	10,344
Interest receipts	-	-	-	-
Disposals	(359,881)	-	-	-
	(329,881)	**359,881**	**-**	**297,786**
At end of year	**30,000**	**359,881**	**-**	**297,786**

7.2.5 Government securities and corporate bonds

The maturity profile of government securities and corporate bonds is set out below:

Group	**0 - 180 days**	**181 days - 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
Year ended 31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Government securities at fair value through profit and loss	735,319	-	-	-	735,319
Government securities at amortised cost	810,958	-	-	1,787,164	2,598,122
Corporate bonds at amortised cost	-	-	106,082	-	106,082
Commercial papers at amortised cost	-	30,000	-	-	30,000
	1,546,277	**30,000**	**106,082**	**1,787,164**	**3,469,523**

	0 - 180 days	**181 days - 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Year ended 31 March 2018					
Government securities at fair value through profit and loss	-	-	-	401,555	401,555
Government securities at amortised cost	-	3,151,296	-	-	3,151,297
Corporate bonds at amortised cost	-	-	143,695	-	143,694
Commercial papers at amortised cost	-	359,881	-	-	359,881
Year ended 31 March 2018	**-**	**3,511,177**	**143,695**	**401,555**	**4,056,427**

7.3 Customer deposits

	Group	
	2019	2018
	Ksh'000	Ksh'000
Call and fixed deposits	6,843,332	5,971,952
Current and demand accounts	5,235,567	4,595,765
Savings accounts	2,737,785	2,264,678
	14,816,684	**12,832,395**

7 Other financial assets and liabilities (continued)

7.3 Customer deposits (continued)

	Group	
	2019	2018
	Ksh'000	Ksh'000
Payable within one year	14,781,282	12,558,952
Between one year and three years	35,402	273,443
	14,816,684	**12,832,395**

Customer deposits are held by Sidian Bank Limited.

8 Non financial assets

8.1 Property, plant and equipment

All categories of property, plant and equipment excluding land and buildings are initially recorded at cost and subsequently depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown under other reserves in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	40 - 50 years
Factory plant and machinery	8 years
Motor vehicles, lorries and trucks	4 - 5 years
Computers	3 - 4 years
Furniture, fittings and equipment	8 - 10 years

Depreciation charged on factory plant, buildings, machinery and motor vehicles used in distribution of raw materials and finished goods is included in cost of sales while depreciation on all the other assets is included in operating and administrative expenses in the statement of profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The Group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

8 Non financial assets

8.1 Property, plant and equipment (continued)

Group

	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Bottles, coolers, crates	Work in progress*	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2018								
Cost or valuation	1,739,457	6,513,597	1,348,240	620,913	495,232	1,916,468	523,118	13,157,025
Accumulated depreciation	(14,016)	(1,000,035)	(501,040)	(205,003)	(263,699)	(1,507,771)	-	(3,491,564)
Net book amount	**1,725,441**	**5,513,562**	**847,200 -**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,461**
Year ended 31 March 2019								
Opening net book amount	1,725,441	5,513,562	847,200	415,910	231,533	408,697	523,118	9,665,461
Additions	365,098	2,078,640	110,965	262,142	25,178	43,300	346,480	3,231,802
Transfers*	-	349,637	-	-	-	1,881	(351,518)	-
Disposals	(284,996)	(69,623)	(6,326)	(14,892)	-	27,542	(109,510)	(457,806)
Depreciation released on disposal	-	-	-	6,551	1,167	41,814	-	49,532
Depreciation charge for the year	(57,022)	(865,990)	(81,400)	(128,070)	(66,230)	(222,543)	-	(1,421,255)
Closing net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,641**	**191,647**	**300,691**	**408,570**	**11,067,733**
At 31 March 2019								
Cost or valuation	1,819,559	8,872,251	1,452,879	868,162	520,410	1,989,191	408,570	15,931,022
Accumulated depreciation	(71,038)	(1,866,025)	(582,440)	(326,522)	(328,762)	(1,688,500)	-	(4,863,287)
Net book amount	**1,748,521**	**7,006,226**	**870,439**	**541,640**	**191,648**	**300,691**	**408,570**	**11,067,735**

There are no PPE items pledged as security for borrowings

* relates to capitalisation of costs for assets that are ready for use from work in progress to the various classes.

8 Non financial assets

8.1 Property, plant and equipment (continued)

Group

	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Bottles, coolers, crates	Work in progress*	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017								
Cost or valuation	2,394,628	3,478,588	1,208,331	416,748	473,595	1,657,991	2,762,077	12,391,958
Accumulated depreciation	(91,218)	(558,588)	(439,430)	(156,540)	(229,629)	(844,545)	-	(2,319,950)
Net book amount	**2,303,410**	**2,920,000**	**768,901**	**260,208**	**243,966**	**813,446**	**2,762,077**	**10,072,008**
Year ended 31 March 2018								
Opening net book amount	2,303,410	2,920,000	768,901	260,208	243,966	813,446	2,762,077	10,072,008
Additions	29,552	733,135	163,836	324,183	43,149	288,549	169,653	1,752,058
Transfers**	-	2,157,247	-	-	-	-	(2,157,247)	-
Disposals	(370)	153,250	(5,717)	(117,484)	(14,454)	(30,072)	(251,365)	(266,212)
Reclassification to assets held for sale	(280,000)							(280,000)
Revaluation deficit	(404,353)	-	-	-	-	-	-	(404,353)
Depreciation released on revaluation	126,441	-	-	-	-	-	-	126,441
Depreciation released on disposal	-	43,876	4,939	61,180	32	-	-	110,027
Depreciation charge	(49,239)	(493,945)	(84,759)	(112,177)	(41,160)	(663,226)	-	(1,444,507)
Closing net book amount	**1,725,441**	**5,513,562**	**847,200**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,462**
At 31 March 2018								
Cost or valuation	1,739,457	6,513,597	1,348,240	620,913	495,232	1,916,468	523,118	13,157,025
Accumulated depreciation	(14,016)	(1,000,035)	(501,040)	(205,003)	(263,699)	(1,507,771)	-	(3,491,564)
Net book amount	**1,725,441**	**5,513,562**	**847,200**	**415,910**	**231,533**	**408,697**	**523,118**	**9,665,461**

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Group

There are no assets within property, plant and equipment where the Group is a lessee under a finance lease. Information on non-current assets pledged as security by the Group is set out under Note 9.1.

If freehold land and buildings carried at fair value were stated on the historical cost basis, the amounts would be as follows:

	2019	2018
	Ksh'000	Ksh'000
Land and buildings		
Cost	1,757,516	1,633,181
Accumulated depreciation	(94,897)	(90,064)
Net book amount	1,662,619	1,543,117

Fair value hierarchy

Details of the fair value hierarchy for the Group's property plant and equipment held at fair value as at 31 March 2018 are as follows. An explanation of each level is provided in Note 10.1(d)

	Level 1	*Level 2*	*Level 3*	*Total*
31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Land and buildings	-	-	1,748,521	1,748,52
31 March 2018				
Land and buildings	-	-	1,725,441	1,725,441

The following table presents the changes in level 3 items for the year ended 31 March 2019 and 31 March 2018 for recurring fair value measurements:

	2019	2018
	Ksh'000	Ksh'000
At start of year	1,725,441	2,303,410
Additions	365,098	29,552
Disposals	(284,996)	(370)
Revaluation surplus	-	(404,353)
Reclassification to assets classified as held for sale	-	(280,000)
Depreciation released on revaluation	-	126,441
Depreciation charge	(57,022)	(49,239)
At end of year	1,748,521	1,725,441

8 Non financial assets (continued)

8.1 Property, plant and equipment (continued)

Company

	Motor Vehicles	Computers	Furniture & Fittings	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2018				
Cost	27,536	3,722	112,338	143,596
Accumulated amortisation	(10,324)	(166)	-	(10,490)
Net book amount	17,212	3,556	112,338	133,106
Year ended 31 March 19				
Opening net book amount	17,212	3,556	112,338	133,106
Additions	-	14,379	404	14,784
Depreciation charge	(5,633)	(4,508)	(10,029)	(20,171)
Closing net book amount	11,579	13,427	102,713	127,719
At 31 March 2019				
Cost	27,536	18,101	112,742	158,379
Accumulated amortisation	(15,957)	(4,674)	(10,029)	(30,660)
Net book amount	11,579	13,427	102,713	127,719
At 1 April 2017				
Cost	27,536	-	-	27,536
Accumulated amortisation	(4,691)	-	-	(4,691)
Net book amount	22,845	-	-	22,845
Year ended 31 March 18				
Opening net book amount	22,845	-	-	22,845
Additions	-	3,722	112,338	116,060
Depreciation charge	(5,633)	(166)	-	(5,799)
Closing net book amount	17,212	3,556	112,338	133,106
At 31 March 2018				
Cost	27,536	3,722	112,338	143,596
Accumulated amortisation	(10,324)	(166)	-	(10,490)
Net book amount	17,212	3,556	112,338	133,106

8 Non financial assets (continued)

8.2 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill on subsidiaries is not amortised but is tested annually or more frequently if changes in circumstances indicate that it might be impaired for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes being the operating segment.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are Grouped together into cash- generating units. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. 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.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

Computer software

Expenditure incurred on computer software are initially accounted for at cost and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives for a period of 3 to 5 years.

8 Non financial assets

8.2 Intangible assets (continued)

At 1 April 2018	Group			Company
	Goodwill	Computer software	Total	Computer software
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 1 April 2018				
Cost	2,561,522	1,125,993	3,687,515	2,327
Accumulated amortisation	-	(440,736)	(440,736)	(2,122)
Net book amount	2,561,522	685,257	3,246,779	205
Year ended 31 March 2019				
Opening net book amount	2,561,522	685,257	3,246,779	205
Additions	-	180,457	180,457	-
Disposals	-	(3,488)	(3,488)	-
Amortisation charge & impairment	(793,241)	(135,461	(928,702)	(205)
Closing net book amount	1,768,281	726,765	2,495,046	-
At 31 March 2019				
Cost	2,561,522	1,302,962	3,864,484	2,327
Accumulated amortisation	-	(576,197)	(576,197)	(2,327)
Accumulated impairment	(793,241)	-	(793,241)	-
Net book amount	1,768,281	726,765	2,495,046	-

8 Non financial assets

8.2 Intangible assets (continued)

	Group			Company
	Goodwill	Computer software	Total	Computer software
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017:				
Cost	3,528,732	785,120	4,313,852	2,327
Accumulated amortisation	-	(313,059)	(313,059)	(1,764)
Net book amount	3,528,732	472,061	4,000,793	563
Year ended 31 March 2018				
Opening net book amount	3,528,732	472,061	4,000,793	(212)
Additions	-	410,263	410,263	-
Reclassification to assets held for sale	(967,210)	(57,640)	(1,024,850)	-
Disposals	-	(8,523)	(8,523)	-
Amortisation charge	-	(130,904)	(130,904)	(358)
Closing net book amount	2,561,522	685,257	3,246,779	(570)
At 31 March 2018				
Cost	2,561,522	1,125,993	3,687,515	2,327
Accumulated amortisation	-	(440,736)	(440,736)	(2,122)
Net book amount	2,561,522	685,257	3,246,779	205

Goodwill on acquisition

Goodwill represents the excess of the cost of acquisition over the fair value of the share of net identifiable assets of the subsidiary at the date of acquisition. Goodwill on acquisition of associates in included in the carrying amount of the investments in associates. Goodwill is monitored by the directors at the level of the related cash generating unit (CGU) as follows:

	2019	2018
	Ksh'000	Ksh'000
Almasi Beverages Limited	1,351,539	1,351,539
Sidian Bank Limited	55,407	848,648
Longhorn Publishers Limited	361,335	361,335
	1,768,281	2,561,522

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Goodwill on acquisition (continued)

Goodwill is monitored by management at the Group level and management considers the whole business to be one cash generating unit for the purposes of testing the impairment of goodwill.

The computation of the recoverable amounts for the purposes of Goodwill testing is done on Fair value less cost to sell basis or value in use calculations using a discounted cashflow. See the analysis of the method used and the assumptions used.

Cash generating unit	**Method used and assumptions**
Almasi Beverages Limited	Method Used to determine recoverable amount: Fair value less cost to sell The Fair value of the entiy was determined using multiples as described in note 1.5.1 Assumptions: 1. Comparative multiples 2. Illiquidity discount *Significant estimate: Impact of possible changes in key assumptions:* *1. Comparative multiples* If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 482 million lower. If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 482 million higher. *2. Illiquidity discount* The maximum illiquidity discount has been used for purposes for determining the fair value. If the discount used was 5% lower, the headroom would have been Ksh 73 million higher.

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Cash generating unit	**Method used and assumptions**
Sidian Bank Limited	Method Used to determine recoverable amount: Fair value less cost to sell The Fair value of the entiy was determined using price-to-book multiples adjusted for control premium as described in note 1.5.1 *Assumptions:* 1. Comparative multiples 2. Control premium The annual impairment review indicated that the carrying amount exceeded the recoverable amount. Accordingly, the directors have recorded impairment relating to the subsidiary's goodwill of KES 793,241,000. Significant estimate: Impact of possible changes in key assumptions: *1. Comparative multiples* If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 166 million lower. If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 166 million higher. *2. Control premium* A control premium of 20% has been used for purposes for determining the fair value. If the premium used was 10% lower, the headroom would have been Ksh 55 million higher.

Longhorn Publishers Limited	Method Used to determine recoverable amount: Fair value less cost to sell The fair value of the entity was determined using the quoted share price as the company is listed on the Nairobi Securities Exchange *Significant estimate: Impact of possible changes in key assumptions:* *Share price* If the share price had been 5% lower and all inputs remain unchanged, the market value would have been Ksh 52 million lower. If the share price had been 5% higher and all inputs remain unchanged, the market value would have been Ksh 52 million higher

8 Non financial assets (continued)

8.2 Intangible assets (continued)

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of alll the CGU's as analysed below:

At 31 March 2019

Cash generating unit	Carrying amount + goodwill Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying value Ksh'000	Headroom Ksh'000
Almasi Beverages Limited	5,610,098	9,851,141	9,851,141	4,241,043
Sidian Bank Limited	4,107,910	3,314,669	3,314,669	(793,241)
Longhorn Publishers Limited	914,985	1,039,849	1,039,849	124,864
	10,632,994	14,205,660	14,205,660	3,572,666

At 31 March 2018

Cash generating unit	Carrying amount + goodwill Ksh'000	Recoverable amount (Fair value) Ksh'000	Carrying value Ksh'000	Headroom Ksh'000
Almasi Beverages Limited	5,404,659	8,696,825	8,696,825	3,292,165
Sidian Bank Limited	3,643,972	3,891,091	3,891,091	247,119
GenAfrica Investment Management Limited	1,242,006	2,324,230	2,324,230	1,082,224
Longhorn Publishers Limited	908,269	1,023,397	762,665	115,127
	11,198,907	15,935,542	15,674,811	4,736,636

The directors are satisfied that there is no impairment of goodwill for Almasi Beverages Limited and Longhorn Publishers Limited based on a comparison of the recoverable amounts and the carrying amount (including goodwill) of the subsidiaries, taking into account all possible ranges of estimates of the fair values of the investments.

The directors have considered and assessed reasonably possible changes for the key assumptions in relation to the other investments and have not identified any instances that could cause the carrying amount (including the related goodwill) to exceed the recoverable amount of Almasi Beverages Limited and Longhorn Publishers Limited.

The directors have determined that the carrying amount for Sidian Bank Limited exceeds its recoverable amount. Accordingly, they have recorded an impairment of goodwill relating to the subsidiary of KES 793,241,000. Goodwill impairment has been disclosed under operating expenses (Note 2.3.1(b)). The bank recorded a lower valuation in the current period due to a tough operating environment characterized by interest rate capping regulation that led to subdued interest income and depressed comparative market multiples.

8 Non financial assets (continued)

8.3 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

	Group	
	2019	**2018**
	Ksh'000	**Ksh'000**
Finance lease receivable	46,817	4,974

The finance lease receivables relate to Zohari Leasing Limited which is the lessor.

The maturity of the lease receivable is as below:

	2019 Ksh'000	2018 Ksh'000
Non current:		
Gross finance lease receivable	59,964	3,697
Unearned finance income	(16,625)	(655)
	43,339	3,042
Current:		
Gross finance lease receivable	4,438	2,984
Unearned finance income	(960)	(1,052)
	3,478	1,932
	46,817	**4,974**
Gross receivable from finance lease:		
- No later than 1 year	4,438	2,984
- Later than 1 year no later than 5 years	59,964	3,697
- Later than 5 years	-	-
	64,402	6,681
Unearned future finance income on finance lease	(17,585)	(1,707)
	46,817	4,974

8 Non financial assets continued

8.4 Prepaid operating lease rentals

Payments to acquire leasehold interests in land used by Almasi Beverages Limited are treated as prepaid operating lease rentals and amortised over the period of the lease.

	Group	
	2019	2018
	Ksh'000	Ksh'000
Cost:		
At start of year	47,118	47,118
Additions	13,725	-
At end of year	60,843	47,118
Amortisation:		
At start of year	(2,637)	(2,321)
Charge for the year	(523)	(316)
At end of year	(3,160)	(2,637)
Net book amount	57,683	44,481

8.5 Assets classified as held for sale

Non-current assets (or disposal Groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal Group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal Group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal Group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

8 Non financial assets continued

8.5 Assets classified as held for sale (continued)

	2019	2018
Group	**Ksh'000**	**Ksh'000**
Non current assets held for sale:		
- Land and buildings	-	280,000
GenAfrica Asset Managers Limited		
- Assets	-	1,544,905
- Total assets	-	1,824,905
- Total liabilities	-	(203,058)
Net assets	-	1,621,847
Company		
Investment in subsidiary:		
GenAfrica Asset Managers Limited	-	2,324,230
	-	2,324,230

On 20 March 2018, the Group announced its intention to partially exit the asset management business and initiated an active program to locate a buyer for its subsidiary. The following assets and liabilities have been reclassified as held for sale:

		2019	2018
		Ksh'000	**Ksh'000**
Intangible assets - software	8.2	-	57,640
Intangible assets - goodwill	8.2	-	967,210
Equipment		-	18,793
Receivables, prepayments and other assets	4.2	-	299,059
Cash and cash equivalent	4.3	-	202,203
Total assets		**-**	**1,544,905**
Payables and accrued expenses	4.4	-	(183,446)
Current income tax payable	3.1	-	(18,729)
Deferred tax liabilities		-	(883)
Total liabilities		**-**	**(203,058)**
Net assets		**-**	**1,341,847**

9 Financing structure and commitments

9.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 10.1.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed as incurred.

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Unsecured:				
Term loans	1,745,679	445,059	-	-
Commercial papers and loan notes	2,565,813	930,689	-	-
Corporate bonds	6,367,318	6,405,286	6,367,318	6,405,286
Total unsecured borrowings	**10,678,810**	**7,781,034**	**6,367,318**	**6,405,286**
Secured:				
Bank borrowings	15,465,566	13,904,351	9,777,477	8,437,345
Short term borrowings	726,585	2,778,183	-	-
Total secured borrowings	**16,192,151**	**16,682,534**	**9,777,477**	**8,437,345**
Total borrowings	**26,870,961**	**24,463,568**	**16,144,795**	**14,842,631**
Analysed as below:				
Banking subsidiary	2,467,698	3,209,313	-	-
Other	24,403,263	21,254,255	16,144,795	14,842,631
	26,870,961	**24,463,568**	**16,144,795**	**14,842,631**
The classification of the Group's borrowings is as follows:				
Current	5,434,921	5,959,928	2,142,523	1,947,576
Non current	21,436,040	18,503,640	14,002,272	12,895,055
	26,870,961	**24,463,568**	**16,144,795**	**14,842,631**
The carrying amounts of the Group's borrowings are denominated in the following currencies:				
Kenya shillings	15,898,600	15,705,973	8,624,709	9,043,917
United States dollar	10,756,329	8,498,491	7,520,086	5,798,714
Euro	216,031	259,104	-	-
	26,870,960	**24,463,568**	**16,144,795**	**14,842,631**
The Group has the following undrawn committed facilities:				
Oiko Credit	300,000	-	-	-
Kenya Commercial Bank Limited	57,043	-	-	-
The Co-Operative Bank of Kenya Limited	-	28,955	-	28,955
Stanbic Bank Kenya Limited	-	23,469	-	-
	357,043	52,424	-	28,955

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

a) Term loans and loan notes	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Oiko Credit	154,307	235,022	-	-
Pamiga Finance SA	209,550	210,038	-	-
East africa development bank	170,847	-	-	-
Investment Fund for Developing Countries (IFU)	1,210,975	-	-	-
Total term loans	**1,745,678**	**445,060**	**-**	**-**
Commercial papers and loan notes	2,565,813	930,689	-	-
Total term loans and loan notes	**4,311,491**	**1,375,749**	**-**	**-**

The movement in term loans, commercial papers and loan notes was as follows:

At start of year	1,375,749	618,102	-	-
Received during the year	3,017,251	974,980	-	-
Revaluation gain	(3,100)	4,700	-	-
Accrued interest	342,791	234,792	-	-
Repayments during the year	(421,200)	(456,825)	-	-
At end of year	**4,311,491**	**1,375,749**	**-**	**-**

Oiko Credit

The loan accrues interest based on the 182 day Treasury bill plus a margin of 1.25% subject to a minimum rate of 10% pa. Interest is repayable semi annually with four equal annual instalments of the principal Shs 75 million. The loan is held by Sidian Bank Limited.

Pamiga Finance SA

The loan is a USD 2 million facility that was received on 30 July 2017 at a rate of 4.25% p.a. The first principal instalment is payable after a grace period of two years over a period of three years. Interest is payable semi annually. The loan is held by Sidian Bank Limited.

East Africa Development Bank

The EADB loan of Euro 2 million is being issued in tranches in kenyan shillings. The first tranche of Ksh 57.89 million (equivalent to Euro 500,000) was received on 28 December 2018. The second tranche of Ksh 112.9 million (equivalent to Euro 1,000,000) was received on 7 March 2019. It accrues interest at a rate of 8.5% . The interest is payable semi annually. The loan will be paid in 14 equal semi annual instalments of equivalent Euro 142,857 after 12 months grace period from the date of first drawdown. The loan is secured by treasury bond of Ksh 256 million.

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

a) Term loans and loan notes (continued)

Investment Fund for Developing Countries

The IFU loan of USD 12 million was received in March 2019. The loan has a tenor of 6 years and a conversion option within the 1st three years, where IFU have the option to convert the loan into Ordinary shares. If IFU do not convert the loan into ordinary shares within the first 3 years, then the loan principal and outstanding interest is repayable at the end of year six plus 25% of the the higher of (i) the Bank's profit before tax in the sixth year; or :(ii) the Bank's average profit before tax in the fifth and sixth year. The Group treats this as a compound instrument, however the equity instrument in the loan is considered insignificant.

Term loans are held at Sidian Bank Limited.

Commercial papers and loan notes

These are short term facilities issued by Two Rivers Development Limited. Loan notes comprise notes issued to private investors and related parties. The notes are unsecured debt obligations of the issuer. The notes have fixed repayment maturity date and earn interest at the rate of 17% to 19%.

The weighted average effective interest rate on the borrowings as at 31 March 2019 was 11.9% for LCY loans and 4.25% for FCY Loans (2018: 10.66% for LCY and 4.25% for FCY loans). The borrowings are measured at amortised cost and are all unsecured except EADB which is secured by treasury bond of KES 256 million.

b) Bank borrowings

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Kenya Commercial Bank Limited	226,883	128,551	-	-
The Co-operative Bank of Kenya Limited	-	1,471,045	-	1,471,045
FirstRand Bank Limited (through its Rand Merchant Bank Division)	7,635,619	5,086,563	7,635,619	5,086,563
Coca Cola Export Corporation	851,072	1,341,167	-	-
Stanbic Bank Kenya Limited	5,639,322	4,808,929	2,141,859	1,879,737
SBM Bank (Kenya) Limited	382,951	513,396	-	-
Commercial Bank of Africa Limited	216,031	259,104	-	-
Standard Chartered Bank Kenya Limited	94,150	97,983	-	-
NIC Bank Limited	419,538	197,095	-	-
Barclays Bank of Kenya Limited	-	517	-	-
	15,465,566	**13,904,350**	**9,777,477**	**8,437,345**

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

b) Bank borrowings (continued)

Movement in bank borrowings is as follows:

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	13,904,350	6,750,970	8,437,345	4,100,416
Received during the year	4,259,994	11,000,155	3,522,948	7,537,497
Revaluation gain/(loss)	(47,482)	(275,121)	(45,951)	(231,991)
Accrued interest	509,215	139,504	202,311	114,823
Repayments during the year	(3,160,512)	(3,711,158)	(2,339,176)	(3,083,400)
At end of year	**15,465,565**	**13,904,350**	**9,777,477**	**8,437,345**

Kenya Commercial Bank Limited

The Kenya Commercial Bank Limited loan was advanced to Almasi Beverages Limited to acquire machinery and is fully secured by a fixed and floating debenture over all the company's assets. The loan attracts interest at the 12 months rolling average rate of the Bank's base rate less 3% per annum.

Coca Cola Export Corporation

The loan from Coca Cola Export Corporation was availed to Almasi Beverages Limited to buy crates and bottles. The total loan availed was US$ 2,300,000. The loan is unsecured and interest determined based on LIBOR plus 3% per annum. The effective interest rate as at 31 March 2019 was 5.8% (2018: 4.31%).

SBM Bank (Kenya) Limited

1. Two Rivers Development Limited
The loan was advanced for infrastructure development. The US Dollar denominated loan attracts interest at 8.5%.
The loan matures in 2027 and has a two year moratorium on principal.
2. Longhorn Publishers Limited
The company has an asset financing facility for acquisition of vehicles. The loan is secured by the Company vehicles and attracts interest at 15.75%. The loan tenor is 60 months.

First Rand Bank Limited

Centum Investment Company Plc has a USD 75,000,000 term loan facility . The facility has an interest rate of 5.7% plus 2 months US LIBOR per annum. The facility was secured by a charge over the company's shares in Nairobi Bottlers Limited, Almasi Beverages Limited and Zohari Leasing Limited.

Standard Chartered Bank Kenya Limited

The loan was advanced to Longhorn Publishers Limited for working capital financing and is secured by the company's buildings. The loan attacts interest at 13% and matures in 12 months.

Commercial Bank of Africa Limited

The facility is a EUR 2,181,991 loan advanced to Two Rivers Power Company Limited to finance the installation of solar equipment. The loan is priced at 3% plus 3 months Euribor and has a tenor of 120 months inclusive of 12 month moratorium on principal since the first draw down in 2017. The bank's six month Euribor plus 3% subject to a floor of 3%.

NIC Bank Limited

The facility was advanced to Longhorn Publishers Limited to finance working capital requirements. It is priced at 16% pa for a tenor of 1 year.

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

b) Bank borrowings (continued)

Stanbic Bank Kenya Limited

1. Centum Investment Company Plc

Stanbic Bank Kenya Limited advanced an overdraft facility of USD 10,000,000 and a revolving credit facility of USD 30,000,000 to Centum Investment Company Plc. Both facilities are equally split between Kenya Shillings (KES) and United States Dollars (USD). The KES facilities are priced at Central Bank Rate (CBR) plus 3.65% while the USD facilities are priced at 3 months LIBOR plus 5.5%. The facility was secured by a charge over the company's shares in Isuzu East Africa Limited, Vipingo Development Limited and NAS Servair Limited.

2. Two Rivers Development Limited

Stanbic Bank Kenya Limited term loan facility of USD 29,000,000 advanced in 2017. The facility is equally split between Kenya Shillings (KES) and United States Dollars (USD). The KES facilities are priced at Central Bank Rate (CBR) plus 4% while the USD facilities are priced at 3 months LIBOR plus 5.53%. The facility was secured by a charge over the company's shares in Two Rivers Lifestyle Centre *Limited and vacant land owned by the company.*

c) Corporate bonds

	Group and Company	
	2019	**2018**
	Ksh'000	**Ksh'000**
At start of year	6,405,286	10,555,710
Accrued interest	746,306	227,687
Amortisation of bond issue costs	(84,200)	(64,606)
Additional accrued interest on Equity linked note	42,015	42,015
Repayments during the year	(742,089)	(4,355,520)
	6,367,318	6,405,286

The outstanding bond was issued in 2015. The bond is a 5 year, Ksh 6,000,000,000 bond. It comprises of fixed rate notes of Ksh 3,899,226,700 at an interest rate of 13% and a variable component of Ksh 2,100,773,300 at a 12.5% fixed rate and an additional amount payable at redemption date based on the movement in the Company's Net Asset Value. The maximum upside is 10% of the face value of the bond.

The carrying amounts of borrowings approximate to their fair value.

d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Call deposits and bank balances	5,393,271	6,022,022	252,752	1,077,666
Liquid investments*	1,561,164	1,738,828	52,578	98,134
Borrowings - repayable within one year (including overdraft)	(5,434,921)	(5,959,928)	(2,142,523)	(1,947,576)
Borrowings - repayable after one year	(21,436,040)	(18,503,640)	(14,002,272)	(12,895,055)
Net debt	(19,916,526)	(16,702,718)	(15,839,465)	(13,666,831)

9 Financing structure and commitments (continued)

9.1 Borrowings (continued)

d) Net debt reconciliation (continued)

Group	Cash and cash equivalent Ksh'000	Liquid investments* Ksh'000	Borrowings due within 1 year Ksh'000	Borrowings due after 1 year Ksh'000	Total Ksh'000
Net debt at 1 April 2018	6,022,022	1,738,828	(5,959,928)	(18,503,640)	(16,702,718)
Cashflows	(628,751)	539,465	2,559,132	(3,695,533)	(1,225,687)
Foreign exchange adjustments	-	532	-	47,482	48,014
Other non cash movements	-	(717,661)	-	(1,318,474)	(2,036,135)
Net debt at 31 March 2019	**5,393,271**	**1,561,164**	**(3,400,796)**	**(23,470,165)**	**(19,916,526)**

*Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets held at fair value through profit or loss.

	Cash and cash equivalent Ksh'000	Liquid investments* Ksh'000	Borrowings due within 1 year Ksh'000	Borrowings due after 1 year Ksh'000	Total Ksh'000
Net debt at 1 April 2017	5,638,783	1,223,152	(12,452,772)	(8,533,606)	(14,124,443)
Cashflows	383,239	(36,487)	6,492,844	(9,665,636)	(2,826,040)
Foreign exchange adjustments	-	1,963	-	275,121	277,084
Other non cash movements	-	550,200	-	(579,519)	(29,319)
Net debt at 31 March 2018	**6,022,022**	**1,738,828**	**(5,959,928)**	**(18,503,640)**	**(16,702,718)**

Company	Cash and cash equivalent Ksh'000	Liquid investments* Ksh'000	Borrowings due within 1 year Ksh'000	Borrowings due after 1 year Ksh'000	Total Ksh'000
Net debt at 1 April 2018	1,077,666	98,134	(1,947,577)	(12,895,054)	(13,666,831
Cashflows	(824,914)	-	1,839,179	(2,243,622	(1,229,356)
Foreign exchange adjustments	-	-		(45,951)	(45,951)
Other non cash movements	-	(45,556)		(851,770)	(897,326)
Net debt at 31 March 2019	**252,752**	**52,578**	**(108,398)**	**(16,036,396)**	**(15,839,464)**
Net debt at 1 April 2017	2,447,072	99,957	(8,572,095)	(6,084,031)	(12,109,097)
Cashflows	(1,369,406)	19,565	7,438,920	(7,537,497)	(1,448,418)
Foreign exchange adjustments	-	-	-	(231,991)	(231,991)
Other non cash movements	-	(21,388)	(814,402)	958,465	122,675
Net debt at 31 March 2018	**1,077,666**	**98,134**	**(1,947,577)**	**(12,895,054)**	**(13,666,831)**

9 Financing structure and commitments (continued)

9.2 Capital commitments

No capital expenditure contracted for at the reporting date but not recognised in the financial statements.

9.3 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recorded.

a) Litigations

On 26 October 2012, the bottling companies in Kenya lost a case against the Kenya Revenue Authority (KRA) for contested demand for tax arrears, penalties and interest for the period 2006 to 2009 relating to excise tax on returnable containers.

The bottling companies lodged an appeal against the ruling and have in the meantime obtained conservatory orders from the court maintaining the status quo/staying any adverse action as the notice of appeal is filed. The Directors' assessment is that the matter will be resolved amicably with minimal impact to the business of the bottling companies.

b) Letters of credit and performance bonds

In the ordinary course of business, Sidian Bank conducts business involving letters of credit, performance bonds and guarantees. Letters of guarantee and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by a customer to third parties. The Bank holds cash collateral to the extent of the guarantee that is realised in the events of default by customers.

	Group	
	2019	2018
	Ksh'000	Ksh'000
Letters of credit and performance bonds	17,112,220	6,667,984

10 Financial risk

10.1 Financial risk management and financial instruments

Financial instruments by category

a) Financial assets

	Group			Company		
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost
At 31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Government securities	735,319		2,598,122	-	-	-
Corporate bonds and commercial papers	-		106,082	-	-	-
Loans and advances	-	-	13,188,526	-	-	-
Finance lease receivables	-	-	46,817	-	-	-
Call deposits	-	-	1,752,703	-	-	204,950
Bank balances	-	-	3,640,568	-	-	47,802
Trade and other receivables	-	-	7,324,506	-	-	693,448
Shareholder loans advanced to subsidiaries	-	-	-	-	-	15,696,348
Quoted investments	-	1,561,164	-	-	52,578	-
Unquoted investments	-	4,146,239	-	-	3,619,410	-
Non financial assets						
Investment in subsidiaries	-	-	-	-	42,156,542	-
Investment in associates	-	-	-	-	6,915,641	-
Investment in joint ventures	-	-	-	-	2,097,549	-
	735,319	5,707,403	28,657,323	-	54,841,720	16,642,548
At 31 March 2018						
Government securities	401,555	3,151,296	-	-	-	-
Corporate bonds	-	503,576	-	-	-	-
Loans and advances	-	-	11,772,121	-	-	-
Finance lease receivables	-	-	4,974	-	-	-
Call deposits	-	-	978,786	-	-	820,950
Bank balances	-	-	5,043,236	-	-	256,716
Trade and other receivables	-	-	5,197,310	-	-	542,579
Shareholder loans advanced to subsidiaries	-	-	-	-	-	13,385,790
Unquoted investments	-	1,738,828	-	-	98,134	-
Quoted investments	-	4,362,975	-	-	3,886,780	-
Non financial assets						
Investment in subsidiaries	-	-	-	-	39,413,960	-
Investment in associates	-	-	-	-	5,081,473	-
Investment in joint ventures	-	-	-	-	2,099,631	-
	401,555	9,756,675	22,996,427	-	50,579,978	15,006,035

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

b) Financial liabilities

All the Group's financial liabilities are measured at amortised cost. The carrying value of the Group's and the Company's financial liabilities at the end of 2019 and 2018 are shown under respective notes.

Risk management framework

Introduction

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Group's business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risk include:

a) Market risk - currency risk, interest rate risk and price risk;

b) Credit risk; and

c) Liquidity risk.

The Group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Group recognises that in order to pursue its objectives and take advantage of opportunities, it cannot avoid taking risks, and that no risk management programme can aim to eliminate risk fully.

The Group's general risk management approach is to increase the likelihood of success in its strategic activities, that is, to raise the potential reward of its activities relative to the risks undertaken.

Accordingly, the Group's approach to risk management is intended to increase risk awareness and understanding, and thus support taking risks where appropriate, in a structured and controlled manner. The Group recognises that in pursuit of its mission and investment objectives it may choose to accept a lower level of reward in order to mitigate the potential hazard of the risks involved.

To assist in implementing its risk management policy, the Group has:

- Identified, analysed and produced a risk management strategy for those risks which might inhibit it from achieving its strategic objectives and which would threaten its ongoing survival as a leading investment Company;

- Raised awareness of and integrated risk management into its management policies.

- Promoted an understanding of the importance and value of risk management, particularly associated with investment opportunities; and

- Established risk management roles responsibilities for its board of directors, audit risk committee and the risk department.

The risk management function is supervised by the Board Audit Committee. Management identifies, evaluates and manages financial risks under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as price risk, foreign exchange risk, interest rate risk, credit risk. and investing excess liquidity .

The Board has put in place a Group Risk and Internal Audit function to assist it in assessing the risk faced by the Group on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

a) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices, and foreign exchange rates which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both floating and fixed interest rates and also holds cash deposits with financial institutions. The interest rates on the cash deposits are fixed and agreed upon in advance. Interest rates on overdrafts are pegged to the bank's base lending rate or prevailing Treasury Bills rates.

Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes. Deposits are placed at fixed interest rates and management is therefore able to plan for the resulting income. For facilities with variable rates, the Group is in regular contact with the lenders in a bid to obtain the best available rates. The Group may also review the level of holding of such facilities downwards in order to mitigate the attaching cash flow interest rate risk.

At 31 March 2019, Group and Company held deposits of Kshs 5,640,188,000 and Kshs 252,752,000 respectively (2018: Kshs 6,015,894,000 and Kshs 1,077,666,000 respectively) and the Company had unutilised bank credit facilities of Kshs 1,881,901,000 (2018: Kshs 52,424,000).

At 31 March 2019, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Kshs 174 million (2018: Kshs 117 million) for Group and Ksh 85 million (2018: Ksh 82 million) for Company respectively as a result of exposures in bank deposits and borrowings.

The Group has invested in corporate bonds and Government securities with fixed interest rate which is not affected by interest rate fluctuations.

ii) Price risk

The Group's private equity holdings are valued in accordance with International Private Equity and Venture Capital guidelines, which set out the valuation methodology for fair valuation. Valuation is relatively subjective and may change from time to time. In addition the valuation is also affected by the volatility of the stock prices since the Group uses the earnings multiple method which entails the use of the share prices of similar/comparable quoted companies among other components. Valuation risks are mitigated by comprehensive quarterly reviews of the underlying investments by management every quarter. The appropriateness of the investment valuations are then considered by the Board Audit Committee.

Quoted equity are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by choice of defensive stocks with low price volatility, and weekly monitoring of the value changes.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

ii) Price risk (continued)

At 31 March 2019, if the prices at the Nairobi Securities Exchange and other exchanges had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group and Company comprehensive income and equity would have been Kshs 77,990,630 (2018: Kshs 86,938,806) and Kshs 2,628,947 (2018: Kshs 4,906,759) higher/lower respectively.

iii) Investment holding period risk

88% and 98% (2017: 91% and 99%) of the Group and Company's investments respectively are not traded on any formal exchange. Disposal of these investments is constrained in many instances by pre-emptive rights, shareholder agreements and the absence of willing trade buyers or an active secondary market. The timing of realised proceeds on disposal may pose a risk to the Group.

The Group/Company mitigates this risk by seeking influence in the investee company's operations through large shareholding or board representation. The Group/Company also seeks compensation for this risk through high return hurdles during the investment appraisal and laying emphasis on dividend generating potential. However, the Group/Company has no fixed time horizon for its investments, and does not enforce exit options on investments as it believes current practice makes it easier to acquire attractive investments.

iv) Concentration risk

82% (2018: 82%) of the Group's assets are located in Kenya with 16% (2018: 16%) in the wider East African Region and 1% (2018: 2%) outside East Africa.

Investment portfolio sectoral allocation

The allocation of Centum's investments to the different sectors is as disclosed in note 2.

Each investment asset is considered independently by the Board's Investment Committee and the Board of Directors according to a structured process that includes extensive due diligence, industry analysis, consideration of existing assets and future capital commitments. Whereas sector limits are in place, concentration in the financial, beverages and industrial and allied sectors have mainly been brought about by organic growth and appreciation of market value.

To reduce exposure to country risk the Group is actively looking for regional investment opportunities.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Refer to the table below for the Group's exposure to foreign currency risk based on notional amounts. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is also exposed to translation risk as holding companies do not report in the same currencies as operating entities.

The Group has foreign subsidiaries whose assets are exposed to foreign currency translation risk, which is managed primarily through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

The Group's exposure to fluctuations in the foreign currency rates relate to conversion rates for valuation of overseas holdings.

The mean exchange rates ruling at 31 March 2019 and 31 March 2018 were:

	2019	2018
	Ksh'000	Ksh'000
1 US dollar (USD)	100.75	100.85
1 Euro (Eur)	113.04	124.74
1 British pound (GBP)	131.85	142.31
1 Ugandan shilling (UGX)	0.03	0.03
1 Tanzania shilling (Tshs)	0.04	0.04
1 Ghana cedi (Ghc)	19.07	22.69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

Below is a summary of the financial assets and liabilities denominated in foreign currencies at their carrying amounts:

	Group		Company	
	2019	2018	2019	2018
Financial assets	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Quoted investments (GHC)	-	172,763	-	-
Quoted investment (CFA Franc)	-	50,726	-	-
Quoted investment (EGP)	-	292,110	-	-
Balances due from banks (USD)	255,651	2,564,275	-	-
Balances due from banks (EUR)	71,610	531,370	-	-
Balances due from banks (GBP)	-	6,019	-	-
Balances due from banks (ZAR)	-	688	-	-
Balances due from banks (UGX)	-	514	-	-
Balances due from banks (TSHS)	-	68	-	-
Cash and equivalents (USD)	54,680	209,024	-	158,318
Cash and equivalents (EUS)	33,395	35,831	-	-
Cash and equivalents (GBP)	9,801	6,398	-	-
Loans and advances (USD)	1,099,071	-	-	-
Loans and advances (EUR)	28,010	-	-	-
	1,552,218	3,354,188	-	158,318
Financial liabilities				
Customer deposits (USD)	1,000,224	1,341,127	-	-
Customer deposits (EUR)	141,199	65,219	-	-
Customer deposits (GBP)	1,152	561	-	-
Borrowings (USD)	10,756,329	8,498,491	-	-
Borrowings (EUR)	-	-	-	-
	11,898,905	**9,905,398**	**-**	**-**

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk (continued)

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
1 US dollar (USD)	(572,311)	(353,316)	-	7,916
1 Euro (EUR)	(1,810)	25,099	-	-
1 British pound (GBP)	432	593	-	-
1 Eqyptian pound (EGP)	-	31,216	-	-
1 Ghana cedi (GHC)	-	26,825	-	-
	(573,688)	**(269,583)**	**-**	**7,916**

b) Liquidity risk

This is the risk that the Group will encounter difficulties in meeting its financial commitments from its financial liabilities, including off balance sheet items. Prudent liquidity risk management includes maintaining sufficient cash to meet its 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 Group's short, medium and long term funding and liquidity management requirements.

The Group manages liquidity risk by:

- maintaining adequate cash reserves and banking facilities on the Parent company and operating subsidiaries' balance sheets;
- holding cash, near cash assets and other fixed income marketable securities in two special purpose liquidity vehicles (Centum Exotics Limited and Oleibon Investments Limited); and
- continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk also relates to the risk that the Group would miss out attractive investment opportunities due to lack of funding. This risk is mitigated by the fact that the available for sale quoted investments can be converted to cash when funds are required. The risk is also minimised by use of annually renewable credit facilities.

The Group has developed internal control processes and contingency plans for managing liquidity risk including maturity gaps that incorporates an assessment of expected cash flows. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow.

At 31 March 2019, over 12% (2018: over 12%) of the Group's assets were held in quoted securities which are quickly convertible to cash. The Group also had Kshs 1,881,901,351 (2018: Kshs 52,424,300) unutilised credit facility (Note 9.1).

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)
b) Liquidity risk (continued)

Group

At 31 March 2019	Up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Investment in associates	-	-	-	-	3,429	-	3,429
Investment in joint ventures	-	-	-	-	7,065,230	-	7,065,230
Unquoted equity investments	-	-	-	-	4,146,239	-	4,146,239
Quoted investments	-	-	-	1,561,164	-		1,561,164
Loans and advances	1,650,232	588,496	802,486	5,112,319	3,061,063	1,973,932	13,188,526
Finance lease receivable	-	-	4,438	42,379	-	-	46,817
Government securities at fair value through profit and loss	608,842	-	-	-	-	126,477	735,319
Government securities at amortised cost	449,115	148,615	213,228	-	-	1,787,165	2,598,123
Corporate bonds at amortised cost	-	-	-	-	106,082	-	106,082
Receivables and prepayments	-	19,500,000	3,913,008	702,076	-	2,306,482	26,421,566
Cash and cash equivalent	3,343,817	1,752,703	286,666	10,085	-	-	5,393,271
	6,052,005	21,989,813	5,219,826	5,866,858	3,167,145	6,194,056	61,265,766
Financial liabilities							
Customer deposits	10,919,767	2,499,613	1,397,304	-	-	-	14,816,684
Borrowings	899,974	-	4,534,948	396,184	199,550	1,208,434	7,239,089
Other liabilities and accrued expenses	840,667	924,132	3,536,064	-	-	-	5,300,863
Unclaimed dividends	-	211,675	-	-	-	-	211,675
	12,660,408	3,635,420	9,468,316	396,184	199,550	1,208,434	27,568,311
Financial guarantees	-	4,452,857	7,626,298	5,023,066	10,000	-	17,112,220
Net liquidity	(6,608,403)	13,901,536	(11,874,788)	447,608	2,957,595	4,985,622	16,585,235

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)
b) Liquidity risk (continued)

Group

At 31 March 2018	Up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Investment in associates	-	-	-	-	2,745,989	-	2,745,989
Investment in joint ventures	-	-	-	-	9,797,800	-	9,797,800
Unquoted equity investments	-	-	-	-	4,362,975	-	4,362,975
Quoted investments	-	-	-	1,738,828	-		1,738,828
Loans and advances	509,172	459,126	657,781	4,329,624	3,741,389	2,075,029	11,772,121
Finance lease receivable	-	-	2,984	1,990	-	-	4,974
Government securities at fair value through profit and loss	-	296,230	-	-	-	105,325	401,555
Government securities at amortised cost	-	-	1,459,609	-	-	2,051,569	3,511,178
Corporate bonds at amortised cost	-	-	-	37,704	105,990	-	143,694
Receivables and prepayments	-	1,164,894	5,166,577	700,394	-	670,326	7,702,191
Cash and cash equivalent	4,305,176	978,786	373,778	162,079	-	-	5,819,819
	4,814,348	2,899,036	7,660,729	5,231,791	3,847,379	4,902,249	48,001,124
Financial liabilities							
Customer deposits	3,647,736	8,245,109	939,550	-	-	-	12,832,395
Borrowings	2,390,091	372,273	1,874,632	12,951,890	206,698	-	17,795,584
Other liabilities and accrued expenses	1,250,643	1,058,699	2,667,786	315,802	-	-	5,292,930
Unclaimed dividends	-	154,139	-	-	-	-	154,139
	7,288,470	9,830,220	5,481,968	13,267,692	206,698	-	36,075,048
Financial guarantees	-	1,142,797	1,955,630	3,566,217	3,340	-	6,667,984
Net liquidity	(2,474,122)	(8,073,981)	223,131	(11,602,118)	3,637,341	4,902,249	5,258,092

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)
b) Liquidity risk (continued)

Company

At 31 March 2019	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Investment in subsidiaries	-	-	23,092,583	4,196,348	22,407,623	9,897,778	59,594,332
Investment in associates	-	-	7,907,417	-	3,429	-	7,910,846
Investment in joint ventures	-	-	-	-	2,097,549	-	2,097,549
Unquoted equity investments	-	-	-	-	3,619,410	-	3,619,410
Quoted investments	-	-	-	52,578	-	-	52,578
Receivables and prepayments	394,689	-	330,815	-	-	-	725,504
Cash and cash equivalent	47,802	204,950	-	-	-	-	252,752
	442,492	204,950	31,330,815	4,248,926	28,128,011	9,897,778	74,252,971
Financial liabilities							
Payables and accruals	50,480	15,876	-	118,018	-	-	184,374
Due to subsidiary companies	-	351,078	-	-	-	-	351,078
Borrowings	-	-	2,142,523	14,002,272	-	-	16,144,795
Unclaimed dividends	-	211,675	-	-	-	-	211,675
	50,480	578,629	2,142,523	14,120,290	-	-	16,891,922
Net liquidity	392,012	(373,680)	29,188,292	(9,871,364)	28,128,011	9,897,778	57,361,049

At 31 March 2018	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Investment in subisidiaries	-	2,324,230	-	-	-	37,089,731	39,413,961
Investment in associates	-	-	-	-	-	5,081,473	5,081,473
Investment in joint ventures	-	-	-	-	-	2,099,631	2,099,631
Unquoted investments	-	-	-	-	-	3,886,780	3,886,780
Quoted investments	-	-	-	-	-	98,134	98,134
Due from subsidiary companies	-	-	-	13,385,790	-	-	13,385,790
Receivables and prepayments	312,383	-	598,127	-	-	-	910,510
Cash and cash equivalent	256,716	820,950	-	-	-	-	1,077,666
	569,099	820,950	598,127	13,385,790	-	-	65,953,945
Financial liabilities							
Payables and accruals	88,361	14,625	-	133,900	-	-	236,886
Due to subsidiary companies	-	293,798	-	-	-	-	293,798
Borrowings	-	-	1,947,576	12,895,055	-	-	14,842,631
Unclaimed dividends	-	154,139	-	-	-	-	154,139
	88,361	462,562	1,947,576	13,028,955	-	-	15,527,454
Net liquidity	480,738	358,388	(1,349,449)	356,835	-	-	50,426,491

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Group carries out its own assessment of credit risk before investing in corporate bonds, and updates such assessments at each reporting date.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

In assessing whether the credit risk on a financial asset has increased significantly, the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the Group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Group Groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument

- industry in which the debtor operates

- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor

- a breach of contract

- it is probable that the debtor will enter bankruptcy

- the disappearance of an active market for the financial asset because of financial difficulties

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

Group

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below) (a)	(b)	(c)	Total
	Khs '000	Khs '000	Khs '000	Khs '000	Khs '000
At 31 March 2019					
Government securities	3,333,441	-	-	-	3,333,441
Corporate bonds and commercial papers	136,082	-	-	-	136,082
Loans and advances	11,361,859	614,689	2,477,466	-	14,454,015
Finance lease receivables	46,817	-	-	-	46,817
Call deposits	1,752,703	-	-	-	1,752,703
Bank balances	1,883,230	-	-	-	1,883,230
Trade and other receivables	-	-	-	5,619,173	5,619,173
Gross carrying amount	18,514,132	614,689	2,477,466	5,619,173	27,225,461
Loss allowance	-	-	-	(601,149)	(601,149)
Exposure to credit risk	18,514,132	614,689	2,477,466	5,018,024	26,624,312
At 31 March 2018					
Government securities	3,552,852	-	-	-	3,552,852
Corporate bonds and commercial papers	503,575	-	-	-	503,575
Loans and advances	9,417,583	821,040	2,600,953	-	12,839,576
Finance lease receivables	4,974	-	-	-	4,974
Call deposits	978,786	-	-	-	978,786
Bank balances	632,050	-	-	-	632,050
Trade and other receivables	-	-	-	5,079,934	5,079,934
Gross carrying amount	15,089,820	821,040	2,600,953	5,079,934	23,591,747
Loss allowance	-	-	-	(549,599)	(549,599)
Exposure to credit risk	15,089,820	821,040	2,600,953	4,530,335	23,042,148

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

Company

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	Total
	Khs '000	Khs '000	Khs '000	Khs '000	Khs '000
At 31 March 2019					
Call deposits	204,950	-	-	-	204,950
Bank balances	47,802	-	-	-	47,802
Trade and other receivables	-	-	-	693,448	693,448
Shareholder loans advanced to subsidiaries	15,696,348	-	-	-	15,696,348
Gross carrying amount	15,949,100	-	-	693,448	16,642,548
Loss allowance	-	-	-	-	-
Exposure to credit risk	15,949,100	-	-	693,448	16,642,548
		-	-		
At 31 March 2018					
Call deposits	820,950	-	-	-	820,950
Bank balances	256,716	-	-	-	256,716
Trade and other receivables	-	-	-	542,579	542,579
Shareholder loans advanced to subsidiaries	13,385,790	-	-	-	13,385,790
Gross carrying amount	14,463,456	-	-	542,579	15,006,035
Loss allowance	-	-	-	-	-
Exposure to credit risk	14,463,456	-	-	542,579	15,006,035

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk and expected credit losses (continued)

The loss allowance at the end of each year relate to the following:

Group

Basis for measurement of loss allowance	12-month expected credit losses	Lifetime expected credit losses (see note below)			
		(a)	(b)	(c)	Total
	Khs '000	Khs '000	Khs '000	Khs '000	Khs '000
At 31 March 2019					
Loans and advances	11,361,859	614,689	2,477,466	-	14,454,015
Trade and other receivables	-	-	-	5,619,173	5,619,173
	11,361,859	614,689	2,477,466	5,619,173	20,073,188
At 31 March 2018					
Corporate bonds and commercial papers	-	-	-	-	-
Loans and advances	9,417,583	821,040	2,600,953	-	12,839,576
Trade and other receivables	-	-		5,079,934	5,079,934
Total	9,417,583	821,040	2,600,953	5,079,934	17,919,510

The Group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;

(b) financial assets that are credit impaired at the balance sheet date;

(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy

The Group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1

Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

Level 3

Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible. The following table shows an analysis of financial instruments reflected at fair value by level of the fair value hierarchy.

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy framework (continued)

Group	Level 1	Level 2	Level 3	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
31 March 2019				
Financial assets:				
Unquoted equity instruments	-	-	4,146,239	4,146,239
Quoted equity instruments	1,561,164	-	-	1,561,164
Government securities at fair value through profit and loss	-	735,319	-	735,319
	1,561,164	735,319	4,146,239	6,442,722
Non financial assets:				
Investment property	-	-	40,033,745	40,033,745
Property, Plant and equipment	-	-	1,748,521	1,748,521
	-	-	41,782,266	41,782,266
31 March 2018				
Financial assets:				
Unquoted equity instruments	-	-	4,362,975	4,362,975
Quoted equity instruments	1,738,828	-	-	1,738,828
Government securities at fair value through profit and loss	-	401,555	-	401,555
	1,738,828	401,555	4,362,975	6,503,358
Non financial assets:				
Investment property	-	-	32,718,667	32,718,667
Property, Plant and equipment	-	-	1,725,441	1,725,441
	-	-	34,444,108	34,444,108

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy framework (continued)

The following summarises the carrying amount of those assets and liabilities not held at fair value. Except for held-to-maturity investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

31 March 2019	Carrying amount Ksh'000	Fair value Ksh'000	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000
Financial assets					
Loans and advances	13,188,526	13,188,526	-	-	13,188,526
Finance lease receivable	46,817	46,817	-	-	46,817
Cash and cash equivalent	5,393,271	5,393,271	-	-	5,393,271
Other assets	7,413,599	7,413,599	-	-	7,413,599
	26,042,213	26,042,213	-	-	26,042,213
Financial liabilities					
Customer deposits	14,816,684	14,816,684	-	-	14,816,684
Borrowings	26,870,961	26,870,961	-	-	26,870,961
Dividend payable	211,675	211,675	-	-	211,675
Other liabilities	5,400,835	5,400,835	-	-	5,400,835
	47,300,155	47,300,155	-	-	47,300,155
31 March 2018					
Financial assets					
Loans and advances	11,772,121	11,772,121	-	-	11,772,121
Finance lease receivable	4,974	4,974	-	-	4,974
Cash and cash equivalent	5,819,819	5,819,819	-	-	5,819,819
Other assets	6,336,294	6,336,294	-	-	6,336,294
	23,933,208	23,933,208	-	-	23,933,208
Financial liabilities					
Customer deposits	12,832,395	12,832,395	-	-	12,832,395
Borrowings	24,463,568	24,463,568	-	-	24,463,568
Dividend payable	154,139	154,139	-	-	154,139
Other liabilities	5,115,389	5,115,389	-	-	5,115,389
	42,565,491	42,565,491	-	-	42,565,491
Reconciliation of level 3					
Loans and advances	7.1				
Finance lease receivable	8.3				
Cash and cash equivalent	4.3				

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

Company	**Level 1**	**Level 2**	**Level 2**	**Total**
31 March 2019	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Financial assets				
Investment in subsidiaries	1,039,849	-	41,116,693	42,156,542
Debt investment in subsidiaries	-	-	15,696,348	15,696,348
Investment in associates	-	-	6,915,641	6,915,641
Investment in joint ventures	-	-	2,097,549	2,097,549
Unquoted equity instruments	-	-	3,619,410	3,619,410
Quoted equity instruments	52,578	-	-	52,578
	1,092,427	-	69,445,641	70,538,068
31 March 2018				
Financial assets				
Investment in subsidiaries	749,966	-	36,339,765	37,089,731
Debt investment in subsidiaries	-	-	13,385,790	13,385,790
Investment in associates	-	-	5,081,473	5,081,473
Investment in joint ventures	-	-	2,099,631	2,099,631
Unquoted equity instruments	-	-	3,886,780	3,886,780
Quoted equity instruments	98,134	-	-	98,134
	848,100	-	60,793,439	61,641,539

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

There were no transfers into or out of level 3 in 2019 and 2018. The following is a movement of financial assets classified under level 3.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	4,024,112	4,226,166	48,075,590	43,793,862
Additions	185,982	263,727	(130,329)	335,915
Translation differences	-	-	(2,082)	(44,821)
Fair value (losses)/gains	(402,718)	(465,781)	4,284,500	3,990,634
At end of year	3,807,376	4,024,112	52,227,679	48,075,590
Total (losses)/gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income	(402,718)	(465,781)	4,284,500	3,990,634

Financial assets under level 3 are valued using earnings multiples that are based on the market prices of comparable entities. If the market prices of the comparable entities listed on the Nairobi Securities Exchange appreciated/(depreciated) by 5%, the fair values of the financial assets under level 3 would change by the following:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
5% change in market value	8,550	7,866	215,437	191,187

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)

e) Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders; and
- To maintain a strong capital base to support the current and future development needs of the business.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is important and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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 equity. Net debt is calculated as total borrowings less cash and cash equivalents.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain a gearing ratio within 20% to 50%. The gearing ratios at 31 March 2018 and 31 March 2017 were as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
Share capital	332,721	332,721	332,721	332,721
Share premium	589,753	589,753	589,753	589,753
Investment revaluation reserve	1,182,443	2,389,857	37,798,090	33,828,338
Retained earnings	37,385,913	34,358,987	13,081,075	13,136,740
Dividends proposed	798,530	798,530	798,530	798,530
Non controlling interest	11,286,455	12,427,316	-	-
Equity	51,575,815	50,897,164	52,600,169	48,686,082
Total borrowings	26,870,961	24,463,568	16,144,795	14,842,631
Less: cash and bank balances	(5,393,271)	(6,022,022)	(252,752)	(1,077,666)
Net borrowings	21,477,690	18,441,546	15,892,043	13,764,965
Gearing (%)	41.64%	36.23%	30.21%	28.27%

10 Financial risk (continued)

10.1 Financial risk management and financial instruments (continued)

Risk management (continued)

e) Capital management

Loan covenants

Group

Sidian Bank Limited

The loans financial covenants relating to the non-performing loans and operational self- sufficiency ratios were not met as at 31 December 2017. The two lenders, Pamiga and Oiko, have not recalled the loans.

All the other subsidiaries have complied with their debt covenants.

Company

Under the terms of the major borrowing facilities, the company is required to comply with the following financial covenants:

a) interest cover: the ratio of internally generated funds to finance charges is equal to or more than 1.5:1; and

b) Net debt to equity cover: the ratio of consolidated total net debt to equity shall not exceed 1:2.

The Company was in compliance with the debt covenants.

11 Equity Structure

11.1 Ordinary share capital and share premium

Ordinary shares are classified as 'share capital' in equity. Any amounts received over and above the par value of the shares is classified as 'share premium' in equity.

	Number of shares (in thousands)	Ordinary shares	Share premium
	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017, 31 March 2018 and 31 March 2019	665,442	332,721	589,753

The total authorised number of ordinary shares is 800,000,000 with a par value of Ksh 0.50 per share. 665,441,714 shares were issued and fully paid up as at 31 March 2019 and 2018.

11 Equity Structure (continued)

11.2 Other reserves

	Group			Company
	Investment revaluation	Currency translation	Total other reserves	Investment revaluation
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017	2,672,752	131,046	2,803,798	30,192,608
Reserves released on disposal	(34,124)	-	(34,124)	(7,399)
Revaluation surplus on property and equipment	(404,353)	-	(404,353)	-
Fair value losses in associates	-	-	-	689,661
Fair value gains in subsidiaries	-	-	-	3,767,153
Fair value losses in unquoted investments	(465,781)	-	(465,781)	(466,180)
Fair value gains in quoted investments	584,324	-	584,324	17,651
Currency translation differences	-	(84,675)	(84,675)	-
Deferred tax on revaluation gains	(9,332)	-	(9,332)	(365,156)
At 31 March 2018	**2,343,486**	**46,371**	**2,389,857**	**33,828,338**
Reserves released on disposal	(187,121)	-	(187,121)	(1,262,453)
Fair value losses in associates	-	-	-	1,834,168
Fair value gains in subsidiaries	-	-	-	4,135,364
Fair value losses in unquoted investments	(402,718)	-	(402,718)	(422,579)
Fair value gains in quoted investments	(530,540)	-	(530,540)	(45,556)
Currency translation differences	-	(161,002)	(161,002)	-
Deferred tax on revaluation gains	73,967	-	73,967	(269,192)
At 31 March 2019	**1,297,074**	**(114,631)**	**1,182,443**	**37,798,090**

11 Equity Structure (continued)

11.2 Other reserves (continued)

Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of at fair value through other comprehensive income financial assets and are distributable upon realisation. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, which is effectively realised, is reduced from the investment revaluation reserve and is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in retained earnings .

Currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of foreign operations and are distributable upon realisation.

11.3 Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

	2019	2018
i) Dividends paid	**Ksh'000**	**Ksh'000**
Final dividend in respect of the prior year	721,779	710,733

ii) Dividends proposed

The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2019 (2018: KES 1.20 per share). The aggregate amount of the proposed dividend expected to be paid out in October 2019 out of retained earnings at 31 March 2019, but not recognised as a liability at year end, is Ksh 798,530,000 (2018: Ksh 798,530,000)

ii) Unclaimed dividend	**Group**		**Company**	
	2019	**2018**	**2019**	**2018**
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**
At start of year	154,139	82,725	154,139	82,725
Dividend - 2019	74,921	87,797	74,921	87,797
Dividend paid	(17,385)	(16,383)	(17,385)	(16,383)
	211,675	154,139	211,675	154,139

12 Related parties

12.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the Group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals. Related party transactions are done at an armslength.

Centum Investment Company Plc is the ultimate parent of the Group. The Group transacts with companies related to it by virtue of common shareholding and also by virtue of common directors.

The following transactions were carried out with related parties:

i) Purchase of goods and services	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Office rent paid to a subsidiary	21,397	-	23,636	-
Office rent (paid to entity controlled by a director)	-	15,524	-	16,283
Management fees paid to a subsidiary	24,851	-	4,251	49,418
At end of year	46,249	15,524	27,887	65,701

ii) Interest and dividend income	Company	
	2019	2018
	Ksh'000	Ksh'000
Interest income earned on advances and deposits placed with a subsidiaries	1,190,457	1,323,666
Dividend income earned from subsidiaries and associate	518,464	1,864,724

iii) Key management compensation

Key management includes executive directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2019	2018	2019	2018
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Salaries	251,706	203,131	77,723	98,687
Performance bonus	56,643	306,325	25,659	223,521
Retirement benefit scheme contribution	13,581	11,499	5,259	6,567
	321,929	520,955	108,640	328,775

12 Related parties (continued)

12.1 Related party transactions (continued)

	Group		Company	
	2019	2018	2019	2018
iv) Directors remuneration	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
Fees and expenses for services as a non-executive director	105,506	98,493	23,328	23,990
Other included in key management compensation above	45,284	177,558	45,284	177,558
	150,790	276,051	68,612	201,548
v) Outstanding related party balances				
Amounts due to related parties	39,365	72,796	351,078	293,798
Amounts due from related parties	1,747,360	666,975	15,696,348	13,385,790
vi) Shareholder loans advanced to related parties				
Two Rivers Development Limited	-	-	-	-
Two Rivers Lifestyle Centre Limited	1,747,360	666,975	-	-
Uhuru Heights Limited	-	-	580,377	574,074
eTransact Limited	-	-	7,157	7,157
Centum Exotics Limited	-	-	3,781,644	3,565,550
Centum Development Limited	-	-	4,544,663	3,926,414
Nabo Capital Limited	-	-	79,847	90,005
Centum Business Solutions Limited	-	-	854,993	399,320
Mvuke Limited	-	-	1,542,124	1,490,777
King Beverage Limited	-	-	533, 985	471,203
Vipingo Development Limited	-	-	3,111,937	2,500,062
Rasimu Limited	-	-	31,566	32,047
Investpool Holdings Limited	-	-	1,637	-
Shefa Holdings Limited	-	-	8,692	6,734
Mwaya Investments Company Limited	-	-	4.153	3,612
Greenblade Growers Limited	-	-	187,828	124,952
Bakki Holdco Limited	-	-	1,266	1,266
Vipingo Estates Limited	-	-	17,270	5,470
Athena Properties Limited	-	-	351,644	150,256
Zohari			13,305	-
Tribus (TSG) Limited			4,340	-
Two Rivers Luxury Apartments Limited	-	-	37,920	36,890
	1,747,360	666,975	15,696,348	13,385,790

13 Events occurring after the reporting period

13.1 Sale of Almasi Bottlers Limited and Nairobi Bottlers Limited

On 10 June 2019, the Group signed an agreement to sell its total combined shareholding in Almasi Beverages Limited and Nairobi Bottlers Limited to Coca-Cola Beverages Africa Limited at a combined valuation of KES 19.5 billion.

The two investments are carried at KES 16.8 billion on the balance sheet as at 31 March 2019 and have a carrying cost of KES 3.4 billion.

The Group expects to complete the transaction in the financial year ending 31 March 2020 and as such, the financial effects of this transaction have not been recognised in the financial statements for the year ended 31 March 2019.