

CENTUM INVESTMENT COMPANY PLC



FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The Board of Directors of Centum Investment Company Plc is pleased to announce the audited financial results of the Group and Company for the financial year ended 31 March 2021 as set out below:

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

KES MILLION	Group		Company	
	MAR '21	MAR '20	MAR '21	MAR '20
Trading Business:				
Sales	996	5,469	-	-
Direct and other operating costs	(1,525)	(5,444)	-	-
Trading (loss) profit	(529)	25	-	-
Financial Services:				
Income from financial services	4,338	3,796	-	-
Funding and other costs	(4,008)	(3,625)	-	-
Profit from financial services	330	171	-	-
Real Estate				
Real Estate sales and Investment income	2,158	4,211	-	-
Funding and other costs	(1,283)	(651)	-	-
Profit from Real Estate investments	875	3,560	-	-
Two Rivers Development				
Sales and Investment income	1,045	(2,061)	-	-
Funding and other costs	(1,830)	(1,819)	-	-
Share of loss from joint venture	(1,074)	(2,078)	-	-
Loss from Two Rivers Development Group	(1,859)	(5,958)	-	-
Investment Operations:				
Investment and other income	684	13,347	1,517	3,695
Operating and administrative costs	(715)	(1,132)	(669)	(895)
Finance costs	(629)	(1,815)	(603)	(1,815)
(Loss)/profit from investment operations	(660)	10,400	245	985
Total operating profit	(1,843)	8,198	245	985
Impairment provision on assets	(489)	(2,752)	(1,071)	(3,580)
(Loss)/profit before tax	(2,332)	5,446	(826)	(2,595)
Tax	964	(818)	220	(797)
(Loss)/profit for the year	(1,368)	4,628	(606)	(3,392)
Other comprehensive income, net of tax	(86)	802	(4,212)	(971)
Total comprehensive income	(1,454)	5,430	(4,818)	(4,363)
Earnings Per Share-Basic	(0.93)	10.25		
Total comprehensive income attributable to:				
Owners of the parent	(705)	7,621	-	-
Non-controlling interest	(749)	(2,191)	-	-
Total comprehensive income	(1,454)	5,430		

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2021

KES MILLION	Group		Company	
	MAR '21	MAR '20	MAR '21	MAR '20
		RESTATED		
Investment portfolio	20,173	18,202	46,040	53,168
Cash and cash equivalents	5,877	8,182	867	2,912
Other assets	83,378	75,479	609	771
Total Assets	109,428	101,863	47,516	56,851
Customer deposits	23,070	17,460	-	-
Borrowings	25,501	22,197	4,122	7,486
Deferred Tax Liabilities	3,227	5,470	749	1,196
Other Liabilities	9,653	7,463	823	730
Total Liabilities	61,451	52,590	5,694	9,412
Total Equity	47,977	49,273	41,822	47,439
Total Capital and Liabilities	109,428	101,863	47,516	56,851
NAV per share (KES.)			62.85	71.29

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

KES MILLION	Group		Company	
	MAR '21	MAR '20	MAR '21	MAR '20
Opening cash and cash equivalents	7,126	5,285	1,875	144
Net cash from operations	7,917	20,043	4,535	19,082
Net cash used in investing activities	(8,143)	(5,855)	(2,067)	(4,800)
Cash used in financing activities	(2,058)	(12,347)	(4,491)	(12,552)
Closing cash and cash equivalents	4,842	7,126	(149)	1,875
Made up of:-				
Cash and cash equivalents	5,877	8,182	867	2,912
Overdraft	(1,035)	(1,056)	(1,016)	(1,037)
Closing cash and cash equivalents	4,842	7,126	(149)	1,875

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2021

KES MILLION	Group		Company	
	MAR '21	MAR '20	MAR '21	MAR '20
Share capital	333	333	333	333
Share premium	590	590	590	590
Other reserves	1,814	1,900	19,321	23,532
Retained earnings	40,165	40,373	21,360	22,185
Proposed dividends	218	799	218	799
Non-controlling interest	4,857	5,278	-	-
Total	47,977	49,273	41,822	47,439

FINANCIAL PERFORMANCE

Company Performance

The Company's profit after-tax improved from a loss of KES 3.4 billion to a loss of KES 606 million. The bulk of the loss was on account of impairment provision on investment portfolio, in line with our conservative asset valuation policy and the prevailing economic conditions. Excluding these impairment provisions, the company made an operating profit of KES 245 million. The Company also booked revaluation losses of KES 4.2 billion through other comprehensive income which contributed to a total comprehensive loss of KES 4.8 billion. A significant contributor to the revaluation losses is the increase in deferred tax liabilities of Centum RE subsidiaries which impacted the valuations of the real estate portfolio company. In the year ended 31 March 2021, the company did not dispose any of its assets. In contrast, the company had recorded a gain on disposal of KES 2.2 billion in the prior period.

Total assets declined by KES 9.3 billion. The increase in total assets was driven by income of KES 1.5 billion. The reduction in total assets was on account of net debt repayment of KES 4.1 billion, revaluation losses of KES 4.2 billion, impairment provisions of KES 1.1 billion, finance costs of KES 603 million and operating expenses of KES 858 million.

Consolidated Performance

The Group's consolidated profit before tax reduced from KES 5.4 billion to a loss of KES 2.3 billion for the year ended 31 March 2021, compared to the previous year. The bulk of the loss in the consolidated statement of comprehensive income was driven by Two Rivers Development Limited (TRDL) in which Centum Investment holds a 58% equity stake which booked a loss of KES 1.9 billion. Excluding TRDL, the consolidated loss before tax would have been KES 473 million. The loss at TRDL is driven by high finance costs on account of the underlying capital structure. The boards of TRDL and TRLC have initiated steps to restructure the balance sheets in order to reduce the interest paying debt and significant progress towards this objective has been made. We expect the balance sheet restructure to be completed by the end of the current financial year which will lead to a significant improvement in the performance of the TRDL Group.

In the year ended 31 March 2020, the Group had recorded exceptional items which included an investment income of KES 12.4 billion, being realized gain from the disposal of beverage assets as well as KES 2.3 billion impairment provision on assets, primarily, Amu Power. In the current period, no gain on disposal has been recorded.

IAS 12 - *Income Taxes* requires that recognition of deferred income tax should be based on the way an entity expects to realise or settle the underlying asset or liability. As a result of heightened economic activities in Real Estate business unit during the year, the group assessed deferred tax liabilities on revaluation of its land bank at the corporate tax rate of 30%. Historically, deferred tax on revaluation of investment property had been assessed at 5%. This increase in the deferred tax liability led to the restatement of the Group's financial statements for the year ended 31 March 2020 as per IFRS requirements.

Net Asset Value Per Share

The Net Asset Value per share declined from KES 71.29 to KES 62.85. The decline was on account of KES 606 million loss for the period, unrealised fair value loss of KES 4.2 billion through other comprehensive income and KES 799 million FY 2020 dividend paid during the year.

Dividend

The Board of Directors have recommended a final dividend of KES 0.33 per share which will translate to a cumulative payout of KES 218 Million. The payment of the dividend is on the back on an operating profit of KES 245 Million that the company recorded in the year and is intended to cushion our shareholders from the effects of the difficult economic conditions while allowing the company to retain liquidity.

Outlook

We are cautiously optimistic about the coming year. We have witnessed a strong recovery in performance across our portfolio companies and we hope that this recovery will not be interrupted by any unforeseen external economic shocks.

We are 24 months into the Centum 4.0, the last 12 months of which have been plagued by the corona virus global pandemic which has made the business environment quite challenging. Nonetheless, we have made major strides towards achieving our objectives for the strategy period.

We intended to have zero long term debt at Company level. We have paid down debt from Kes 16 Bn in March 2019 to Kes 3 Bn in March 2021, an 81% target achievement. We targeted to enhance the High Yield Portfolio by Kes 10 Bn. By March 2021, the portfolio would be valued at Kes 7.5 Bn per strategy and this has been 100% achieved.

We are getting the growth portfolio companies to be exit-ready, realize the cash and redeploy to the High Yield Portfolio. Over the strategy period, the value of the High Yield Portfolio has been enhanced from Kes 4Bn to 7.5Bn. Some of the cash realization was largely from Centum Real Estate which paid down Kes 4.5 Bn in shareholder loans during the period. The business has a pipeline of projects under construction with a cash return potential of Kes 6.2 Bn. Operating costs to income ratio achieved in FY 2021 was 44% against a target of 30%. We have reviewed cost of organization's cost structure and with the projected enhancement annuity cash income, we are confident that 30% strategy cost to income ratio ceiling will be comfortably achieved in the remaining 36 months.

The decision to pay down the debt on the Company balance sheet and increase the marketable securities portfolio has significantly improved the resilience of the balance sheet, the recurring cash flow position of the Company and the liquidity position to enable the Company take advantage of opportunities as they emerge.

BY ORDER OF THE BOARD,

JAMES MWORIA, CFA, CGMA
GROUP CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR