

# CENTUM INVESTMENT COMPANY PLC

## FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The Board of Directors of Centum Investment Company Plc is pleased to announce the audited financial results of the Group and Company for the year ended 31 March 2022 as set out below:-



### CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

| KES. '000   | GROUP              |                    | COMPANY          |                    |
|---|--------------------|--------------------|------------------|--------------------|
|   | MAR '22            | MAR '21            | MAR '22          | MAR '21            |
| <b>Trading business:</b>                              |                    |                    |                  |                    |
| Sales   | 2,303,649          | 995,792            | -                | -                  |
| Direct and other operating costs                      | (2,230,434)        | (1,524,826)        | -                | -                  |
| <b>Profit/(loss) from trading businesses</b>          | <b>73,215</b>      | <b>(529,034)</b>   | -                | -                  |
| <b>Financial services:</b>                            |                    |                    |                  |                    |
| Income from financial services                        | 5,599,891          | 4,338,068          | -                | -                  |
| Funding and other costs                               | (4,908,234)        | (4,008,210)        | -                | -                  |
| <b>Profit from financial services</b>                 | <b>691,657</b>     | <b>329,858</b>     | -                | -                  |
| <b>Real Estate</b>                                    |                    |                    |                  |                    |
| Gross profit from residential unit sales              | 334,723            | 124,418            | -                | -                  |
| Fair value gains on investment property               | 513,068            | 1,638,662          | -                | -                  |
| Gain/(loss) on disposal of investment properties      | 111,074            | (237,907)          | -                | -                  |
| Other income  | 99,204             | 297,990            | -                | -                  |
| Funding and other costs                               | (931,020)          | (947,863)          | -                | -                  |
| <b>Profit from real estate investments</b>            | <b>127,049</b>     | <b>875,300</b>     | -                | -                  |
| <b>Two Rivers Development</b>                         |                    |                    |                  |                    |
| Sales and investment income                           | 752,867            | 1,066,420          | -                | -                  |
| Funding and other costs                               | (1,729,934)        | (1,830,356)        | -                | -                  |
| Share of loss from joint venture                      | (1,008,764)        | (1,095,344)        | -                | -                  |
| <b>Loss from Two Rivers Development Group</b>         | <b>(1,985,831)</b> | <b>(1,859,280)</b> | -                | -                  |
| <b>Investment operations:</b>                         |                    |                    |                  |                    |
| Investment and other income                           | 1,084,518          | 684,115            | 1,661,922        | 1,516,870          |
| Operating and administrative costs                    | (685,848)          | (715,021)          | (529,469)        | (669,082)          |
| Finance costs   | (545,143)          | (629,441)          | (540,466)        | (602,867)          |
| <b>(Loss)/profit before provisions</b>                | <b>(146,473)</b>   | <b>(660,347)</b>   | <b>591,987</b>   | <b>244,921</b>     |
| Share of loss from associate                          | (150,163)          | -                  | -                | -                  |
| Impairment provision on assets                        | (251,339)          | (488,707)          | (530,666)        | (1,071,393)        |
| <b>(Loss)/profit from investment operations</b>       | <b>(547,975)</b>   | <b>(1,149,054)</b> | <b>61,321</b>    | <b>(826,472)</b>   |
| <b>(Loss)/profit before tax</b>                       | <b>(1,641,885)</b> | <b>(2,332,210)</b> | <b>61,321</b>    | <b>(826,472)</b>   |
| <b>(Loss)/profit for the year</b>                     | <b>(1,339,809)</b> | <b>(1,367,915)</b> | <b>(20,639)</b>  | <b>(606,601)</b>   |
| Other comprehensive income/(loss), net of tax         | 1,481,861          | (86,555)           | (227,356)        | (4,212,119)        |
| <b>Total comprehensive income/(loss) for the year</b> | <b>142,052</b>     | <b>(1,454,470)</b> | <b>(247,995)</b> | <b>(4,818,720)</b> |

As an investment holding company, we focus on identifying great opportunities, adding value/scaling up the opportunities and monetizing the value created during the holding period and through exits to lock in superior returns for our stakeholders.

Our Company statement of comprehensive income enumerates the value created in the year from our investment portfolio and includes cash returns, realised and unrealised gains adjusted for operating costs, finance costs and tax. The Company statement of financial position is reflective of the fair value of our investment portfolio as at the reporting date.

Our Consolidated financials aggregate the financial performance of the underlying portfolio companies and the proportion of that performance that is attributable to our shareholders.

In the year ended 31 March 2022, improved performance was recorded at both the Company and Consolidated levels, a reflection of the performance of the businesses and recovery of our underlying portfolio as the economy began to rebound from the adverse impact of the Covid-19 pandemic on economic activity.

#### COMPANY PERFORMANCE

The company's loss after tax for the year ended 31 March 2022 reduced by 97% to Kes 21 million from a loss after tax of Kes 607 million in FY 2021. Included in this performance is a non cash impairment of assets without which the operating profit was Kes 592 million an increase of 142% from prior year. The improved performance was attributable to an increase in investment income as the company continued rebalancing its portfolio in line with its capital preservation and liquidity enhancement objectives, reduction in impairment provisions and increased operational efficiencies.

Operating and administration expenses reduced by 21% in line with the Centum 4.0 strategic focus of organisational effectiveness through optimisation of the operating model and focus on subsidiaries attaining full operational autonomy. Finance costs reduced by 10% in FY 2022 compared to FY 2021.

The company recorded net revaluation losses of Kes 227 million in FY 2022 compared to Kes 4.2 billion revaluation losses in FY 2021 on the back of improved market multiples and profitability of the portfolio companies.

#### Debt

During the year, the company did not take up additional debt, and maintained a positive cash position, net of debt. Short term debt remained at Kes 4.1Bn, and gearing remained at 10%. There was no long-term debt in the year.

#### Net asset value per share

The Net Asset Value per share declined slightly from Kes 62.85 to Kes 62.1. This was attributable to the impact of the unrealised fair value loss movements of Kes 227 million in the year.

#### CONSOLIDATED PERFORMANCE

The Consolidated performance aggregates the performance of our subsidiaries, associates, and joint ventures in the year. These are disclosed in five distinct segments: (i) Trading Businesses (ii) Financial Services, (iii) Real Estate, (iv) Two rivers investment operations, and (v) Investment operations.

Consolidated total comprehensive income for the year stood at Kes 142 million a 120% growth from the loss of Kes 1.4 billion recorded for the FY2021. Excluding the loss from Two Rivers

Investment operations, the consolidated total comprehensive income would have been Kes 2.1 billion up from Kes 405 million in the prior year. This huge improvement in total comprehensive income demonstrates the health of our investment portfolio. In regards to Two Rivers, while Centum owns 58% of the Company, Centum consolidates a 100% of the losses of the Company thereby overstating the effect of the loss in the consolidated financial statements of Centum Group. Nonetheless, we are working with the management of Two Rivers to raise capital for the next phase of the development comprising residential housing. Once successful, the capital raise will see Two Rivers knock off a huge amount of finance costs from its income statement, while recording a boost in its profits from the development and sale of the residential housing. The key performance drivers for the various segments are highlighted below:-

**Trading businesses:** This segment comprises of investments in Longhorn Publishers, Green Blade Growers, Tier Data Ltd and Tribus Security Group Ltd. The trading businesses reported a profit before tax of Kes 73 million compared to a loss of Kes 529 million in FY 2021 attributable to a gradual improvement in the trading environment following the easing of Covid 19 containment measures.

Sales grew 2.3x from Kes 0.9 billion in FY 2021 to Kes 2.3 billion in FY 2022 mainly driven by Longhorn Publishers Plc which recorded top line growth through regional expansion and a recovery in the education sector following the re-opening of schools. Direct and operating costs grew by 57% in tandem with the higher sales. The trading businesses paid down their debt to Kes 1 billion as at 31 March 2022 from Kes 1.3 billion in March 2021 with a resultant reduction in finance costs by 23%.

**Financial Services:** This segment comprises of Sidian Bank Limited, Nabo Capital Limited, and Zohari Credit Limited. The financial services segment recorded a two-fold increase in performance from an operating profit of Kes 330 million in FY2021 to Kes 692 million in FY2022. The strong performance in this segment was buoyed by a growth in the loan book as well as non-funded income in Sidian Bank and improved performance by Nabo Capital and Zohari Credit Limited.

**Real Estate, Centum RE:** The Real Estate business recorded a profit of Kes 127 million in FY2022. Gross profit from sale of residential units increased by 304% from Kes 124 million to Kes 335 million on completion and handover of more projects. Net gain from sales of development rights was Kes 111 million compared to a prior year loss of Kes 238 million. Development rights sales have been achieved at valuations that are several multiples to both the land acquisition and development costs and carrying values, validating both our business model as a master developer and the valuations on our balance sheet. Lower fair value gains were recorded in FY2022 of Kes 0.5 billion compared to Kes 1.6 billion in FY2021.

Centum RE's debt holding as at 31 March 2022 was Kes 5.3 billion from Kes 6 billion in FY 2021 with an asset cover of 7.8x. All the project finance debt, including the corporate bond, is fully covered by the escrowed cash and the projects' inventories and receivables accumulated on the Centum RE balance sheet.

Centum RE continues to record a significant increase in pre-sales level in residential units and land sales conversions. The pre-sales of residential units in the year ended 31 March 2022 was Kes 4.7 billion compared to Kes 3.6 billion in FY 2021 reflective of market demand. The value of residential units under construction increased to Kes 7.6 billion from Kes 6.6 billion reflective of ongoing development of residential units in Vipingo, Pearl Marina and Two Rivers. The pre-sales of both land and residential units are shown in the balance sheet as deferred income and as the projects and

### CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022

| KES MILLION   | GROUP          |                | COMPANY       |               |
|---|----------------|----------------|---------------|---------------|
|   | MAR '22        | MAR '21        | MAR '22       | MAR '21       |
| Investment portfolio  | 11,655         | 20,173         | 42,694        | 46,039        |
| Loans and advances  | -              | 20,423         | -             | -             |
| Cash and cash equivalents   | 1,196          | 5,122          | 1,019         | 867           |
| Assets held for sale  | 43,030         | -              | 2,776         | -             |
| Other assets  | 62,952         | 63,714         | 471           | 609           |
| <b>Total Assets</b>   | <b>118,833</b> | <b>109,432</b> | <b>46,960</b> | <b>47,515</b> |
| Customer deposits   | -              | 23,070         | -             | -             |
| Borrowings  | 20,626         | 25,501         | 4,159         | 4,122         |
| Other liabilities   | 13,257         | 13,812         | 1,476         | 1,571         |
| Liabilities directly associated with assets classified as held for sale | 37,580         | -              | -             | -             |
| <b>Total Liabilities</b>  | <b>71,463</b>  | <b>62,383</b>  | <b>5,635</b>  | <b>5,693</b>  |
| <b>Total Equity</b>   | <b>47,370</b>  | <b>47,049</b>  | <b>41,325</b> | <b>41,822</b> |
| <b>Total Capital and Liabilities</b>                                    | <b>118,833</b> | <b>109,432</b> | <b>46,960</b> | <b>47,515</b> |
| <b>NAV per share (KES.)</b>   |                |                | <b>62.10</b>  | <b>62.85</b>  |

### CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

| KES MILLION                              | GROUP        |              | COMPANY      |              |
|--|--------------|--------------|--------------|--------------|
|  | MAR '22      | MAR '21      | MAR '22      | MAR '21      |
| <b>Opening cash and cash equivalents</b> | <b>4,843</b> | <b>7,126</b> | <b>(149)</b> | <b>1,875</b> |
| Net cash from operations                 | 6,141        | 4,254        | 1,240        | 4,541        |
| Net cash used in investing activities    | (4,620)      | (4,674)      | (460)        | (2,073)      |
| Net cash used in financing activities    | (3,100)      | (1,863)      | (621)        | (4,492)      |
| <b>Closing cash and cash equivalents</b> | <b>3,264</b> | <b>4,843</b> | <b>10</b>    | <b>(149)</b> |

Cash and cash equivalents in the cashflow statement is shown net of overdraft facilities

### CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2022

| KES MILLION               | GROUP         |               | COMPANY       |               |
|---------------------------|---------------|---------------|---------------|---------------|
|                           | MAR '22       | MAR '21       | MAR '22       | MAR '21       |
| Share capital             | 333           | 333           | 333           | 333           |
| Share premium             | 590           | 590           | 590           | 590           |
| Other reserves            | 1,320         | 224           | 19,079        | 19,321        |
| Retained earnings         | 40,664        | 41,752        | 20,932        | 21,358        |
| Proposed dividends        | 391           | 220           | 391           | 220           |
| Non-controlling interests | 4,072         | 3,930         | -             | -             |
| <b>Total</b>              | <b>47,370</b> | <b>47,049</b> | <b>41,325</b> | <b>41,822</b> |

sales are completed and handed over to the purchasers, the sales will be recognized in the income statement and will reflect on the consolidated performance in subsequent periods.

**Two Rivers Development Limited:** Two Rivers Development Limited posted an operating loss of Kes 2 billion in FY 2022 compared to Kes 1.9 billion in FY 2021 due to finance costs. The Board of Two Rivers Development Limited has initiated steps to restructure the balance sheet to reduce the interest paying debt. In November 2021, Two Rivers Lifestyle Centre Limited (a joint venture held by Two Rivers Development Limited and Old Mutual Property) reorganized its debt with a significant portion being replaced by a zero-coupon equity linked instrument which will result in reduced finance costs for the company.

**Investment Operations:** The loss from investment operations reduced by 52% to Kes 548 million from a prior year loss of Kes 1.1 billion driven by a 9% increase in interest income from the Marketable Securities Portfolio, 13% reduction in finance costs and a 49% reduction in impairment provisions on assets. Operating costs reduced by 4% in line with the cost optimization focus.

#### GROUP DEBT

The borrowings at portfolio company level are structured to suit their respective business operations to maximize the return on equity and optimize the valuation of those companies. Where a mismatch emerges in terms of debt service requirements and the cash generating profile of an investee companies, Centum moves in to review the capital structure and preserve the value to shareholders. Below is a summary of consolidate debt as at 31 March 2022 and a highlight of their debt coverage.

#### CENTUM AND SUBSIDIARIES DEBT COVERAGE

| BORROWING ENTITY          | MARCH 2022    |                | MARCH 2021    |                |
|---------------------------|---------------|----------------|---------------|----------------|
|                           | BORROWINGS    | TOTAL ASSETS   | BORROWINGS    | TOTAL ASSETS   |
|                           | KSH MN        | KSH MN         | KSH MN        | KSH MN         |
| Centum Investment Co. Plc | 4,159         | 46,960         | 4,122         | 47,515         |
| Longhorn                  | 1,003         | 2,824          | 1,277         | 3,149          |
| Centum Real Estate        | 5,253         | 40,867         | 5,809         | 38,619         |
| Two Rivers Development    | 10,211        | 20,860         | 9,644         | 20,345         |
| <b>Total</b>              | <b>20,626</b> | <b>111,511</b> | <b>21,009</b> | <b>109,628</b> |
| Sidian Bank Limited       | -             | -              | 4,492         | 33,433         |
| <b>Total</b>              | <b>20,626</b> | <b>111,511</b> | <b>25,501</b> | <b>143,061</b> |

The borrowings at portfolio companies are secured by their respective assets and cash flows. Below is a highlight of asset to debt coverage per entity:

| Centum and subsidiaries debt coverage | March 2022 | March 2021 |
|---------------------------------------|------------|------------|
| Centum Investment Co. Plc             | 11.3x      | 11.5x      |
| Longhorn                              | 2.8x       | 2.5x       |
| Centum Real Estate                    | 7.8x       | 6.5x       |
| Two Rivers Development                | 2.0x       | 2.1x       |

#### DISPOSAL OF SIDIAN BANK LIMITED

On 8th June 2022, Centum Investment Company Plc entered into a binding agreement with Access Bank Plc ('Access Bank') regarding a proposed purchase by Access Bank of Centum's entire equity stake in Sidian Bank Limited ('Sidian'). The transaction is for the total sum of Kes 4.3 billion and is subject to customary adjustments agreed by the parties. The completion of the transaction is subject to receipt of customary regulatory approvals in Nigeria and Kenya.

It therefore has not been taken into account in the financial statements for the year ended 31st March 2022.

In line with accounting standards Sidian Bank Limited has been shown separately as an asset held for sale in the Company and Consolidated balance sheet as at 31 March 2022.

#### PROPOSED DIVIDEND

The total investment income comprises Kes 1.3 billion of annuity income being dividend and interest income received from the portfolio recorded for the financial year ended 31 March 2022.

In line with the policy to pay out 30% of annuity income, the Board of Directors has proposed to pay out Kes 391 million in dividend with respect to the financial year ended 31 March 2022 (Kes 220 million in prior year). This represents dividend per share of Kes 0.587 up from Kes 0.33 in the last financial year. This proposal will be considered for approval by shareholders at the upcoming annual general meeting.

#### OUTLOOK

In line with objectives of the current strategy period, our focus is on enhancement the return from our portfolio after a season of capital preservation. Each economic cycle presents different set of opportunities and risks. As an investment company, we are actively monitoring these and continuously rebalancing the portfolio as necessary to enhance returns and mitigate risks.

**Real Estate:** Our significant investment in mixed used developments across East Africa, remains a unique competitive advantage, with our sites strategically located to address the market gap in the affordable housing market. We currently have an approved pipeline of 5,792 residential units geared towards the affordable housing segment. We focus on improving the business model through faster delivery of units and improvement of margins through strategic procurement. In addition, we have a healthy land bank of development rights across our sites, which we will continue to monetize.

We are reviewing the capital structure of some of our real estate entities to reduce the financial risk at that level and unlock liquidity for redeployment to other asset classes and achieve the desired portfolio allocation and return. We look to maintain our marketable securities portfolio at 15% - 20% of the total portfolio. This will ensure sufficient liquidity and further boost our annuity income.

We continue to add value and spur growth in our private equity portfolio. The private equity team continues to scout for new opportunities, and we are confident that as we unlock liquidity from exit of mature assets, we shall be well positioned to take on new assets into the portfolio with potential for greater returns for our shareholders.

For further information please visit the Centum website ([www.centum.co.ke](http://www.centum.co.ke)) and download the investor presentation.

BY ORDER OF THE BOARD,  
DR. JAMES MWORIA, CFA, CGMA

GROUP CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR