



**CENTUM**

*tangible wealth*



**Centum Investment Company Limited**  
Annual Report & Financial Statements  
fy 10/11

# Centum at a Glance



*Centum is the leading East African investment company listed on the Nairobi Stock Exchange and Uganda Securities Exchange. We will be seeking shareholders approval to list on the Rwanda Stock Exchange and Dar es Salaam Stock Exchange*

## Our business

We are an investment channel providing investors with access to a portfolio of otherwise inaccessible, quality, diversified investments.

We invest in:

- Strategic sectors of the Sub-Saharan Africa economy through private companies that are market leaders through our Private Equity business line.
- Select publicly traded companies and other marketable securities through our Quoted Private Equity business line.
- Establishing world class destinations and developing infrastructure projects through our Real Estate and Infrastructure business line.

## Our Vision

To be Africa's foremost investment channel

## Our Mission

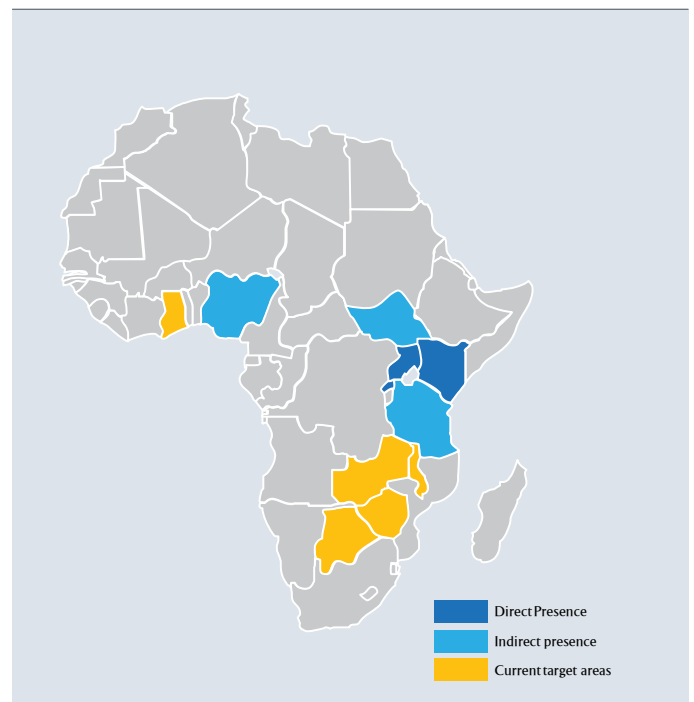
To create real, tangible wealth by providing the channel through which investors access and build extraordinary enterprises in Africa.

## Our Values

We

- deliver to promise
- invest as partners
- invest responsibly
- have unity of purpose

## We are growing our reach



## 2009-2014 Strategic Objectives

1. To scale up assets under management to Kshs 30 Billion by 2014.
2. To achieve return on shareholder funds, that is consistently above market returns.
3. To maintain management costs at below 2.5% of assets under management.
4. To increase the geographical footprint of your company to the rest of Africa.

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# Corporate Information

## REGISTERED OFFICE

**International House**  
Mama Ngina Street  
P.O.Box 10518-00100  
Nairobi

## COMPANY SECRETARY

**N E Nyamongo**  
Certified Public Secretary, Kenya (CPS.K)  
International House  
Mama Ngina Street  
P.O.Box 10518-00100  
Nairobi

## AUDITOR

**PricewaterhouseCoopers**  
The Rahimtulla Tower  
Upper Hill Road  
P. O. Box 43963-00100  
Nairobi

## BANKERS

**Co-operative Bank of Kenya Limited**  
Co-operative Bank House, Haile Selassie Avenue  
P.O.Box 48231 – 00100  
Nairobi

**Commercial Bank of Africa Limited**  
International House  
Mama Ngina Street  
P.O.Box 30437 – 00100  
Nairobi

**Standard Chartered Bank Kenya Limited**  
Stanbank House  
Moi Avenue  
P.O.Box 40310 – 00100  
Nairobi

## LAWYERS

**Coulson Harney Advocates**  
Unit A, Nairobi Business Park, Ngong Road  
P.O. Box 10643 – 00100  
Nairobi

**Ndungu Njoroge & Kwach Advocates**  
12th Floor, International House  
P.O. Box 41546 – 00100  
Nairobi

**Simba & Simba Advocates**  
Finance House  
P.O. Box 10312 – 00100  
Nairobi

## REGISTRARS

**Custody and Registrars Services Limited**  
6th Floor, Bruce House, Standard Street  
P O Box 8484, 00100  
Nairobi

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# Notice of the 44th Annual General Meeting

Notice Is Hereby Given that the 44th Annual General Meeting of the Centum Investment Company Limited (The Company) will be held on Friday, 23 September 2011 at the Tsavo Ball Room, Kenya International Conference Centre (KICC) Nairobi at 10.00 a.m. for the following purposes: -

## AGENDA

### 1 Constitution of the Meeting

To determine if a quorum is present, and to read the notice convening the meeting.

### 2 Confirmation of Minutes

To confirm the minutes of the 43rd Annual General Meeting held on Friday, 24th September 2010.

### 3 Ordinary Business

#### i) Report of the Auditors and Consolidated Financial Statements for the year ended 31 March 2011:

To receive, consider and approve the Consolidated Financial Statements for the financial year ended 31st March 2011 together with the Directors' and Auditors' report thereon.

#### ii) Remuneration of Directors:

To authorise the Board of Directors to fix their remuneration.

#### iii) Election of Directors:

- To re-elect Mr. H. C. Njoroge a director retiring by rotation, who being eligible, offers himself for re-election.
- To re-elect Mr. I. Khan a director retiring by rotation, who being eligible, offers himself for re-election.
- To elect Mr. R. Bunyi a director retiring by rotation, who being eligible, offers himself for re-election.

#### iv) Re-appointment and Remuneration of Auditors:

To re-appoint PricewaterhouseCoopers (PwC) as Auditors for the Company in accordance with section 159(2) of the Companies Act (Cap 486) and to authorize the directors to fix the auditors remuneration.

### 4 Special Business

To Consider and if approved to pass the following Ordinary Resolution:

#### i) Approval of Bonus Issue of Shares

'THAT subject to the approval of the Capital Markets Authority and the Nairobi Stock Exchange the sum of Kshs. 30,247,350.50 being part of the money now standing to the credit of the retained earnings reserves of the Company be capitalized and that the same be applied in making payment in full at par for 60,494,701 ordinary shares of Kshs. 0.50 each in the capital of the Company. Such shares to be distributed as fully paid among the persons who were registered as holders of the ordinary shares in the capital of the company at the close of business on 22 July 2011 at the rate of 1 new fully paid ordinary share for every 10 ordinary shares held by such holders respectively and that such shares shall rank parri passu in regard to voting, dividends, liquidation proceeds, future capital increase or any other special circumstances with the existing shares in the share capital of the Company.'

#### ii) Cross Listing on the Dar es Salaam and Rwanda Stock Exchange

'THAT subject to the laws of the relevant jurisdiction as well as regulatory and other approvals required, the Directors be and are hereby authorised to list by introduction 100% of the issued share capital of the Company on the Dar es Salaam Stock

Exchange and Rwanda Stock Exchange and are authorised to do and effect all acts and things required to give effect to this resolution.'

#### iii) Incorporation of Subsidiaries

For the purposes of the business of the Company and in the interests of the Company:

- THAT the incorporation of Crested Heights Limited in Uganda as a wholly-owned subsidiary of the Company be ratified.
- THAT the incorporation of Centum Development Company Limited in Mauritius as a wholly-owned subsidiary of the Company be ratified.
- THAT the incorporation of Centum Exotics Company Limited in Mauritius as a wholly-owned subsidiary of the Company be ratified.
- The Company Secretary is directed to file at the companies registry the requisite forms and returns dealing with the resolutions set out above

#### iv) Distribution of the Notice, Annual Report and Financial Statements

"THAT to the extent permissible by law for the purposes of the Annual General Meeting, the publication of a notice containing both the annual report and the financial statements posted on the Company website [www.centum.co.ke](http://www.centum.co.ke) (or as amended from time to time) and summarised in at least two newspapers of national circulation be sufficient notification and distribution in accordance with the articles 53, 132 and 135 of the Company and that printed copies of the notice, annual report and the financial statements be sent only to the members who notify the Company's Share Registrar that they wish to receive the same from this meeting henceforth."

### 5 Any Other Business

To transact any other business that may legally be transacted at an Annual General Meeting.

## BY ORDER OF THE BOARD



Naomi E. Nyamongo  
Company Secretary

5 August 2011

#### PLEASE NOTE:

A member entitled to attend and vote at this meeting is entitled to appoint a proxy who need not be a member of the Company.

A Proxy Form is provided with this report. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the form to the Registered Office of the Company so as to arrive not later than 10.00 a.m. on Thursday, 22 September 2011

Registration of members and proxies for the Annual General Meetings will commence at 8.30 a.m. on Friday, 23 September 2011. Members and proxies should carry their national ID cards and a copy of a relevant Central Depository and Settlement Corporation (CDSC) account statement for ease of the registration.

# Notisi ya Mkutano wa Mwaka Makala 44

Notisi inatolewa kuwa mkutano wa mwaka makala ya 44 utafanyika Ijumaa, tarehe 23 Septemba 2011 katika ukumbi wa KICC Tsavo Room Nairobi saa nne asubuhi ili kutekeleza shughuli zifuatazo: -

## AJENDA

### 1 Kuandaa Mkutano

Kuhakikisha kuwa kuna idadi tosha ya wanachama, na kusoma notisi ya kuandaa mkutano.

### 2 Kuidhinisha Majadiliano ya Mkutano Uliopita

Kuidhinisha mambo yaliyojadiliwa kwenye mkutano wa mwaka makala ya 43 uliofanyika 24 septemba 2010

### 3 Shughuli za Kawaida

#### i) Ripoti Ya Kifedha Ya Mwaka Uliokwisha Tarehe 31 Machi 2011

Kupokea na kuidhinisha ripoti ya kifedha pamoja na taarifa ya wakurugenzi na ripoti ya wahasibu ya mwaka uliokwisha 31 Machi 2011.

#### ii) Mishahara Ya Wakurugenzi

Kuidhinisha halmashauri ya wakurugenzi kuamua mishahara yao.

#### iii) Uchaguzi Ya Wakurugenzi

- Kumchagua tena Bw. H. C. Njoroge, mkurugenzi anayestaafu kwa zamu na kwa kuwa ana ruhusa anajitolea tena ili kuchaguliwa.
- Kumchagua tena Bw. I. Khan, mkurugenzi anayestaafu kwa zamu na kwa kuwa ana ruhusa anajitolea tena ili kuchaguliwa.
- Kumchagua tena Bw. R. Bunyi, mkurugenzi anayestaafu kwa zamu na kwa kuwa ana ruhusa anajitolea tena ili kuchaguliwa.

#### iv) Uteuzi Na Malipo Kwa Wahasibu

Kuteua PricewaterhouseCoopers (PwC) kuwa wahasibu wa kampuni kulingana na sehemu ya 159(2) ya kanuni na sheria za kampuni (fungu la 486) na kuidhinisha wakurugenzi kuamua malipo yao.

### 4 Shughuli Maalum

Kutafakari na ikiidhinishwa kupitisha azimio lifuatalo:

#### i) Toleo la Hisa la Ziada

"KWAMBA kwa idhini ya Shirika la Capital Markets na Soko la Hisa la Nairobi tutatumia fedha zilizowekwa kama akiba za kiasi cha shilingi(K) 30,247,350 .50 kugharamia toleo ya hisa za ziada 60,494,701 kwa shilingi 0.50 kila moja. Hisa hizo zitatolewa na kulipiwa wanachama wote waliokuwako katika orodha ya uzajili mwisho ya siku ya tarehe 22 Julai 2011, na ambapo hisa moja itatolewa kwa umiliki wa hisa kumi; na ya kwamba hisa hizo za ziada zinahitimu kwa kila hali katika upigaji kura, mgao wa faida, kufilisika kwa kampuni, ongezeko la hisa za kampuni kwa siku za usoni au kwa shughuli zingine maalum, kwa jinsi hisa za kawaida zinahitimu.

#### ii) Usajili Katika Masoko Ya Hisa Ya Dar Es Salaam Stock Exchange Na Rwanda Stock Exchange

"KWAMBA kuidhinisha wakurugenzi kusajili hisa za kampuni katika masoko ya hisa ya Dar es Salaam Stock

exchange na Rwanda Stock Exchange na kuruhusiwa kutenda jambo lolote ili kufanikisha shughuli hiyo."

#### iii) Usajili wa kampuni tanzu

KWAMBA kwa mathumuni ya kampuni: -

- Usajili wa kampuni tanzu kwa jina Crested Heights Limited uidhinishwe.
- Usajili wa kampuni tanzu kwa jina Centum Development Company Limited uidhinishwe .
- Usajili wa kampuni tanzu kwa jina Centum Exotics Company Limited uidhinishwe.
- Katibu wa kampuni anaamrisha kusajili fomu ya maazimio hayo katika afisi zetu za usajili.

#### iv) Usambazaji wa Ripoti wa Mwaka na Taarifa za Fedha

"KWAMBA kadiri sheria inavyoruhusu na kwa minajili ya mkutano wa mwaka, kutangazwa kwa ripoti ya mwaka pamoja na taarifa za fedha kupitia mtandao wa kampuni [www.centum.co.ke](http://www.centum.co.ke) (ama kwa jinsi itakavyobadilishwa) na kutangazwa kwa mukhtasari angalau kwenye gazeti mbili za kitaifa, iwe njia tosha ya kutoa notisi, kulingana na vifungu vya 53, 131, na 135 vya kanuni na sheria za kampuni na kwamba ripoti ya mwaka pamoja na taarifa za mwaka zitakazochapishwa zitatumwa tu kwa mwanachama atakayejulisha ofisi ya usajili wa hisa kuwa wanapendelea kupokea stakabadhi hizo kuanzia mkutano huu wa mwaka na kuendelea."

### 5 Shughuli Zinginezo

Kutekeleza shughuli zinginezo ambazo sheria zinaruhusu kufanyika katika mkutano wa mwaka.

## KWA AMRI YA HALMASHAURI YA WAKURUGENZI



Naomi E. Nyamongo  
Katibu

Tarehe 5 Agosti 2011

### FAHAMU KUWA:

Mwanachama mwenye kibali cha kuhudhuria na kupiga kura katika mkutano anaweza kuteua mwakilishi ambaye si lazima awe mwanachama wa kampuni.

Umepewa fomu ya uwakilishi pamoja na ripoti hii. Wale wenyehisa ambao hawatahudhuria mkutano wa mwaka wanaombwa kujaza fomu hizo na kuzirudisha kwa afisi ya usajili kabla ya saa nne Alhamisi tarehe 22 Septemba 2011.

Usajili wa wanachama na wawakilishi wanaohudhuria mkutano mkuu utanza saa mbili na nusu asubuhi ijumaa tarehe 23 Septemba 2011. Wanachama na wawakilishi watahitajika kubeba vitambulisho na nakala ya daftari ya akaunti ya CDSC ili kurahizisha usajili.

## Board of Directors



### From Left to Right:

#### Mr. Robert K. Bunyi (40yrs)

- Mr. Robert Bunyi was appointed non-executive Director of the Board in January 2009.
- He is the founder of Mavuno Capital, a personal investment advisory business focusing on listed equities, corporate capital strategies and real estate investment in Kenya.
- Solid background in investment and financial analysis, with a strong emphasis in listed shares in sub Sahara Africa.
- Non-executive director in Tamarind Investments one of Kenya's largest real estate development companies that focuses on large scale residential development in Kenya.

#### Mr. Henry C. Njoroge (45yrs)

- Non-Executive Director since October 2005.
- Mr. Njoroge is an Executive Director of Xtranet Communication Limited.
- He was previously the Managing Director of Open View Business Systems and UUNET Kenya respectively and before then at Telcorp and Fintech Kenya both as General Manager.
- Non-executive director of X&R Technologies Limited, the sole authorized XEROX distributor and Global Equity Ventures Limited.

- Trustee of the Kenya Youth Business Trust, a non-profit organization which empowers youth entrepreneurs through mentorship and micro business loans.

#### Mr. Imtiaz Khan (42yrs)

- Non-Executive Director since November 2008. Specialist in corporate finance and PE investment with over 20 years experience. Undertaken investment and financial advisory projects in 18 countries across four continents, including in four of the five BRICS countries, which are widely regarded as the world's leading emerging markets.
- Founding and executive co-director of Cassia Capital Partners Ltd, which focuses on private equity investments in East Africa.
- Mr. Khan is a qualified accountant and holds an MBA with distinction from London Business School as well as a BCom (hons) from the University of Nairobi.
- Chairman of Oltepesi Properties Limited.
- Represents Cassia Capital Partners Ltd on the board of ea-power Ltd.

#### Mr. Christopher J. Kirubi (69yrs)

- Non-Executive Director since December 1997, served as Chairman of the Board between 1998 and 2003.
- Well known Kenyan industrialist with interest in FMCG, media and communications.

- Graduate of Insead and the Harvard Business School.
- Chairman of DHL World Wide Express Limited, Haco Industries Kenya Limited, Kiruma International Limited, International House Limited, Nairobi Bottlers Limited, Sandvik East Africa Limited and Capital FM.
- Non-executive director of Bayer East Africa Limited, UAP Provincial Insurance Company Limited and Beverage Services of Kenya Limited.

#### Mr. James M. Mworira (33yrs)

- Managing Director and Chief Executive Officer of Centum Investment Company Limited and its subsidiaries since October 2008.
- Over ten years work experience including the investment manager at Trans-century and Centum.
- CFA Charter holder, Certified Public Accountant, holds a Bachelor of Law Degree from the University of Nairobi, Advocate of the High Court of Kenya.
- Member of Law Society of Kenya (LSK) and a member of the Chartered Institute of Management Accounting (CIMA).
- Chairman of UAP Financial Services Limited.
- Represents Centum as a non executive director on the Boards of UAP Holdings Limited, UAP Insurance Company Limited, UAP Insurance Sudan Limited, UAP Life Assurance Limited, UAP Properties Limited, Nairobi





Bottlers Limited, Mount Kenya Bottlers Limited, General Motors East Africa Limited and NAS Airport Services Limited and SIA (K) Holdings Limited.

**Mr. James N. Muguiyi (67yrs)**

- Chairman and Non-Executive Director of Centum Investment Company Limited and its subsidiaries since December 2003.
- Group Managing Director of UAP Holdings Limited.
- Fellow of the Institute of Certified Public Accountants of Kenya (ICPAK).
- Member of the Chartered Institute of Management Accountants (CIMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- Non-executive director of UAP Insurance Company Limited, UAP Insurance (Uganda) Limited, UAP Insurance Sudan Limited, UAP Properties Limited, UAP Financial Services Limited, One Network Limited, Aimssoft Kenya Limited, One Solution Limited and Mount Kenya Bottlers Limited.

**Mrs. Margaret M. Byama (55yrs)**

- Represents the PS Ministry of Trade as a non executive director on the Board of Centum Investment Company Limited and its subsidiaries since January 2009

- Chief Finance Officer in the Ministry of Trade with over 20 years experience in public financial management.
- Holds a Bachelor of Arts Degree from University of Nairobi and Certificate in Public Financial Management from Manchester University.
- Chairperson of the Wildlife Clubs of Kenya and was the immediate former Chief Executive Officer of the National Humanitarian Fund for IDP's.

**Mr. Maina R. Mwangi (47yrs)**

- Mr. Maina Mwangi was appointed to the Board in July 2010.
- He is a founder of Maina Mwangi & Associates, a boutique advisory firm specialising in cross-border Mergers and Acquisitions and infrastructure finance.
- He is a seasoned investment banker with over 22 years' experience in the industry, including 15 in senior positions in Africa. He has led teams and closed transactions in 14 African countries and has developed an extensive network of contacts in business circles throughout Africa. He was educated at Harvard University (Economics) and at Trinity College, Oxford (Law).
- Represents Centum on the Board of UAP Financial Services Limited.

**9. Peter M. Kimurwa (40yrs)**

- Represents Industrial Commercial and Development Corporation (ICDC) as a non-executive director on the Board of Centum Investment Company Limited and its subsidiaries since 10 May 2011.
- Executive director of ICDC since July 2010.
- Specialist in strategy and financial management. Extensive and varied business experience spanning over 15 years in senior positions at PricewaterhouseCoopers (PWC), British American Tobacco (BAT), Boc Kenya Limited, East African Breweries Limited (EABL) and Linksoft Communications System Limited.
- Certified Public Accountant holds a Master of Business Administration (MBA) from Insead and Bachelor of Commerce degree from Kenyatta University.
- Represents ICDC as a non executive director on the Boards of Eveready Batteries E.A Limited, Rift Valley Bottlers Limited, Mount Kenya Bottlers Limited, Kisi Bottlers Limited, General Motors East Africa Limited and Development Bank of Kenya Limited.

# Our Promise

1. **Position** Centum as Africa's foremost investment channel
2. Maintain **focus** through 3 distinct business lines
3. **Grow** assets under management to Kshs 30 Billion by 2014 including third party fund management
4. Increase **geographical** diversification through Pan-African investments to achieve 50% of the portfolio to be outside Kenya by 2014
5. **Active** portfolio management to consistently deliver market beating returns



## Performance Highlights

Ksh. m	FY 2008/09	FY 2009/10	FY 2010/11
<b>Return</b>			
Total Return/			
Total Comprehensive Income	(2,687)	3,298	3,395
Total Return/			
Return on Opening Equity (ROE)	(30.6%)	56%	37%
<b>Costs</b>			
Cost Efficiency	2.1%	2.1%	2.0%
<b>Financial Position</b>			
Total Assets	6,397	9,840	15,003
Portfolio Value	5,930	9,015	14,462
Net Asset Value (NAV)	5,859	9,157	12,552
NAV/Share	9.69	15.14	20.75
Net Debt	-	-	1,988
Gearing	-	-	15.8%
<b>Investment Activity</b>			
Investments	625	1,221	3,967
Realization Proceeds	205	1,348	1,936

For more information, please go to:

- Total Return – See page 24
- Return on Opening Equity (ROE)/ Gross Portfolio Return – See page 78-79
- Cost Efficiency – See page 24
- Portfolio Value - See page 78-79
- Investment Activity – See business review page 26-37

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## Chairman's Statement

*"I am confident that in spite of the challenges that the economy is going through your Company will continue to do well"*



Dear Shareholder,

I am pleased to present to you the Annual Report and Financial Statements of Centum Investment Company Ltd (Centum) for the year to March 31, 2011.

### Operating Environment

In 2010 the Kenyan economic environment continued with the improvement that began in 2009. Real economic growth expanded by 5.6% in 2010 compared to 2.6% in 2009. Most of the sectors did well and the macro-economic indicators such as interest rates, inflation, exchange rates and balance of payments were generally favorable. Unfortunately this trend reversed in 2011 and we have witnessed a significant increase in inflation and interest rates coupled with a weakening of the domestic currency. The NSE index has also been on a decline and this affected our fourth quarter performance.

### Performance

This economic backdrop notwithstanding, your Company did very well. Company total comprehensive income increased to Kshs 3.4 Billion from Kshs 3.3 Billion the previous year. Group Profit after tax increased by 109% to Kshs 2.3 Billion, Company profit after tax went up by 40% to Kshs 1.2 Billion and net asset value per share increased by 37% to Kshs 20.75. The Total assets of the Company crossed the Kshs 15 Billion mark and the total shareholder funds went up to Kshs 12.5 Billion. Our profit in the 2010/2011 financial year was the highest the Company has ever recorded in its 44 year history. The asset base is also at its highest point ever.

I am confident that in spite of the challenges that the economy is going through your Company will continue to do well. The soundness of our strategy, our corporate governance structures, the capability of your management team and the

geographical and asset class diversification of the business underpin my confidence.

### Investment Activity

In the 2010/2011 financial year we invested in excess of Kshs 3.9 Billion, again another record for your Company. 48% of the investment activity was largely in the real estate business line where we completed the acquisition of a 100 acres of prime real estate along Limuru Road and 300 acres of prime real estate in Entebbe Uganda. Our objective is to create world-class destinations that will offer value to our tenants, visitors and investors in the projects.

The other 52% of the amount that was invested in the 2010/2011 financial year was deployed into our quoted private equity business and private equity business line. Of note is the fact that we increased our shareholding in NAS from 9% to 15%. We expect NAS to do very well as the Jomo Kenyatta International Airport expands to allow more passenger traffic through the airport and as Kenya Airways expands its fleet therefore increasing the volume of passenger traffic through JKIA, which is its hub.

### Geographical Expansion

I expect that the global and regional economy will rebound in the coming years, therefore creating even more opportunities for your Company and take us closer to our goal of having at least 50% of our portfolio invested outside Kenya by 2014. At present we have 18% of the portfolio invested outside Kenya and we are reviewing a number of very attractive opportunities in a number of countries in the region.

In February 2011 we successfully cross-listed the Company's shares on the Uganda Security Exchange and I am pleased to report that we have 9 Million of the 605 Million shares now

owned by Ugandan institutional and retail investors. Please join me in welcoming our Ugandan counterparts to the Centum family.

Our vision is to be Africa's foremost investment channel and a key dimension in attaining that vision is the expansion of our shareholder base to include investors from other Countries. The vision of your Board is for Centum to be a truly Pan-African Company with a Pan-African shareholder base. The cross-listing in Uganda was therefore only the beginning of this journey. We will therefore be seeking your approval at the Annual General Meeting to cross list our shares on the Dar-es-salaam Stock Exchange (DSE) and on the Rwanda Stock Exchange.

In addition, to further the strategic objective of geographical expansion we will be seeking your approval for the incorporation of subsidiaries that will be used to make investments across Africa.

## Strategy

Your Company made good progress towards achieving the objectives set in the 2009/2014 strategic plan. In the year we achieved the following:

- Increased total assets by 52% to Kshs 15 Billion. It is a remarkable growth given that we began the five year strategy period at an asset base of Kshs 6.4 Billion;
- Delivered a 37% return on shareholder funds against an NSE index performance of -4%, outperforming the market by 41%;
- Maintained the total cost to asset ratio at 2.0% which is below our target of 2.5%; and
- Made significant progress in increasing the geographical footprint of your Company to the rest of Africa.

## Board Changes

In the year Mr. Peter Kimurwa replaced Ms. Mbatha Mbithi as the alternate director of Industrial Commercial and Development Corporation (ICDC). We thank Ms. Mbithi for her invaluable contribution as a member of the Board. We welcome Mr. Kimurwa who brings a wealth of experience in strategy execution having worked in some of the leading companies in Kenya

## Dividend

In line with our corporate strategy the Board does not recommend the payment of a dividend. The focus of your Board and Management is to invest the capital of the Company to generate a rate of return that is greater than what the market is offering. We have consistently generated market-beating

returns over the past two years. It is therefore in your best interest to leave your capital in the Company where it will most likely continue to generate market-beating returns that will translate in an appreciation in value of your shares.

## Bonus Issue of Shares

The Board of Directors has recommended a bonus share issue of 1 new share for every 10 shares. These will give you flexibility to create your own dividend policy. You can achieve this by either selling a part of or your entire bonus shares should you desire some current income or retaining all the shares should you prefer a capital gain instead. My advise to you is that you retain as many shares as you can to enjoy the full upside of what your Company is doing.

## Outlook

In Private Equity we will continue our engagement with our investee companies to sustain the growth in 2011. We also target to list some of our investments and acquire new investments.

In Real Estate, we are very excited at the pace of development on Real Estate Investment Trusts (REITS). The Minister of Finance in his 2011 budget speech announced a raft of important tax incentives for REITS. REITS offer investors both institutional and retail an opportunity to invest in an underlying pool of investment grade real estate assets and they have played an important role in mobilizing capital to real estate in very many countries. We intend to mobilize broad investor participation into our projects through the REIT's as we complete the different phases of the development.

## Appreciation

I would like to record my sincere gratitude to you shareholders for the support you have continued to provide to your Company. I would also like to recognize the contribution of the Board and Management teams' of the companies we have invested in, without whom we would not have achieved the good performance. Finally I would like to appreciate the contribution and efforts of my fellow colleagues in the Centum Board and the Management team and urge them to redouble their efforts.

God bless you all.



**JAMES N. MUGUIYI**  
CHAIRMAN

5 August 2011

## Taarifa ya Mwenyekiti

*“Nina matumaini kuwa licha ya matatizo yanayokabili uchumi yetu kampuni bado itaendelea kutenda vyema”*



Kwa Mwenyehisa,

Ni fahari kuu kwangu kuwasilisha ripoti ya mwaka na taarifa juu ya matumizi ya fedha ya kampuni ya Centum Investment Company Ltd (Centum) kwa mwaka uliokwisha Machi 31, 2011.

### Hali ya Uchumi

Hali ya uchumi humu nchini katika mwaka wa 2010 iliendeleza unawiri wa tangu mwaka wa 2009. Ukuaji halisi wa uchumi uliongezeka kwa asilimia 5.6 mwaka wa 2010 dhidi ya asilimia 2.6 ya mwaka wa 2009. Mashirika mengi katika sekta mbalimbali yalifanya vyema na vipimo vya uchumi kama vile viwango vya riba, mfumko wa bei, na kuimarika kwa thamani ya shilingi(k) dhidi ya sarafu za kigeni, kwa jumla vilikuwa vya kuridhisha. Kwa bahati mbaya hali hii iligeuka mwaka wa 2011 ambapo tumeshuhudia kuongezeka kwa mfumko wa bei na hali kadhalika kushuka kwa thamani ya shilingi. Kipimo cha soko la hisa la NSE pia kimekuwa kikishuka na hivyo kuathiri vibaya utendaji mwishoni wa mwaka.

### Utendaji Kazi

Licha ya hali hiyo, Kampuni iliweza kutenda vyema. Mapato yote ya kampuni yaliongezeka hadi shilingi(k) bilioni 3.4 kutoka kwa shilingi (k) bilioni 3.3 mwaka uliotangulia. Faida kwa kampuni pamoja na mashirika yake baada ya kutozwa ushuru iliongezeka kwa asilimia 109 hadi shilingi (k) bilioni 2.3. Faida kwa kampuni pekee baada ya kutozwa ushuru iliongezeka kwa asilimia 40 hadi shilingi(k) bilioni 1.2 na thamani ya rasilimali kwa kila hisa kuongezeka kwa asilimia 37 hadi shilingi (k) 20.75. Thamani ya rasilimali zote za kampuni ilipita alama ya shilingi (k) bilioni 15 na umiliki wa mwenyehisa katika kampuni kuongezeka hadi shilingi(k) bilioni 12.5. Faida yetu katika kipindi cha 2010/2011 ilikuwa ya juu zaidi kuwahi kupatikana kwa miaka 44 tangu kubuniwa

kwa kampuni. Pia thamani ya rasilimali ni ya juu kuwahi kufikiwa.

Nina matumaini kuwa licha ya matatizo yanayokabili uchumi yetu kampuni bado itaendelea kutenda vyema. Mikakati yetu thabiti, kuwajibika na kuhitimu kwa wasimamizi pamoja na kusambazwa kwa rasilimali, ndizo zinanipa matarajio mema.

### Shughuli ya uwekezaji.

Mnamo mwaka 2010/2011 wa kifedha tuliwekeza zaidi ya shilingi(k) bilioni 3.9 hii pia ikiwa hatua kubwa kuwahi kufikiwa na kampuni. Asilimia 48 ya uwekezaji huo ilikuwa hasa kwenye kitengo cha nyumba na ujenzi (Real Estate) na tulikamilisha ununuzi wa ploti ya kifahari ya ekari 100 katika maeneo ya Limuru road na ploti nyingine ya ekari 300 tena ya kifahari mjini Entebbe nchini Uganda. Lengo letu ni kujenga katika maeneo ya kifahari ili kuvutia wapangaji, wageni na wawekezaji katika miradi hiyo.

Uwezekaji nyingine ya asilimia 52 ya fedha zilizotumika mwaka wa 2010/2011 ilikuwa katika ununuzi wa hisa za kibinafsi zilizoorodheshwa na hisa za kibinafsi. Muhimu ni kwamba tuliongeza umiliki wetu katika NAS kutoka asilimia 9 hadi asilimia 15. Tunatarajia NAS kutenda vyema kwa kuwa uwanja wa ndege wa Jomo Kenyatta International Airport unapanuliwa ili kutoa fursa kwa wasafiri wanaotarajiwa kuongezeka hasa kwa kuwa shirika la Kenya Airways inaongeza ndege zake na kwa hivyo kuongeza wasafiri kwa kuwa JKIA ni ngome yake.

### Kueneza kampuni kijorofia

Natarajia kwamba hali ya uchumi kimataifa na pia katika eneo letu itainuka kwa miaka ijayo, na kuwezesha kampuni nafasi nyingi ambazo zinahitajika kutimiza lengo letu la kuwa na uwekezaji wa zaidi ya asilimia 50 ya rasilimali yetu nje ya

Kenya ifikapo mwaka wa 2014. Kwa wakati huu tumewahi kuwekeza asilimia 18 ya rasilimali yetu nje ya Kenya na tuna chunguza baadhi ya nafasi nzuri zinazojitokeza katika nchi nyingi za eneo hili.

Mnamo mwezi wa Februari tulifanikisha usajili wa hisa zetu katika soko la hisa la Uganda Securities Exchange na ni furaha kwangu pia kuwajulisha kuwa kati ya hisa milioni 605, hisa milioni 90 zinamilikiwa na wawekezaji wa kimashirika na wa kibinafsi nchini Uganda. Nawasihi kujiunga nami katika kuwakaribisha wanachama wenzetu kutoka Uganda katika jamii yetu ya Centum.

Lengo letu ni kuwa Kampuni ya uwekezaji inayoongoza barani Afrika na tunafanikisha lengo hili kwa kuwavutia wawekezaji wa kutoka nchi nyinginezo. Lengo la Halmashauri ya wakurugenzi ni kufanya Centum kuwa kampuni halisi yenye mwenyehisa kutoka kote barani Afrika. Kusajili hisa huko Uganda ilikuwa mwanzo wa huo mwelekeo. Hivyo basi tutahitaji idhini yenu kwenye mkutano wa mwaka ili kusajili hisa katika soko la hisa la Dar-es-salaam na pia katika soko la hisa la Rwanda Stock Exchange.

Kuendeleza lengo la kampuni barani Africa tutawaomba kusajili kampuni tanzu.

## Mikakati

Kampuni ilipiga hatua nzuri katika ufanizi wa mipango yaliyowekwa katika mikakati ya 2009/2014. Mwaka huu tuliweza kufanikisha mambo yafuatayo:

- Tuliiongeza thamani ya rasilimali kwa asilimia 52 hadi shilingi(k) bilioni 15.
- Tulizalisha faida ya asilimia 37 kwa mwenyehisa dhidi ya kiwango cha asilimia -4 cha soko la hisa la NSE;
- Tulidumisha gharama zote za usimamizi ya asilimia 2.0 dhidi ya thamani ya rasilimali zetu na kwa hivyo ni ya chini kuliko asilimia 2.5 iliyotarajiwa; na
- Tulipiga hatua muhimu ya kueneza kampuni kote barani Afrika

## Mabadiliko kwenye Halmashauri ya Wakurugenzi

Katika mwaka ulioisha Bw. Peter Kimurwa alichukua nafasi ya Bi. Mbatha Mbithi kama mwakilishi wa Halmashauri ya Industrial Commercial and Development Corporation (ICDC). Tunamshukuru Bi. Mbithi kwa mchango wake mkubwa. Tunamkaribisha Bw. Kimurwa anayeleta ujuzi muhimu katika utekelezaji wa mikakati.

## Mgawo wa Faida

Katika kutimiza mikakati ya Kampuni yetu, Halmashauri ya wakurugenzi wanapendekeza mgao wa faida usilipwe. Ni lengo

la Halmashauri ya wakurugenzi kuwekeza rasilimali za kampuni katika uzalishaji wa faida kubwa kuliko ile inayopatikana kwenye soko la hisa. Tumeendelea kuzalisha faida bora kwa miaka iliyopita. Kwa madhumuni ya mwenyehisa, ni vyema kubakisha rasilimali yako kwenye kampuni ili kuzalisha faida zaidi na kuimarisha thamani ya hisa zako.

## Toleo la Hisa za Ziada

Halmashauri ya Wakurugenzi badala yake wanapendekeza toleo la hisa za ziada la hisa 1 kwa hisa 10. Hii itakuwezesha kuamua jinsi unavyopendelea migao ya faida. Unaweza kuamua kuuza baadhi ya hisa hizo au hata kuuza zote ikiwa utahitaji fedha haraka au waweza kuhifadhi hisa hizo zote kwa minajili ya kufaidi zaidi baadaye. Ntoa mawaidha kwako kuhifadhi hisa nyingi jinsi unavyoweza ili kufurahia kunufaika kwa kampuni.

## Mwaka Ujao

Katika hisa za kibinafsi tutaendelea kufanya kazi kwa pamoja na wasimamizi ili kuongeza mapato katika mwaka wa 2011. Pia tunatarajia kuorodhesha kampuni tulizo wekeza na kubuni kampuni mpya.

Katika Ujenzi tunafurahishwa na yale yanayojiri katika Real Estate Investment Trust (REITS). Waziri wa fedha alitangaza kwenye hotuba yake ya makadirio ya fedha (bajeti) ya mwaka wa 2011 kupunguzwa kwa ushuru chini ya mpango wa REITS. REITS inatoa fursa kwa wawekezaji wa kimashirika na vile vile wa kibinafsi kuwekeza kwa pamoja na kununua nyumba za kifahari, jambo ambalo wameshiriki na kufanikisha katika nchi zingine kupitia uchangishaji wa fedha. Tunatarajia kushirikisha wawekezaji wengi katika REITS tunapoendeleza na kukamilisha ujenzi wa miradi yetu hatua kwa hatua.

## Shukrani

Ningependa kutoa shukrani zangu za dhati kwako wewe mwenyehisa kwa kuendelea kutuunga mkono kwa kushiriki katika kampuni yako. Ningependa pia kutambua mchango wa Halmashauri ya wakurugenzi na pia Wasimamizi wa Mashirika ambamo tumewekeza, kwa kuwa bila wao hatungeweza kupata matokeo bora. Mwisho ningependa kushukuru mchango na juhudi kwa mwaka mzima, za wenzangu katika Halmashauri ya wakurugenzi ya Centum na hali kadhalika kwa kundi la Wasimamizi na kuwasihwa waongeze juhudi maradufu.

Mungu awabariki nyote.



**JAMES MUGUIYI**  
**MWENYEKITI**

5 Agosti 2011



# Management and Business Review

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# Management Team

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**James M. Mworia**  
 Chief Executive Officer  
 and Managing Director

- James is responsible for the overall stewardship of the company. Prior to his appointment as Managing Director of Centum, he was the head of Investments at TransCentury Ltd. Prior to that, he served as the Investment Manager at Centum.
- Mr. Mworia is a CFA Charter Holder and an advocate of the High Court of Kenya. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Chartered Institute of Management Accountants (CIMA).
- He holds a Bachelors degree in Law from the University of Nairobi.



**Risper A. Mukoto**  
 Finance and Human  
 Resource Manager

- Risper is responsible for the overall management of Centum's business support function.
- Mrs. Mukoto is a member of Institute of Certified Public Accountants (ICPAK) and a Fellow of the Association of Certified Chartered Accountants (FCCA).
- She holds a Bachelor of Arts Degree in Business Management from Moi University as well as an MBA from the United States International University-Africa (USIU-A).



**David O. Owino**  
 Investment Manager -  
 Private Equity

- David is the Investment Manager in charge of Centum's Private Equity portfolio. Prior to his appointment to this position, he served as both Investment Manager and Company Secretary.
- Mr. Owino is a member of Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries of Kenya (ICPSK) and the Institute of Directors (IOD).
- He holds a Bachelor of Science Degree in Business Administration (Finance & Accounting) from the United States International University-Africa (USIU-A), and is currently pursuing and MBA at the Strathmore Business School.



**Lawrence M. Riungu**  
 Senior Investment  
 Officer - Real Estate &  
 Infrastructure

- Lawrence oversees Centum's Real Estate and Infrastructure portfolio.
- Prior to joining Centum, he worked as a portfolio manager at Constellation Energy Group, the largest power marketing and trading company in the United States.
- Lawrence holds an MBA from Harvard Business School and a dual degree in Economics and Computer Science from Vassar College.



**Pius Muchiri**  
 Investment Officer, QPE

- Pius is in charge of the QPE investment portfolio. Prior to this appointment, he served the company as an accountant. He joined Centum in November 2004 and has over nine years work experience.
- He is a member of East African Investment Professionals.
- He holds Bachelor of Commerce degree from the University of Nairobi. He is a Certified Public Accountant ("CPA") finalist and a 2009 Chartered Financial Analyst ("CFA") Level III Candidate.



**Naomi E. Nyamongo**  
 Company Secretary

- Naomi is the legal advisor to the board and management, and is responsible for the company's secretarial matters. Prior to this appointment, Naomi served in the capacity of Finance Officer.
- Ms. Nyamongo is a member of the Institute of Certified Public Secretaries (ICPSK) and an Advocate of the High Court of Kenya.
- She holds a Bachelors degree in Law from the University of Nairobi, and is currently pursuing an MBA at the Strathmore Business School.

## Chief Executive's Review

*"Our focus is to provide our investors with access to a diversified portfolio of inaccessible investment opportunities while delivering market-beating returns."*



Dear Shareholder,

I am excited to present yet another set of excellent performance.

### Performance

Our focus is to provide our investors with access to a diversified portfolio of inaccessible investment opportunities while delivering market-beating returns. In the year to March 30, 2011 we made good progress on these twin objectives. Private equity and real estate, the inaccessible segments of our portfolio, made up 72% of the total investment portfolio up from 61% in March 2010. The portfolio value of these two business lines increased by 90% to Kshs 10.5 Billion. The increase was driven by a combination of new investments in the business lines and an increase in the value of the underlying portfolio companies. Our return on opening shareholder funds was 37% and the share price appreciated by 38%. This is as compared to the NSE that lost 4%.

### Investor Relations

The investment case of investing in Centum is the promise of earning market-beating returns that are uncorrelated to the market. We are working very hard to consistently deliver on this promise and our objective is in investing in areas where we have a competitive advantage and further enhancing and reinforcing our circles of competence. The re-organization of our business into the three business lines of Private Equity, Real Estate and Infrastructure and Quoted Private Equity has given us the ability to build expertise in three distinct investment areas and further diversify the portfolio without losing focus. We are also working hard to achieve our geographical diversification objectives and I am confident that by 2014, 50% of our assets will be invested outside Kenya.

The market capitalization of Centum has increased by at least 140% since we began implementing our five-year

strategy and has greatly outpaced the NSE index and most other performance benchmarks that investors may choose to employ. The remarkable value creation in shareholder wealth has been matched by growth in shareholder funds and our share price today is at a very slight premium to NAV. Our view is that the current share price does not capture the return and growth prospects of Centum and we have embarked on an aggressive investor engagement exercise, which we hope will unlock the value gap. The good news is that the Centum share still offers upside for investors.

### Track Record

The table below illustrates Centum's book value performance compared to the NSE index between 2006 and 2011.

Year	Centum Share Price Return	Centum NAV Return	NSE 20 Return	USE Index Return
2006	56%	32%	8%	22%
2007	173%	35%	21%	5%
2008	0%	-3%	5%	11%
2009	-61%	-31%	-40%	-33%
2010	67%	56%	43%	36%
2011	38%	37%	-4%	27%

### Business Line Review

#### i. Private Equity

The private equity business line had as at the close of the financial period Kshs 7.5 Billion in assets under management, which is 52% of Centum's total assets. This return comprises of dividends, director's fees, realized gains and unrealized gains. We earned Kshs 420 Million in dividends and directors fees from our private equity portfolio. This translated to a 7.7% dividend yield. This

level of dividend yield is significantly greater than the average dividend yield of most NSE listed entities. We generated Kshs 121 Million in realisation and Kshs 1.9 Billion in unrealized gains. The unrealised gains are a function of valuation uplifts following a revaluation of the portfolio at year-end.

The International Financial Reporting Standards require that we revalue the private equity portfolio annually to reflect a fair value, which is the estimate of the value at which the asset would change hands between knowledgeable parties in an arm's length transaction. There are a variety of valuation metrics that are recommended but for our portfolio the majority of the assets are valued either on an earnings multiple basis or on the basis of the price of a recent investment, 60% of the Kshs 1.9 Billion in unrealized gains was driven by an increase in earnings in the portfolio companies and the remaining 40% was driven by an expansion in the valuation multiples.

We target to deliver a 30%-35% return on our private equity portfolio and I am pleased to report that we have done so in each of the last two years of the strategy period. We generated a 65% return in the year to March 2010 and a 43.4% return in the year to March 2011. Our future returns within the private equity portfolio will be derived from three sources:

- (a) Existing portfolio: we have developed value creation initiatives for most of our portfolio companies and we are at various stages of executing the value creation plans. There is significant scope for value creation in some of our portfolio companies and we expect that value to be progressively unlocked over the next three years.
- (b) Exit of investments: we have identified a few portfolio companies that are targets for an exit. The exits will release capital that we will have the opportunity to deploy at higher returns.
- (c) New investments: we have developed a strong pipeline of opportunities across East Africa and our target is to make at least two investments in the Kshs 1.3 -1.5 Billion range in the year.

## ii. Quoted Private Equity

The quoted private equity business line had Kshs 3.9 Billion of assets under management, which is 25% of total assets under management down from 41% in the previous year. This reduction in the asset allocation is in line with our objective of offering investors access to an inaccessible portfolio of investment opportunities.

The quoted private equity business line earned a gross return of 11.5% in the period out-performing the NSE index, which delivered a negative 4% return. 46% of the total return was made up dividends, interest income and realized gains on disposal of investments while 54% was in respect of un-realised gains. Our focus within the quoted private equity business line is to acquire significant stakes in listed companies in the small to medium capitalization range that suffer from low liquidity, limited research coverage and consequently are of limited interest to institutional investors. Although these companies are listed, investors in these companies have considerable difficulty in exiting their positions while the companies themselves may have challenges raising equity capital from the markets. We have identified a number of attractive targets across the Sub-Saharan Africa listed markets that we are currently evaluating.

The quoted private equity business line is an important source of liquidity for the balance of the portfolio. Our cash flows are lumpy in nature and to even them out so as to better match the timing of the inflows and out flows to fund investments we have secured short and medium tenor lines of credit. These lines of credit are secured against the quoted private equity business line investment portfolio.

Our investment in the quoted private equity business line is underpinned by the belief that we can generate a return greater than our cost of capital and it is therefore in Centum's interest to borrow and reduce the weighted average cost of capital and secondly our belief that we will generate a return higher than cash and hence our very low cash holding levels. The lines of credit that we have negotiated with our lenders are ideal for our business because they have eliminated the need to carry cash on our balance sheet, which would dilute our overall performance. The lines offer us the flexibility to draw down on our available credit facility when we have cash requirements and to pay back as soon as we have cash inflows.

We also continue to seek opportunities to acquire significant stakes in listed entities that possess sustainable competitive advantage and that are attractively priced, where we can pro-actively work with management to create value. We have identified a number of such opportunities both in Kenya and outside Kenya and we expect to conclude at least one significant acquisition within the current financial period.

The focus of our QPE business in the coming year will be to expand the geographical footprint of our activities so as to move closer to achieving our objective of being the No 1 actively managed fund of marketable securities in Africa.

## Chief Executive's Review

### iii. Real Estate and Infrastructure

In my last report I mentioned that we were in the process of completing two significant real estate acquisitions in Nairobi and Entebbe. I am pleased to inform you that we have now completed the acquisitions and we have title on a 100 acre parcel of land in the Gigiri/Limuru road area in Nairobi and another 300 acres in a water front parcel of land in Entebbe Uganda.

The portfolio value of the real estate business line expanded from Kshs 36 Million to Kshs 3.5 Billion in the year. We made the acquisitions at very attractive prices and at the end of the year when we obtained an independent valuation of the land parcels the valuation of the two parcels was Kshs 1 Billion higher than the cost price. The two sites are ideal for the development of a master planned integrated development with a blend of commercial (office, retail, hotels) and residential developments. These types of integrated developments have proven very popular and have been commercially very successful in other parts of the world and this will probably be one of the first of its kind in East Africa.

We have assembled one of the best teams in Africa to develop the master plan. We have appointed a team professionals led by GAPP, who have considerable experience in the development of master planned destinations in Africa and the Middle East. We expect to break ground in 2012 and our focus will be to develop an integrated commercial, residential and recreational destination with a blend of offices, shops, restaurants, hotels, apartments, leisure facilities and other services that will make both developments one stop destinations. We expect to complete this exercise in the fourth quarter of 2011. Our goal is to break ground before the second quarter of 2012.

We target to exit our investments by placing the completed developments in an approved Real Estate Investment

Trust that will then be offered to investors. The Minister of Finance announced important tax incentives for REITS which include: (a) the income of a REIT trust will be exempt from tax and that (b) income earned by REIT note holders will not be subject to tax. These are crucial incentives that enhance the business viability of the developments we are about to embark on and that make it very attractive for investors from across the world to invest in REITS in Kenya.

The REIT structure also broadens the possible investors in real estate and eliminates the structural bottlenecks that have discouraged real estate investment. These bottlenecks include the lack of liquidity, the large ticket size of investment that is required, high transaction costs and the relatively large investment size required to achieve a reasonable degree of diversification.

### Financing

In line with your Company's strategy the Board did not recommend the payment of a dividend. The Company has instead re-invested the profits with the objective of continuing to earn market-beating returns. This strategy will carry on until 2014 and may be extended depending on the performance within the current strategy period and the investment climate at the time. At the moment however, the environment is ideal for making new investments and it is our view the Company and its shareholders will be best served by the current strategy of not paying out any dividends.

In addition, to employing internally generated funds to finance new investments your Company has employed a combination of medium term debt and revolving debt facilities. As at the close of the 2010/2011 financial year, we had Kshs 2.2 Billion in available debt facilities with Kshs 1.98 Billion drawn down. This was a debt/asset ratio of 15.8%, which is a fairly conservative level of borrowing.



## Progress against Strategy

We have made good progress against our strategic initiatives and I am pleased to report that we are generally ahead of what were very ambitious targets.

The table below is a summary of the progress made against our strategic objectives:

Strategic Objective	Progress
1 <b>Scaling up assets under management from Kshs 6.4 Billion in 2009 to Kshs 30 Billion in 2014.</b>	Assets under management increased by 52% to Kshs 15 Billion in the year to March 30, 2011. This is a 134% growth from the Kshs 6.4 Billion of assets that we had at the beginning of the strategy period in March 2009. Drivers of growth going forward will be: <ul style="list-style-type: none"> <li>Organic growth of the portfolio spurred by a more active portfolio management;</li> <li>Reinvestment of internally generated funds and debt in our three business lines;</li> <li>Mobilization of third party funds.</li> </ul>
2 <b>Deliver market beating returns</b>	In the year to March 30, 2011 we delivered a return on opening shareholder funds of 37% which was 41% above the NSE index. Over the two years of the 2009-2014 strategy period the market capitalization of the Company has grown from Kshs 5.8 Billion to Kshs 14 Billion. This is a 140% growth in shareholder wealth and in absolute terms the shareholder wealth created in the last two years is Kshs 8.2 Billion.
3 <b>Focused management of assets</b>	We have completed the reorganization of the company into three segments – private equity, quoted private equity and real estate and each of the business lines is on track to deliver solid returns.
4 <b>Geographical diversification</b>	We now have 18% our assets invested outside Kenya and we are on track to achieve our target of 50% of assets to be invested outside Kenya by 2014.  We also successfully cross-listed the Company shares on the Uganda Securities Exchange raising the brand profile of the Company in Uganda, which is Kenya's most important trade partner.  We will be seeking shareholder approval at the 2011 Annual General Meeting to cross list our shares on the Dar-es-salaam and Rwanda stock exchanges.
5 <b>Proactive brand development</b>	To position Centum as Africa's foremost investment channel we continue to align our internal processes, people, communication and identity to the brand.

## The Coming Year

The financial year 2011/2012 will be a challenging and busy year for your Company. The global and domestic economy remains fragile with different risks and challenges to growth emerging. This notwithstanding, our goal is to not only deliver market beating returns but also put in place a solid foundation for the Company as it continues on its path to become Africa's foremost investment channel. I am confident that the management team supported by the able Board of Directors and you shareholders will achieve this ambitious goal.

We are grateful for your continued support and believe that you will continue to support your Company, Board and Management team as you have done in the past.



**JAMES MWORIA**  
CHIEF EXECUTIVE OFFICER

5 August 2011

## Mapitio ya Mkurugenzi Mkuu

*“Ni lengo letu kupatia wawekezaji fursa ya kumiliki rasilimali aina mbali ambazo kwa kawaida si rahisi kupatikana na ni zenye faida ya juu.”*



Kwa Mwenyehisa,

Ni lengo letu kuwapatia wawekezaji fursa ya kumiliki rasilimali aina mbali ambazo kwa kawaida si rahisi kupatikana na ni zenye faida ya juu. Mnamo mwaka uliokwisha Machi 31, 2011 tulipiga hatua katika kutimiza malengo hayo. Uwekezaji kwenye kitengo cha hisa za kibinafsi na cha uuzaji wa nyumba na ujenzi ulichangia asilimia 72 ya uwekezaji wote ikiwa ni ongezeko kutoka kwa asilimia 61 wa machi 2010. Thamani ya rasilimali katika vitengo hivi iliongezeka kwa asilimia 90 hadi shilingi(k) bilioni 10.5 Ongezeko hilo ni kutokana na ununusi na kuimarika kwa thamani ya mashirika yaliyomo kwenye vitengo hivi. Faida ya rasilimali ilikuwa ya asilimia 37 hapo mwanzo wa mwaka na bei ya hisa katika soko la hisa kuongezeka kwa asilimali 38 dhidi ya kiwango cha soko la hisa la NSE ambalo lilipoteza asilimia 4.

Sababu kubwa ya kuwekeza katika Centum ni imani kuwa itaweza kuzalisha faida vizuru zaidi kuliko inavyotarajiwa. Tunatia bidii ili kuhakikisha tunafikia lengo hilo kwa kuwekeza katika rasilimali ambazo ni rahisi kwetu kuzipata na ili kudhihirisha uhodari wetu katika kutekeleza shughuli zetu. Mpangilio wa rasilimali kwa vitengo vitatu vya hisa za kibinafsi, ununusi wa nyumba na ujenzi wa muundo msingi, na cha hisa za kibinafsi zilizoorodheshwa imetuwezesha kuwa na ujuzi katika vitengo hivyo na kusaidia usambazaji zaidi ya rasilimali bila kukosa mwelekeo. Pia tunatia bidii ili kufanikisha uenezaji wa kampuni katika maeneo mengi kijogrofia na nina imani kuwa hivi karibuni wawekezaji wa nchi za nje watakuwa wakimiliki asilimia 50 ya rasilimali zetu zote.

Thamani ya hisa zote za Centum kwenye soko imeongezeka kwa asilimia 140 tangu tulipoanza kuzingatia mikakati tuliyoweka ya miaka tano na ambazo matokeo yake yameweza kushinda kipimo cha soko la hisa la NSE au vipimo vinginevyo. Kuimarika kwa thamani ya rasilimali imesababisha kuongezeka kwa fedha na pia thamani ya hisa zetu katika soko ambayo kwa wakati huu ni ya juu. Kwa maoni yetu bei katika soko haijatilia maanani faida na dalili

za ukuaji wa Centum na kwa hivyo tumeanzisha mpango wa kusisimua wenyehisa ili kuweza kuondoa tofauti hiyo. Jambo zuri ni kwamba hisa za Centum zinaendelea kufaidi mwenyehisa na hakuna matarajio ya hasara.

### Uchanganuzi wa utendaji kazi,

*Jedwali lifuatalo ni ya maelezo yanayolinganisha thamani ya hisa za Centum dhidi ya alama ya Soko La Hisa La Nairobi baina ya mwaka 2006 na 2011:*

Mwaka	Faida ya Hisa ya Centum	Faida ya Centum NAV	Faida ya NSE 20	Faida ya USE
2006	56%	32%	8%	22%
2007	173%	35%	21%	5%
2008	0%	-3%	5%	11%
2009	-61%	-31%	-40%	-33%
2010	67%	56%	43%	36%
2011	38%	37%	-4%	27%

### Uchambuzi wa shughuli kwa vitengo

#### i. Hisa za kibinafsi

Kitengo cha hisa za kibinafsi tulizosimamia kililikuwa na rasilimali ya thamani ya shilingi(k) bilioni 7.5, ambayo ni asilimia 52 ya rasilimali ya Centum. Kitengo hiki kilizalisha faida ya asilimia 43.4 ama shilingi(k) bilioni 2.4. Hii ni kupitia migao ya faida, ada ya wakurugenzi, na faida kutokana na kuimarika kwa thamani ya rasilimali. Mapato kutokana na ada ya wakurugenzi yalikuwa shilingi(k) milioni 433 na yalitoka mashirika zetu za kibinafsi. Hii ni mapato ya asilimia 7.7. Kiwango hiki cha faida kinashinda kile cha mashirika mengi yanayoorodheshwa katika soko la hisa la NSE. Tulipata faida ya shilingi(k) milioni 121 kupitia mauzo ya rasilimali na nyingine shilingi(k) bilioni 1.97 kutokana na kupanda kwa thamani ya rasilimali.



Kanuni za uhasibu za kimataifa zinatuhitaji kukadiria thamani ya rasilimali za kibinasi ili kubaini bei halisi ambayo mnunuzi mwingine angelipa kwa minajili ya kununua hizo rasilimali. Kuna mbinu mingi za kuweza kukadiri thamani ya rasilimali lakini sisi tunaangalia faida zilizosalishwa au kutegemea bei ya hivi karibuni ya rasilimali hizo. Asilimia 60 kati ya rasilimia yenye thamani ya shilingi(k)1.87 ziliimarika kutokanana na ongezeko la faida ya mashirika na asilimia 40 iliyosalia kutokana na kupanda kwa thamani ya rasilimali hizo.

Tunanuia kusalisha kati ya asilimia 30 na asilimia 35 kutoka kwa rasilimali ya kibinasi na ni furaha kutangaza kuwa tumefanya hivyo kwa miaka miwili iliyopita. Mwaka wa 2010 ilikuwa asilimia 65 ilhali mwaka wa 2011 ilikuwa asilimia 43.4 hadi machi 31. Faida kutoka kitengo hiki itakuwa ikichangiwa na mambo matatu yafuatayo:

- (a) Rasilimali zilizomo: Tumeweka mbinu za kuimarisha thamani ya rasilimali zetu na tuko katika harakati ya kutimiza hayo. Kuna haja ya kuinua thamani ya baadhi ya rasilimali zetu na tunatarajia kukamilisha kwa muda wa miaka mitatu yajayo
- (b) Uuzaji wa rasilimali Tumetambua baadhi ya rasimali ambazo zinafaa kuuzwa na kukezwa katika rasilimali za faida bora. Fedha zitakazopatikana zitawekezwa ili kupata faida zaidi.
- (c) Rasilimali mpya: Tumepata fursa nyingi za uwekezaji katika eneo la Afrika ya Mashariki ambapo tunatarajia kukamilisha kuwekeza shilingi(k) bilioni 1.3 hadi 1.5 mwaka huu.

## ii. Hisa za kibinasi zilizoordheshwa

Kitengo cha hisa za kibinasi zilizoordheshwa kililikuwa na rasilimali ya thamani ya shilingi(k) bilioni 3.9 ambayo ni asilimia 25 ya rasilimali ya Centum na kupungua kutoka kwa asilimia 41 mwaka uliotangulia. Kupungua kwa rasilimali ni kwa sababu ya mauzo tuliyoifanya ili kutoa fursa zaidi kwa wawekezaji.

Kitengo cha hisa za kibinasi zilizoordheshwa kilipata faida ya asilimia 11.5 na kushinda kiwango cha soko la hisa la NSE, ambacho kilipoteza asilimia 4. Asilimia 46 ya faida hizo ni kutokana na migawo ya faida ya mashirika, faida ya riba, faida kutokana na mauzo na asilimia 54 kutokana na kupanda kwa thamani ya rasilimali. Lengo letu kuhusu kitengo cha hisa za kibinasi zilizoordheshwa ni kuwa na umiliki mkubwa katika yale mashirika yaliyoordheshwa walakini yana matatizo ya fedha, wanalemewa na utafiti na yamekosa kuvutia wawekezaji wa kimashirika. Ingawa

kampuni aina hiyo zimeorodheshwa, hisa zao ni vigumu kuza na pia wana changamoto ya kuchangisha fedha kupitia uuzaji wa hisa. Tumetambua mashirika ya aina hiyo kote barani Afrika na tunaangazia kwa makini.

Hisa za kibinasi zilizoordheshwa ni njia muhimu ya kuchangisha fedha. Fedha zetu si taslimu na kwa hivyo imetubidi kuchukua mkopo ili kugharamia ununuzi wa rasilimali. Dhamana ya mkopo huo ni hisa zetu za kibinasi zilizoordheshwa. Sababu ya kuwekeza katika kitengo cha hisa za kibinasi zilizoordheshwa ni imani kuwa tutapata faida nzuri kuliko gharama ya ununuzi wa hisa hizo na kwa manufaa ya kampuni ni bora kukopa. Sababu nyingine ni kwamba tuna imani kuwa kwa njia hiyo ya mkopo tutapata faida kubwa na kwa hivyo hakuna haja kuwa na pesa taslimu kwa wingi. Mkopo tuliopata unafaa kampuni yetu pamoja na kufutulia mbali haja ya kuwa na pesa taslimu ambazo ni za gharama kubwa. Mpango huo unatupatia uhuru wa kuamua kiongeza mkopo tunapopungukiwa na fedha na uhuru wa ulipaji kwa haraka.

Pia tunaendelea kutafuta fursa ya kumiliki hisa nyingi za kampuni zinazoordheshwa, zenye kupata faida ya kudumu na ni nafuu kununua, na kutupatia fursa ya kushirikishwa kwenye usimamizi ili kuboresha zaidi. Tumetambua nafasi kama hizo humu nchini Kenya na vile vile nje ya Kenya ambapo tunatarajia kukamilisha ununuzi angalau wa rasilimali moja katika kipindi hiki.

Matarajio ya shughuli katika kitengo cha hisa za kibinasi zilizoordheshwa (QPE) ni kusambaza katika maeneo mengi ili kutimiza lengo la kuwa kampuni nambari moja ya uwekezaji barani Afrika.

## iii. Ununuzi wa nyumba na ujenzi wa muundo msingi

Kwenye taarifa yangu iliyopita niligusia kuwa tulikuwa katika harakati ya ununuzi wa nyumba jijini Nairobi na Entebbe. Ni furaha kwangu kutangaza kuwa tumekamilisha ununuzi wa ploti ya ekari 100 katika barabara ya Gigiri/Limuru karibu Nairobi na nyingine ya ekari 300 iliyoko karibu na ufuo mjini Entebbe, nchini Uganda.

Thamani ya rasilimali kwenye kitengo hicho iliongezeka kutoka shilingi(k) milioni 36 hadi shilingi(k) bilioni 3.5 katika mwaka huo. Tulifanikisha ununuzi huo kwa bei nafuu walakini thamani ya ploti hizo mwishoni mwa mwaka ilikuwa imepanda kwa shilingi bilioni moja.

Ploti hizo zinapatikana katika maeneo ya kufahari yanayofaa majengo yanayojumuisha biashara, (maofisi, maduka, mikahawa). Majengo kama hayo yanavutia wateja wengi huko ngambo ambapo miradi aina hiyo imefaulu.

## Mapitio ya Mkurugenzi Mkuu

Mradi wetu utakuwa wa kwanza kuwahi kutekelezwa huku Afrika ya mashariki.

Tumeteua kundi la wataalamu bora zaidi barani Afrika kwa ajili ya uchoraji. Tumeteua kundi la wataalamu wakiongozwa na GAPP, ambao wako na ujuzi tosha katika upangaji wa miradi ya aina hiyo barani Afrika na Mashariki ya Kati. Tunatarajia kuzindua miradi hiyo mwaka wa 2012, lengo ni majengo yanayojumuisha biashara, makazi na maeneo ya bustani, kwa pamoja na maafisi, maduka, mikahawa, mahoteli, kumbi za michezo na huduma zinginezo zinazoambatana. Tunatarajia kukamilisha mwishoni wa mwaka 2011. Tunatarajia kuzindua ujenzi wa mradi huo katikati ya mwaka wa 2012.

Baada ya kukamilika majengo hayo yatawekwa chini ya shirika la ununuzi wa nyumba la REITS ambalo litahusika na uuzaji. Waziri wa fedha alitangaza kwenye hotuba yake ya makadirio ya fedha (bajeti) ya mwaka wa 2011 kupunguzwa kwa ushuru chini ya mpango wa REITS. Hii ni usawishi mkubwa itakayozaidia katika kufanikisha utekelezaji wa mradi wa ujenzi na pia kuvutia wawekezaji wa kimataifa. REITS inatoa fursa kwa wawekezaji kwa kuepusha changamoto zinazowakabili kama vile ukosefu

wa fedha, ukubwa wa mradi wenyewe na gharama ya juu ya ujenzi.

### Matumizi ya fedha.

Katika kutimiza mikakati ya Kampuni yetu, Halmashauri ya wakurugenzi inapendekeza mgao wa faida usilipwe. Badala yake kampuni imeweka faida zilizopatikana kwa ajili ya kuendeleza uwekezaji ili kuzalisha faida zaidi. Tutaendeleza mradi huu hadi mwaka wa 2014 au hata mbele zadi kulingana na mapato na hali ya uchumi kwa wakati huo. Walakini kwa wakati huu kuna haja ya kuwekeza zaidi na ni imani yetu kuwa kampuni pamoja na wenyehisa watanufaika hata kama hawatalipwa mgao wa faida.

Pamoja na matumizi ya faida kwa uwekezaji kampuni pia imeshirikisha matumizi ya mkopo. Mwishoni mwa kipindi cha mwaka wa fedha wa 2010/2011 tulikuwa na kibali cha kukopa hadi shilingi(k) bilioni 2.2 lakini tulitumia shilingi (k) bilioni 1.98 tu. Hii ikiwa ni kiwango cha asilimia 13 ukilinganisha fedha za mkopo dhidi ya thamani ya rasilimali zote ambacho ni kiwango cha wastani.

## Maendeleo dhidi ya mikakati

Tumepiga hatua katika utekelezaji wa mikakati yetu na nina furahi kutangaza ya kwamba kwa jumla tuko mbele kuliko ilivyotarajiwa.

*Jedwali lifuatalo ni maelezo juu ya maendeleo dhidi ya mikakati iliyowekwa:*

	Mikakati iliyowekwa	Hatua zilizochukuliwa
1	<b>Kuongeza rasilimali tunazosimamia kutoka shilingi(k) bilioni 6 hapo mwaka wa 2009 hadi shilingi(k) bilioni 30 mwaka wa 2014</b>	Tuliongeza rasilimali tunazosimamia kwa asilimia 52% kufikia Shilingi(k) bilioni 15 mnamo 31 Machi 2011. Kwa siku za usoni mambo yafuatayo yatachangia ukuaji: <ul style="list-style-type: none"> <li>Kuimarika kwa thamani ya rasilimali kutokana na usimamizi thabiti;</li> <li>Uwekezaji wa fedha tulizozalisha na kwa matumizi ya fedha za mkopo kugharamia shughuli zetu zote;</li> <li>Kukusanya na kusimamia fedha za wawekezaji wengine.</li> </ul>
2	<b>Kupata faida inayoshinda ile ya soko la hisa</b>	Katika mwaka uliokwisha 31 Machi 2011, Centum ilipata faida ya asilimia 37 ambayo ilishinda ile ya soko la hisa kwa asilimia 41. Kwa miaka miwili kati ya miaka ya mikakati ya 2009-2014 thamani ya hisa zote za kampuni katika soko la hisa imeongezeka kutoka shilingi(k) bilioni 5.8 hadi shilingi (k) bilioni 14. Hii ni ukuaji wa asilimia 140 au Shilingi(k) bilioni 8.2 .
3	<b>Usimamizi thabiti wa rasilimali</b>	Tumekamilisha muundo wa shughuli za kampuni kwa vitengo vitatu; Hisa za kibinafsi, hisa za kibinafsi zilizo rodesha na kwenye Ununuzi wa nyumba na ujenzi ambapo kila moja ya vitengo hivi vinatenda vyema
4	<b>Kushiriki katika maeneo mengi kijografia</b>	Kwa wakati huu kiasi ya rasilimali tulizonazo nje ya Kenya inatimia asilimia 18 ya rasilimali zetu zote na bado tunakusudia kufikisha asilimia 50 ifikapo mwaka wa 2014.  Pia tulifaulu katika kusajili hisa za Centum kwenye soko la hisa la Uganda Securities Exchange na hivyo kuinua hadhi ya kampuni nchini Uganda ambayo ni nchi yenye uhusiano mkubwa wa kibiashara na Kenya.  Tutaomba idhini ya wenyehisa katika mkutano wa mwaka ruhusa ya kusajili hisa katika masoko ya hisa ya Dar-es-Salaam stock exchange na pia Rwanda Stock Exchange.
5	<b>Kutanguliza uimarishaji wa sura na sifa ya Centum</b>	Ili kufanikisha Centum kuwa kampuni kiongozi Barani Afrika katika uwekezaji wa fedha, tunaeendelea kushirikisha watu tofauti kutekeleza shughuli zetu na kwa kujenga jina lenye sifa nzuri kupitia njia ya mawasiliano.

## Mwaka Ujao

Katika mwaka wa fedha wa 2011/2012 Centum itakuwa na shughuli nyingi na pia kukabiliana na changamoto nyingi. Hali ya uchumi duniani hali kadhalika humu nchini bado ni wasi wasi na madhara yenye kukera ukuaji yanaendelea kujitokeza. Licha ya hayo lengo letu sio tu kupata faida kubwa, bali pia kuweka nguzo thabiti katika Centum ili iendelee kuwa kampuni bora ya uwekezaji Barani Afrika. Ninayo matarajio kuwa kupitia ushirikiano wa wasimamisi, halmashauri ya wakurugenzi na nyinyi wenye hisa tutaweza kufanikisha malengo hayo.

Tunawashukuru kwa ushirikiano wenu na tunawahimisa muendeleo kuunga mkono Centum, Halmashauri ya Wakurugenzi na Wasimamizi jinsi ambavyo mumejanya tangu mwanzo.



**JAMES MWORIA**  
**AFISA MSIMAMIZI MKUU**

5 Agosti 2011

# Business Review

## Financial Review

### Introduction:

As was done in the last financial statements, we included the company financial performance in addition to the Group performance. This disclosure is aimed at creating focus on the financials that best represent the value of Centum as an investment company.

The Group financials highlight Centum's performance as a Holding Company. In the Group financials, investments in associate companies which are those entities in which we hold more than 20%, are valued at Net Asset Value (NAV) in accordance with International Financial Reporting Standards.

The Company financials on the other hand highlight Centum's performance as an Investment Company. All investments are held at fair value. The Company performance will therefore remain Centum's focus when tracking performance and will form the basis of our Financial and Business review.

### a) Total Return

Total return refers to the value created during the period both realised and unrealised. Except for the disclosure format, total return represents total comprehensive income as highlighted on page 53 of the financial statements.

Total return is computed by adding portfolio income to unrealised value movements in the portfolio and deducting portfolio and funding costs. Centum recorded a total return of 37% in the financial year ended 31 March 2011. This was attributed to the performance of the underlying portfolio companies which resulted in an improvement in portfolio income and valuation of investments. The details of return are highlighted in the table below.

Kshs. m	2010	2011
Dividend Income	456	510
Interest Income	6	78
Other Income	33	25
Realised gains	88	131
Unrealised gains	2,948	3,099
<b>Gross Portfolio Return</b>	<b>3,531</b>	<b>3,843</b>
Finance Costs	(47)	(155)
Portfolio costs	(199)	(291)
<b>Total Return</b>	<b>3,297</b>	<b>3,395</b>
Gross Portfolio return %	60%	42%
Total return %	56%	37%

For detailed review of the total return, please see note 5 on page 75-81.

### b) Portfolio Costs/Cost Efficiency

Kshs.'m	2010	2011
Portfolio costs	199	291
Portfolio Value	9,015	14,462
Cost efficiency	2.1%	2.0%

Centum's cost efficiency metric is defined as the portfolio costs which include operating and administrative expenses as a percentage of the closing portfolio value. Centum's target is to maintain this ratio at below 2.5%.

The absolute cost increased from Kshs 199 million to Kshs 291 million in line with increased investment activity during the year.

### c) Statement of Financial Position

Kshs.'m	2010	2011
Total Assets	9,870	15,003
Portfolio value	9,015	14,462
Net Assets	142	77
Debt	-	(1,988)
Shareholder s' funds (NAV)	9,157	12,552
Gearing	-	15.8%
NAV per share (Kshs.)	16.65	20.75

### Total Assets

Total Assets on the other hand grew to Kshs. 15 Billion in 2011 from Kshs. 9.8 Billion in 2010.

### Portfolio Value

Centum's portfolio value includes the carrying value of investments as well as marketable securities at the reporting date.

Movements in portfolio value are as a result of;

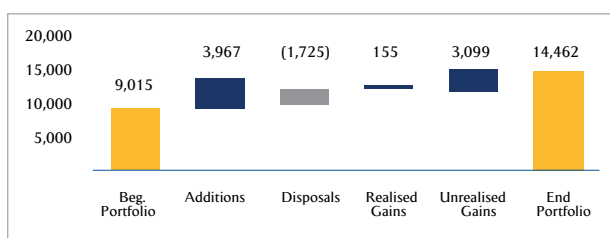
- new investments, value realization through disposals
- unrealized value movements on revaluation of the portfolio.

Centum's portfolio grew by 37% from Kshs. 9 Billion in 2010 to Kshs. 14.4 Billion as at 31 March 2011 being the total return in the period.

For a detailed review of the total return please see note 5 on segment information from page 73-79, the unrealized value movements are the same as unrealised gains.

The movement in Centum's Portfolio value from 1st April 2010 to 31st March 2011 is highlighted below:

*Amounts in Kshs. m*



During the year ended 31st March 2011, Centum invested KShs 2 Billion in real estate projects.

Other investments during the period were in Quoted Private Equity (QPE)

### Funding and Gearing

During the period, Centum financed its investment activities using a combination of equity and debt funding. As such, the closing gearing position at 31 March 2011 was 15.8%.

## Business Review

### Private Equity Business Line

#### Introduction:

The Private Equity (PE) business line is Centum's largest business line with approximately 52% of the total portfolio. The Kenyan PE industry is witnessing increased activity as the government works to accelerate economic growth by encouraging new investments and developing the necessary infrastructure. Many owners of businesses in the region wish to embark on major capital investment and regional expansion projects now have several competing sources of financing to enable them achieve their objectives.

#### Opportunities for Centum

Centum's established track record in Kenya, our proprietary deal flow and networks in the PE industry and our long established status as a channel through which investors can participate in PE investments - makes Centum the partner of choice in the East Africa private equity space.

Centum's PE opportunity is guided by the following major themes:

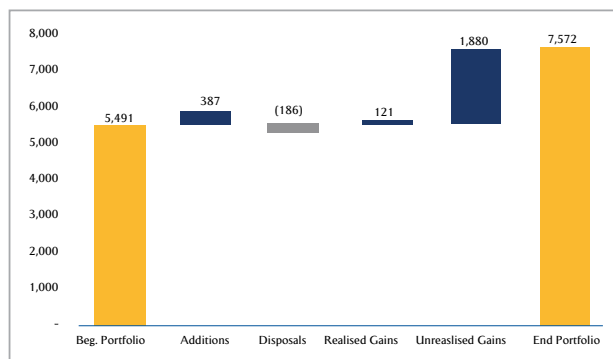
- **Fundamental nature of the business** - Centum invests in high growth local or international companies that are focused on fulfilling domestic and regional demand for basic goods and services and that require capital to grow either organically or inorganically.
- **Depth of regional market** - lack of depth in regional markets provides room for development of a rich deal pipeline because most dominant companies in these markets are largely privately held,
- **Partnership** - success in PE investments is underpinned by strategic partnerships with industry leaders, private investors and fellow PE players.

#### Performance

During the year, the PE business line generated a total return of Kshs 2.3 Billion, equivalent to 40.5% on the opening equity portfolio base of Kshs 5.5 Billion. The table below summarizes the PE business line performance for years ended 31 March 2010 and 2011.

Kshs. m	2010	2011
Portfolio Income	429	554
Unrealised gains	1,886	1,880
<b>Gross Return</b>	<b>2,315</b>	<b>2,433</b>
Finance costs	(29)	-
Portfolio Costs	(119)	(165)
<b>Total Return</b>	<b>2,168</b>	<b>2,268</b>
Gross return	65.3%	43.4%
Total return	61.1%	40.5%
Closing portfolio value	5,491	7,572

The portfolio closed at KShs 7.6 Billion at the end of the period. The chart below is a summary of the movement in Centum's PE portfolio from 1 April 2010 to 31 March 2011.



#### Investment Activity

Centum investments activity during the year:

- Kshs 202 million in capital calls to Helios Fund II and CAPE III Fund, and
- The disposals relate largely to our divestment from NAS Airport Limited and a return of Capital from our investment in the funds.

#### Valuation

Centum makes use of International Private Equity and Venture Capital Valuation Guidelines (IPEV September 2009 Guidelines) in the valuation of its private equity portfolio, on fair value. Fair value is the amount for which an equity investment can change hands in an arm's length transaction.

Centum determines fair value using any one of the following methods:

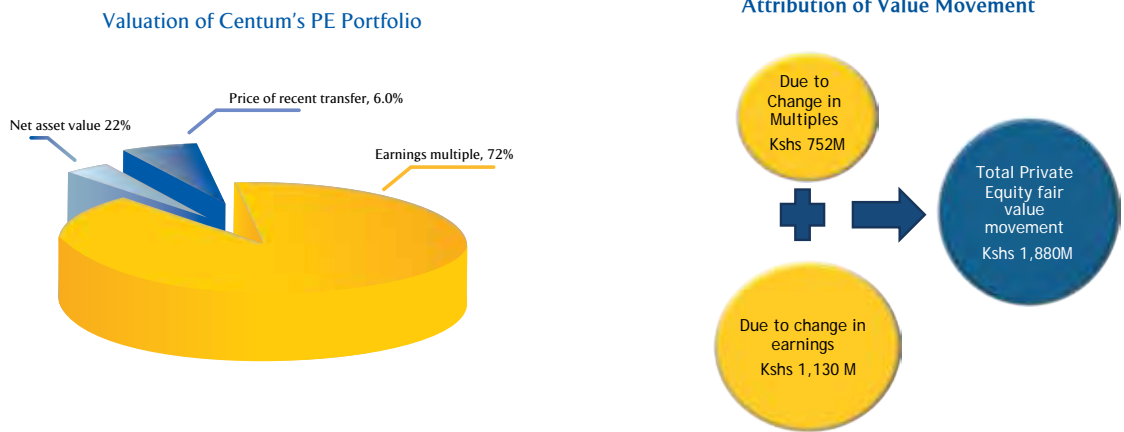
- Earnings Multiple** - this draws on market-based measures of risk and return and involves application of an earnings multiple to the earnings of the company being valued to result in the value of the business. The multiple is derived from comparable companies or transactions with similar prospects from a return and growth perspective.
- Net Asset Value** - this is used in cases where a business is not making a positive return on assets and for which a greater value can be realized by liquidating the business and selling the assets.
- Price of a New investment** - this is used where the investment is made within the financial year.
- Cost** - this is used in cases where fair value cannot be reliably measured.



As at 31 March 2011, Centum’s PE portfolio was valued principally based on earnings multiples. The values of the companies were affected by two factors:

- i. Multiples expansion/contraction resulting from improved stock market movements, and
- ii. Earnings growth of the underlying investee companies.

We valued 72% of our PE portfolio using the Earnings multiple approach. Of the total fair value movement of Kshs 1.08 billion, Kshs 1.36 billion attributable from earnings movement while Kshs 0.72 billion attributable from multiples expansion.



**Outlook**

In the coming financial period the focus of Centum’s PE business line is two-fold:

- a) To maximize the value of our current legacy portfolio. Centum will continually engage investee companies to drive sustainable growth and
- b) To make new Investments. Centum is looking to close at least two deals in 2011.

Regarding our current portfolio, we will continue to emphasize the improvement of our investees’ operational efficiency with the goal of positioning them as market leaders in their various market segments.

**Financial Sector - Insurance Services**



**UAP HOLDINGS**

Stake: 24.2%  
Sector: Insurance And Financial Services



UAP is one of the leading insurance companies in East Africa. The company transacts all classes of general insurance in addition to Marine, Life, Pensions and Healthcare products.

UAP is now the second largest insurer in Uganda and the first foreign underwriter in Southern Sudan.

Its quest for leadership has not come without notice: it was the first insurance company to be ISO 9001:2000 certified; has achieved the highest credit rating, Global Credit Rating (AA); and has won fire Awards since its inauguration.



**AON INSURANCE BROKERS (KENYA)**

Stake: 21.5%  
Sector: Insurance Brokerage & Consulting services



Aon Insurance Brokers Ltd (AON) is a market leader offering insurance broking, risk management, actuarial consulting, medical scheme administration and medical fund management, life and pension's administration, and employee benefits consulting services to medium and large organizations in Kenya.

AON has a large portfolio of corporate clients to whom it provides brokerage services for coverage of some of the most complex risks. AON is a service driven organization which aspires to meet the highest standards of its clients.

**Beverages - Alcoholic and Non-alcoholic**



**KWA HOLDINGS**

Stake: 26.4%



Kenya Wine Agencies is a leading manufacturer and distributor of wines and spirits in East Africa with operations in Kenya, Uganda and Rwanda.



Beverages - Carbonated Soft Drinks



**RIFT VALLEY BOTTLERS**

Stake: 44.0%

Rift Valley Bottlers Limited is a Coca Cola bottling company whose franchise territory spans over Rift Valley and Western provinces in Kenya. It is the fourth largest Coca Cola franchise in the country in volume terms.

**MOUNT KENYA BOTTLERS**

Stake: 27.8%

Mount Kenya Bottlers Limited is a Coca Cola bottling company whose franchise territory spans over Central & North Eastern provinces in Kenya. It is the fifth largest Coca Cola franchise in the country in volume terms.

**NAIROBI BOTTLERS**

Stake: 27.6%

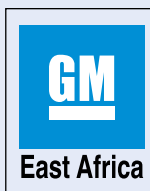
Nairobi Bottlers Limited is the largest of the Coca Cola franchises in Kenya. Its territory spans over the whole of Nairobi, parts of Central Eastern and Rift Valley provinces.

**KISII BOTTLERS**

Stake: 23.9%

Kisii Bottlers Limited is a Coca Cola bottling company whose franchise territory spans over parts of south Rift Valley and Nyanza province. It is the sixth largest Coca Cola franchise in the country in volume terms.

Others



**GENERAL MOTORS EAST AFRICA**

Sector: Automotive

Stake: 17.8%

GM East Africa (GM) markets and sells Chevrolet, Opel and Isuzu vehicles and parts. It locally assembles the Isuzu and Chevrolet vehicles. Majority of GM's sales are domestic. GM also exports to neighboring countries in the COMESA region: Uganda, Tanzania, Rwanda, Burundi, Zambia, Zimbabwe, Mozambique and Ethiopia. GM East Africa has over 30 years experience in local assembly and service.

Others



**Longhorn Publishers**

Stake: 35.0%  
Sector: Publishing



Longhorn Kenya Ltd. is a leading regional publisher of educational books and books for general readership.

Longhorn ranks second in market share for both primary and secondary level textbooks.

It has subsidiaries in Uganda and Tanzania and is also exploring opportunities in other African countries such as South Sudan, Rwanda and Zambia.



**NAS Airport Services**

Stake: 15.0%  
Sector: Food



We have invested through SIA(K) Holdings that acquired NAS Airport Services Limited (NAS).

NAS provides meals and handling services to airlines at the Jomo Kenyatta International Airport and the Mombasa International Airport.

NAS is the only operator offering these services and therefore has a clear leadership of its market.



**Helios Fund 2**

Sector: Pan Africa Fund  
Commitment: US\$ 5M  
Fund Size: US\$ 200M



Helios Investment partners is a leading investment firm founded in 2004 and focused on making private equity and special situation investments in African companies.

The Helios Fund 2 targets growth equity investments in hitherto-neglected sectors exhibiting high growth potential, and acquisition of large, established businesses, such as non-core subsidiaries of multinational companies.



**CAPE III**

Sector: Pan Africa Fund  
Commitment: US\$ 2M  
Fund Size: US\$ 350M



...We value investors...unlocking value in Africa

CAPE III is the third private equity fund by African Capital Alliance (ACA) Mangers. Founded in 1997, ACA is a leading private equity firm with a focus on the Gulf of Guinea. The fund size is underpinned by a growing and reforming economy, and a higher focus on energy than in previous funds sponsored by ACA. The fund focuses on the following attractive sectors: energy sector, financial services, logistics, telecommunications and information technology.

CAPE III structures its investments for on-going liquidity, a majority interest or significant minority interest with strong governance rights in the respective companies.

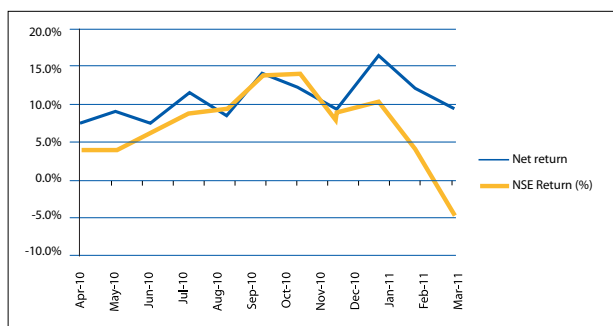


### Introduction:

The Quoted Private Equity (QPE) business line acquires significant equity stakes in quoted companies within Africa that are primarily in the small to mid cap range with limited liquidity and that are therefore outside the purview of the majority of institutional investors. The QPE Business line also invests in a variety of marketable securities.

### Operating Environment

The FY10/11 fiscal year was marked by significant changes in the local market particularly the interest rate regime. The Central Bank of Kenya ("CBK") has been making efforts to maintain a low interest rate environment so as to stimulate private sector growth and render borrowing affordable to consumers and corporations alike. However, inflationary pressures, a weakening exchange rate, drought, uncertainty in global equity and debt markets, a heightened domestic political atmosphere and political events in the Middle East have led to increased pressure on interest rates. These factors weighed on all the major African equity markets as foreign capital fled to quality particularly in the latter part of the year. These events culminated in downward movement of the NSE-20 Share index as illustrated in the graph below.



### Opportunities for Centum in QPE

Centum's QPE opportunity is guided by the following major themes:

- Geographical expansion to other attractive Sub-Saharan Africa markets:** the objective of the QPE business line is to be a leading actively managed fund in marketable securities in Africa. Our focus is on Africa because it is one of the fastest growing economies in the World and is expected to maintain this momentum going forward. Our focus is on those countries that will be the driving force behind this growth in the African economy. During the last 12 months we have made a lot of progress on this front and we have identified a number of attractive opportunities

outside Kenya. Besides the benefits of geographical diversification (reduction of risk, tapping into different growth markets etc. etc.), we will be seeking to competitively channel capital across African markets in search of the best possible risk-adjusted return for our shareholders.

- Increasing investments in alternative asset classes:** Equity markets have experienced continuous downward pressure as investors seek alternative, defensive asset classes such as fixed income securities and cash. We intend to sustain our return while taking advantage of new opportunities in defensive securities. Additionally, we will seek opportunities to profit from investments in equity markets outside Kenya where economic and political conditions may be more favourable.
- Scaling up the size of our transactions:** To generate a meaningful return to our shareholders, we continue to see scale as key to our investment strategy going forward. We have consistently outperformed the NSE 20-Share Index in the past and we intend to continue this trend. Generating a healthy spread between our portfolio and the NSE 20-Share index is one of our key objectives. We want to leverage this strong track record to build and manage third party funds alongside our own funds.

### The business model and focus for QPE

QPE's business model focuses on acquiring influential or controlling stakes in what we view as undervalued public listed companies with Private Equity characteristics. We then utilize our private equity skills to enhance value in those companies.

In the process of searching for QPE opportunities we also come across, and invest in, attractive minority stakes, which we classify as marketable securities. Under this asset class, we also have our investments in fixed income securities. We earn a return through dividend, interest income, realized gains upon disposal and unrealized gains as the price appreciates. Additionally, the marketable securities play a critical role in providing liquidity to the Centum portfolio both due to the fact of their near cash and are also acceptable as collateral when borrowing from commercial banks.

### Performance

During the year ended March 2011, QPE generated a total return Kshs. 320 million, equivalent to a return of 9.1% over opening equity portfolio base of Kshs 3.5 Billion. This per-

## Business Review

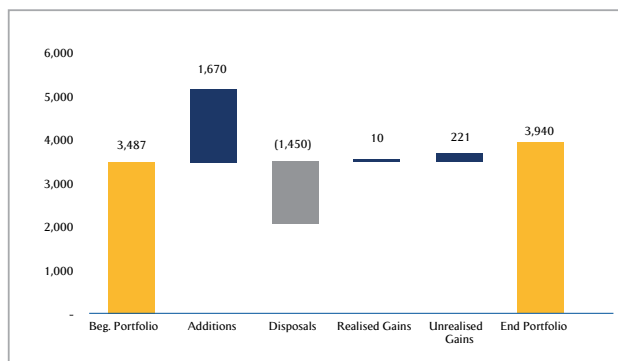
### Quoted Private Equity

formance was impressive in view of a marked downturn in the NSE-20 Share index, which returned negative 4%, over the same period. The table below summarizes the QPE business line performance for the year ended 31 March 2011.

Kshs. m	2010	2011
Portfolio Income	150	183
Unrealised value movements	1,062	221
<b>Gross Return</b>	<b>1,212</b>	<b>406</b>
Finance costs	(17)	-
Portfolio Costs	(64)	(84)
<b>Total Return</b>	<b>1,141</b>	<b>320</b>
Gross return	53.2%	11.5%
Total return	50.1%	9.1%
Closing portfolio value	3,487	3,940

The QPE performance is disclosed as part of segment information in note 5 of the financial statements on note 5(c), page 78.

The portfolio was valued Kshs 3.9 Billion as at March 31, 2011 and the movement in Centum's QPE Portfolio from 1st April 2010 to 31st March 2011 is highlighted below:



### Investment activity

During the period, new investments by QPE amounted to Kshs 1.67 Billion (2010: Kshs 1.14 Billion) while disposals for the year totaled Kshs 1.45 Billion driven by our need for portfolio realignment and financing our deal pipeline.

In the FY10/11 fiscal year, we invested in the Bralirwa Initial Public Offer ("IPO") in Rwanda – a debut IPO which was oversubscribed by ~500%. We hope to report substantial progress in our markets outside Kenya.

### Portfolio Valuation

The QPE business line values its portfolio holdings using the respective market prices as at the reporting date, consistent with International Financial Reporting Standards (IFRS).

### Outlook

QPE is making headway into accessing new markets outside Kenya as opportunities arise. Key markets are Uganda, Rwanda, Tanzania, Nigeria and Ghana, based on a promising macroeconomic outlook and potential for returns. Our target is 50% portfolio allocation outside Kenya which will mitigate any downward movements in the Kenyan markets and offer potential upside. To this end, we have established contacts with key market players in these regions and have forged partnerships to familiarize ourselves with local conditions.



#### Introduction:

The Real Estate & Infrastructure (REI) business line was formed in keeping with Centum's central mission, that is to offer investors access to inaccessible, quality, and diversified investments. Established in the third quarter of the 2009/2010 fiscal year, REI is Centum's newest and fastest growing business line. Over the past year, the REI business line has grown from less than 1% to 23% of Centum's total assets under management. Management's expectation is that, given that returns in the real estate and infrastructure asset class are generally uncorrelated to the returns of the financial markets, the REI business line will help to further reduce the existing high correlation between Centum's financial performance and market returns. Further, the REI division is contributing towards Centum's stated goal of achieving geographical diversification through investments it has made in Uganda.

The value of investments in the REI business line has grown from Kshs 36 Million in FY2009/2010 to Kshs 3.5 Billion at the end of FY2010/2011. The key driver of this tremendous growth in value is the successful completion of the acquisition of two prime undeveloped properties: the first, measuring 100 acres and located in the Diplomatic Blue Zone in the Gigiri/Limuru Road area of Nairobi, Kenya and the second measuring 300 acres and located on the Lake Victoria waterfront in Entebbe, Uganda. These acquisitions were made at very attractive prices and an independent valuation of both properties that was carried out at the end of the year gave a valuation that was about Kshs 1 Billion higher than the acquisition cost.

The two sites are ideal for master planned developments that harmoniously integrate a blend of commercial (office, retail, hotels) and residential developments of varying densities (low, medium and high). These types of integrated developments, based on the principles of "New Urbanism", have proven very popular and commercially successful in other parts of the world.

These properties (and future developments) will form the basis of a permanent real estate investment vehicle that would be offered to investors e.g. through a Real Estate Investment Trust (REIT) structure. The objective of this real estate investment vehicle will be to provide local and international investors with access to sizeable, liquid, diversified investment grade real estate assets.

#### Investment Focus

Increased activity in REI is consistent with the emerging high economic growth trends in the region driven by

changes in demographics, government policies aimed at attracting new investments and increased funding for infrastructure development.

In our REI investments, Centum favors early stage (or green field) investments where the prospects for significant capital gains and attractive yields exist but full realization of these returns is limited until the projects are fully operational. To mitigate technical and construction risks for these early stage investments and given Centum's role as a financial sponsor, Centum typically seeks experienced technical partners who have a solid track-record in the design and implementation of similar projects.

Where returns are attractive, we may also consider investments in construction projects usually within city centers or urban settings where utilities and services are already present.

#### Opportunities for Centum in Real Estate

In Real Estate, Centum seeks opportunities that leverage our ability to quickly mobilize funds for investment, thereby unlocking attractive development opportunities that will lead to the creation of new communities and address imbalances in the commercial and residential real estate markets.

Centum's Real Estate investments are guided by the following major regional trends:

- **Infrastructure developments** – Construction of new transportation infrastructure such as superhighways, link roads and bypasses, expansion of existing roads as well as proposed investments in rapid rail transit have opened up new areas for development.
- **Shortage of serviced land** – The rapid pace of urbanization in the region has far outstripped the ability of local authorities to increase the stock of adequately serviced land available for development. This has subsequently impeded the creation of new neighborhoods and led to the high density of formerly low density residential areas thereby straining the existing road, water and sewer infrastructure.
- **Demographics** – It is estimated that over 70% of the East African population is aged 34 years and below. This young population forms the core of the region's rapidly growing middle class and driving the formation of new households which in turn feeds the demand for new housing stock.

## Business Review

### Real Estate & Infrastructure

- **Improved living standards** – The aspirational needs of the rapidly growing middle class in the region has led to an emerging trend towards integrated, mixed use residential developments that cater to lifestyles and which are comparable to those available in developed countries.
- **Growing Investor Interest** – The rapid growth of the regional economies has generated significant interest in the real estate sector from both local and international investors. Some of the key constraints to investor participation in the sector regionally include the long and difficult land acquisition and sale process, high transaction costs, and the size of investment required to provide adequate diversification both regionally and in various real estate products (commercial, retail, residential).

It was in view of the foregoing trends that Centum identified and acquired the two real estate properties in our portfolio. In our opinion, these two properties provide attractive opportunities to create master planned communities in a manageable and sustainable manner. Our goal is to lead the way in developing new, fully serviced neighborhoods with the aim of generating market beating returns.

#### Opportunities for Centum in Infrastructure

Centum defines Infrastructure investments as those made in capital-intensive businesses providing essential services over the long-term, often on a regulated basis or with a significant component of revenue and costs that are subject to long-term contracts.

Centum's Infrastructure investments are informed by the growing importance of Public Private Partnerships (PPPs) to address resource constraints within national governments and local authorities in providing essential services such as electricity, transportation, water and waste management. Centum's current focus is primarily on investments in independent power projects (IPPs) and especially in the geothermal sector.

#### Investment Activity

##### 1. Runda Closeburn Limited

During the year, Centum completed the acquisition of 100 acres of prime land in the Gigiri/Limuru Road area. The property is located well within Nairobi's diplomatic blue zone and is less than 10 minutes drive from the UN Complex and US Embassy in Gigiri. The property is bounded by the Limuru Road to the South, the now completed Northern

Bypass to the North and the proposed link road to Waiyaki Way to the West. The site is bordered by the Ruiruaka River to the South and a seasonal tributary to the Ruiruaka river flows through the middle of the Property. The property is owned by Runda Closeburn Limited ("RCL"). We have also obtained a conditional approval for change of user for an integrated master planned development on the site. In addition, since we began the acquisition process, the Northern Bypass has been transformed from a barely passable dirt track into a tarmac single lane highway.

Some of the key characteristics of the site that will inform the proposed developments include:

- (a) Key access roads border the site (e.g. the Northern Bypass, Limuru Road, and the North-South Link Road). This not only provides easy access to existing urban nodes in Nairobi (e.g. Westlands, Lavington, Loresho, etc.) but to key points such as JKIA and the growing residential areas of Limuru, Kiambu, Ruiru and Thika. This catchment area is a key source of foot traffic that would drive the value proposition for commercial developments such as retail outlets;



- (b) This site would have no competitive advantage as a purely residential development (and especially in providing low density single family dwelling units) because there is plenty of supply of low density residential units in the immediate surrounding areas as well as areas that are accessible via the existing transportation nodes e.g. Kiambu, Ruiru, Westlands and beyond;
- (c) The site location is in an area that has matured as a residential area and is now primed for commercial developments such as offices in much the same

way as places such as Upper Hill and Kilimani have experienced. The site has the added advantage of being well-located relative to major road networks;

- (d) The surrounding area has a limited supply of commercial space such as office space, hotel beds, etc. and those that exist are typically fully occupied. There is also a limited supply of high quality medium density residential offerings. These are the product offerings that the market would likely be willing to pay a premium for in this particular area and thus represent the “highest and best use” of the site;

## 2. Pearl Marina Estates Limited

Centum has also completed the acquisition of 300 acres of land (The Garuga property) that is situated between Entebbe International Airport and Kampala, about 22 kilometers from the Airport and about 32 kilometers from Kampala by road. The property consists of over 2km of lake frontage and electricity, piped water, and an all-weather murram access road from the Kitara Trading Center with government plans in place to tarmac the existing road. The property is owned by Pearl Marina Estates Limited (“PMEL”).

Some of the characteristics of the site that will inform the proposed developments include:

- (i) The site is within an area that is already a well known resort destination for Ugandan families and tourists. However, there are insufficient recreational and commercial facilities to serve the latent demand;
- (ii) The site is a veritable archipelago of pristine ecosystems with a variety of flora and fauna which would be a key attraction for both visitors and people who live and work at the proposed development;



- (iii) The site can be accessed either by water (e.g. the Entebbe Airport jetty is about 10 km away), road and by air (e.g. using amphibious sea planes). The site also provides access to other resort developments and cities along the Ugandan coastline e.g. the Bulago Island, the Ssesse Islands, Port Bell, etc.;



- (iv) The proposed Kampala-Entebbe Expressway will join the existing Entebbe Road at Kitara Trading Center which is located about 7 kilometers from the site. There are also plans to expand the existing Kampala-Entebbe road. Once completed, these projects will help to drive increased traffic to the site;
- (v) The site has over two kilometers of lake frontage which makes it ideal for water-related activities such as a public waterfront and marina which would form the basis for commercial developments such as restaurants and retail outlets.

## Performance

During the year ended 31 March 2011 the REI business line made a 26% & 24% contribution to Centum’s gross and total return respectively.

Kshs. m	2010	2011
Portfolio Income	4	5
Unrealised value movements	-	999
<b>Gross Return</b>	<b>4</b>	<b>1,004</b>
Finance costs	(16)	(155)
Portfolio Costs	(1)	(42)
<b>Total Return</b>	<b>(13)</b>	<b>807</b>
Gross return	12%	2,777%
Total return	-32%	2,234%
Closing portfolio value	36	3,520



## Business Review

### Real Estate & Infrastructure

The return was driven by the value uplift in the real estate portfolio as shown in the table below; the total return for the year 2011 was Kshs 807 million from an opening value of Kshs 36 million, a 2,234% return. Performance of the REI portfolio is highlighted below.

#### Valuation

Valuation of Centum's REI portfolio is in accordance with the requirements of the International Financial Reporting Standards (IFRS), and is based on fair value. Fair value for Investment Property is an estimate of the value a willing buyer would pay a willing seller on the date of valuation for a property offered for sale in the open market in an arm's length transaction wherein the parties have each acted knowledgeably and prudently and without compulsion. This estimate of fair value is usually based on the highest and best use of the property which may either be a continuation of the property's existing use or an alternative use.

The two methods most commonly used to estimate the fair value of Investment Property are:

- i. **Direct Market Comparables:** this is a comparative approach that considers the sales of similar or substitute properties and related market data. In general, an Investment Property being valued is compared with similar Properties that have been transacted in the market or that are listed or offered for sale, with appropriate adjustments to reflect differences e.g. in size and individual characteristics of the comparable properties.
- ii. **Income Approach:** considers the income that an Investment Property will generate over its remaining useful life and estimates value by applying an appropriate yield, or discount rate (also known as the cap rate), to the projected income stream to arrive at a capital value. The income stream may be derived under a contract or contracts, or be non-contractual, e.g., the profit generated from either the use of or holding of the Investment Property.
- iii. **Replacement Cost:** this approach applies the basic economic principle that a buyer will pay no more for a Property than the cost to obtain a Property of equal utility, whether by purchase or by construction. Unless undue time, inconvenience, risk or other factors are involved, the price that a buyer would pay for the Property being valued would not be more than the cost to acquire or construct a modern equivalent.

As at 31st March 2011, Centum's REI portfolio was valued based on direct market comparables.

#### Our Real Estate Development Approach

To meet our strategic objectives in Real Estate, our focus is on activities that will generate high value both for investors and end users.

For investors we are creating a permanent investment grade vehicle for real estate investments that will generate income and capital appreciation over the long term. We will therefore not focus on short term exits solely through direct sales of land or property. To match our investment horizon, therefore, we are focusing on sustainable developments that will still be relevant 30 or more years after they are completed. An additional benefit for investors is that the store of value for Centum's RE investments will be easily tradable financial instruments (e.g. through REITS) providing a more efficient exit as opposed to discrete land or property sales which are highly regulated, costly to effect and take longer to complete.

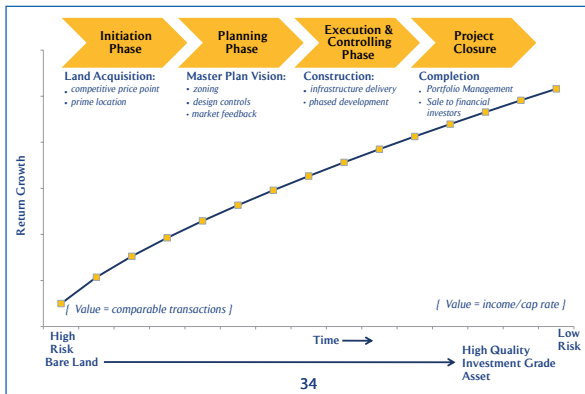
Further, to support capital appreciation, Centum's large scale developments will be phased to fully capitalize on the value created by each phase of development and also be responsive to market needs.

Finally, from an investor's perspective, given that today, the world's most successful real estate brands are also the world's most valuable properties, Centum's focus on creating an emotional connection with end-users will serve to further enhance the value created by our developments.

For end users, Centum will be providing developments that are managed both during implementation and post completion. In addition, Centum, as financial sponsor, will be the Lead Developer thus setting the tone for the entire development. By putting our development capital at risk and applying international development standards, end users are assured that the quality of the developments will be to the highest international standards. For those end-users who invest directly in some of the properties, our approach will assure both conservation and growth in the value of their investment.

## Outlook

The chart below illustrates the business model for Centum's recently acquired properties. The horizontal axis represents risk and the vertical axis represents return to the investor. As the projects progress through each development phase, the level of risk of the projects is reduced thereby generating additional returns.



At the end of FY2010/2011, Centum had successfully completed the acquisition of prime undeveloped land that was not zoned for profitable use. At the end of this initial phase, Centum was able to generate Kshs 1 billion in value primarily due to the fact that we were able to complete a difficult land acquisition process, negotiate an attractive purchase price (discounted to reflect the difficulty of the acquisitions) and expeditiously complete these difficult acquisitions.

We are now in the planning phase of the development. We will generate value at this stage by obtaining the development rights for each identified plot on each of the sites to match a particular use with an emphasis on the "highest and best use" of the land. The goal of this planning stage is to allocate most of the land to the most valuable use based on market demand. To lead this planning process, Centum has appointed GAPP Architects & Urban Designers ("GAPP"), who have extensive experience in developing master planned projects in Africa and the Middle East. GAPP have been involved in over 150 urban design projects since 1981 including such well known developments as the V&A Waterfront in Cape Town and the Nelson Mandela Square in Johannesburg.

We have also appointed other supporting consultants that shall be focused on ensuring that the developments are profitable, sustainable, and responsive to the environment and the needs of the surrounding communities.

As the lead developer in phase 1, Centum will be investing in the infrastructure and physical developments which will set the tone for the overall development. Finally, once the developments are completed and when they begin generating an income, they will be placed in a suitable investment vehicle, such as a REIT, whose shares would then be offered to the investing public.

In summary, then, our key business focus in FY2011/2012 will be to:

- (i) Engage the market to identify and work with potential end-users in refining our development plans especially for phase 1;
- (ii) Complete the development of the master plans;
- (iii) Satisfy the conditions for the change of user (RCL);
- (iv) Begin the development of phase 1;
- (v) Establish suitable corporate structures to enable institutional investor participation in our real estate developments.



# Risk Management and Internal Controls

## Introduction

Our investing activities expose us to a variety of risks. Investment and operational risks are an inevitable consequence of being in business. Investing activities involve the analysis, evaluation, acceptance and management of a combination of risks. Our aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects to our business.

The management team is responsible for implementing risk management policies that are set by our Board of Directors. The risk management framework is designed to provide reasonable but not absolute assurance of achieving our business objectives. Our Corporate Risk Management Manual describes the methodology to be followed to manage all enterprise risks.

We have a variety of processes for obtaining assurance on the adequacy of risk management and internal controls. These include :

- i) A structured process to identify and review risks to achieving our corporate objectives;
- ii) A risk based audit of the company's operations and systems;
- iii) An outsourced internal audit function;
- iv) A business control incident reporting and provisioning process; and
- v) An ethics and compliance program.

These established mechanisms allow the Board, through its Audit and Risk Committee, to regularly consider the overall effectiveness of the risk management systems.

Our financial risk exposures have been reported in line with IFRS 7 standard which provides a qualitative and quantitative way of disclosing financial risk. (See note 4 on page 68-75).

## Risk Governance

Organ	Responsibility
<b>Board of Directors:</b>	<ul style="list-style-type: none"><li>• Sets the tone and influences the risk management culture within the Company</li><li>• Approves major decisions affecting the company's investment portfolio and its risk profile</li></ul>
<b>The Audit and Risk Committee</b>	<ul style="list-style-type: none"><li>• Reviews the Company's approach to risk management</li><li>• Advises the Board on the effectiveness of policies and procedures for risk assessment and risk management</li></ul>
<b>Internal Audit (Out sourced):</b>	<ul style="list-style-type: none"><li>• Assists the audit and risk committee in ensuring that internal processes and procedures are adequate and complied with</li></ul>
<b>Management:</b>	<ul style="list-style-type: none"><li>• Implements the Board's risk management policy</li></ul>

# Risk Management and Internal Controls

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Management and Business Review









Governance

Statutory Information & Audited Financial Statements

Additional Disclosures

Proxies and Voting Forms

## Risk Management Framework

Categories	Brief Description	Further Information	Risk Mitigation
<b>Investment Risks</b>	<p>Risks that relate to:</p> <ul style="list-style-type: none"> <li>• specific asset investment decisions;</li> <li>• subsequent performance of the investments;</li> <li>• investment concentration;</li> <li>• valuations and exits.</li> </ul>	<p>CEO's Statement   Page 16-19</p> <p>Financial statements   Page 49-95</p> <p>Financial Risk disclosures   Page 68-75</p>	<p>Investment activities are:</p> <ul style="list-style-type: none"> <li>• Guided by an approved strategy;</li> <li>• Implemented under a tested investment approach;</li> <li>• Executed through a rigorous process and approved by the Investment Committee of the BOD; and</li> <li>• Audited for compliance to set policies by the Audit Committee of the BOD and an outsourced Internal Auditor.</li> </ul> <p>Company is able to attract and develop investment professionals.</p>
<b>Liquidity/ Funding Risks</b>	<ul style="list-style-type: none"> <li>• Risk that the company will miss out on attractive investment opportunities due to lack of funding;</li> <li>• Risk that the company will experience difficulties in meeting its financial commitments.</li> </ul>	<p>Financial Risk Disclosures   Page 68-75                      Note 4(b) and Note 4(e)</p>	<ul style="list-style-type: none"> <li>• Available credit facilities;</li> <li>• Available for sale investments that can be quickly converted to cash;</li> <li>• Asset matching for known/expected liabilities.</li> </ul>
<b>Operational Risks</b>	<p>Risks that arise from failed internal controls, people and systems. These include:</p> <ul style="list-style-type: none"> <li>• Failure to meet ethical and governance principles;</li> <li>• Information technology failures;</li> <li>• Fraud and security breaches.</li> </ul>	<p>Corporate Governance Statement   Page 42-46</p> <p>Financial risk disclosures   Page 68-70                      Note 4(a) (i)-(iv)</p>	<ul style="list-style-type: none"> <li>• Independent internal audit function;</li> <li>• Approved operational procedures;</li> <li>• Framework of Core values;</li> <li>• A code of conduct.</li> </ul>
<b>External Risks</b>	<p>Centum acknowledges existence and accepts the following external risks:</p> <ul style="list-style-type: none"> <li>• Changes in economic and political environment;</li> <li>• Changes in legislation, taxation, regulation;</li> <li>• Changes in policies and trends on expropriation of property, trade sanctions, social impacts, repatriation of funds etc.;</li> <li>• Competitive rivalry;</li> <li>• Natural disasters.</li> </ul>	<p>Chairman's Statement   Page 10-11</p> <p>CEO's Statement   Page 16-19</p>	<ul style="list-style-type: none"> <li>• Diversified investment portfolio;</li> <li>• Tested investment approach;</li> <li>• Insurance;</li> <li>• Business continuity planning;</li> <li>• Best practice business operations.</li> </ul>

# Governance

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# Board of Directors & Committee Members

## BOARD OF DIRECTORS

J N Muguiyi - Chairman  
 J M Mworia - Managing Director & Chief Executive Officer  
 C J Kirubi  
 Industrial & Commercial Development Corporation (ICDC)  
 M Mbithi (Alternate to ICDC) - Resigned on 10th May 2011  
 P M Kimurwa (Alternate to ICDC) - Appointed on 10th May 2011  
 H C Njoroge  
 The Permanent Secretary, Ministry of Trade  
 M M Byama (Alternate to Permanent Secretary, Ministry of Trade)  
 I Khan  
 R K Bunyi  
 M Mwangi

## INVESTMENT COMMITTEE

C J Kirubi - Chairman  
 M Mbithi  
 J N Muguiyi  
 H C Njoroge  
 J M Mworia  
 R K Bunyi  
 I Khan

## AUDIT AND RISK COMMITTEE

I Khan - Chairman  
 R K Bunyi  
 H C Njoroge  
 M Byama

## NOMINATION & GOVERNANCE COMMITTEE

P Kimurwa - Chairman  
 C J Kirubi  
 J N Muguiyi  
 M Byama

## BRANDING COMMITTEE

H C Njoroge - Chairman  
 C J Kirubi  
 J M Mworia

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## Corporate Governance

The Board's aim is to achieve the highest standards of corporate transparency through financial reporting and accountability which it is confident will facilitate investment and mobilize resources for Group's growth.

### Statutory Accountability

#### *i) Group Structure*

The holding company of the Group is Centum Investment Company Limited (Centum) that is listed on both the Nairobi Stock Exchange and Uganda Securities Exchange. Centum observes all the laws and regulations governing its operation through the guidance of its legal advisors and the Company Secretary. The Corporate Governance Guidelines issued by the Capital Markets Authority provide guidance for the Group in addition to internationally recognised best practice.

The establishment of subsidiaries is in the furtherance of the Group's objectives and is in compliance with the directives of the Capital Markets Authority. The details of the subsidiaries are disclosed on note 18 page 88.

#### *ii) Group Objective*

The Director's report is set out on page 49 which sets out the principal activity of the Group with more details provided in the Chairman's statement on pages 10 - 11 and Management Report from pages 16 - 39 which includes the risk management. The Group is also cognisant of the interests of a range of stakeholders that is important to promote long term sustainability. In addition the Directors confirm that they are satisfied that the Group is a going concern.

#### *iii) Preparation of the Financial Statements*

The Board has acknowledged their responsibilities in relation to the preparation of the financial statements on page 50. The Board confirms that all subsidiaries and affiliated entities including special purpose companies are subject of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

### Board of Directors Composition

The Group maintains a unitary Board structure. The Company's Articles of Association provides that the maximum number of the directors is nine unless otherwise determined by the Company at a general meeting. The current Board of Directors includes one Executive Director and eight Non-Executive Directors, four of whom are Independent directors who comprise more than one third of the Board. The Chairman of the Board is a Non-Executive Director. The members of the Board for Centum and the subsidiaries are the same with the discretion to invite additional directors to provide needed expertise.

The profiles of the Directors are shown on pages 6-7.

### Appointment and Re-election of Directors

All Directors are appointed by ordinary resolution of the shareholders of Centum in a general meeting. The Articles also provide that one third of the long serving directors retire by rotation annually and if eligible submit themselves for re-election at the General Meetings. Where a director is appointed by the Board since the preceding general meeting to fill in a casual vacancy he shall also be eligible for re-election at the next General Meeting.

### The Responsibilities of the Board

The Board always acts in the best interests of the Group in a manner based on the principles of transparency, integrity, and accountability so as to achieve the continued prosperity for the Group and its stakeholders. The Board operations are governed by the Board Charter that adopts international best practice.

The Board is responsible for strategy formulation, risk identification, senior management selection and compensation, integrity of financial controls and general legal compliance. The Board has also established a management structure, with clearly defines roles, responsibilities and reporting lines.

The division of the responsibilities between the Chairman and Managing Director/Chief Executive Officer are well defined.

### The Chairman's Role

The Chairman leads the Board in the determination of the strategy, is responsible for organising the business of the Board including ensuring its effectiveness and has no involvement in the daily business of the Group.

### The Managing Director/Chief Executive Officer's Role

The Chief Executive Officer has direct charge of the daily business of the group. The Chief Executive Officer is accountable to the board for the financial and operational performance. The Chief Executive has formed the Management Committee to enable him carry out the responsibilities delegated to him by the Board. Management are charged with the responsibility of execution of the strategy.





## Internal Controls

The Board is responsible for the Groups system of internal controls and reviews its effectiveness regularly. The internal audit role has been outsourced to KPMG Kenya who provides regular reports recommending improvements in controls.

In addition, the external auditors independently and objectively review the approach of management to financial reporting.

## Information

The non executive directors receive regular reports and information which enables them scrutinise the Group's performance. The reports and information are circulated to the directors in a timely manner for preparation of meetings. These papers are supplemented by information requested by Directors from time to time.

A procedure further allows for directors to suggest additional items for discussion at meetings and to call for additional information or a briefing on any topic prior to meetings. All directors are entitled to seek independent professional legal advice with respect to performance of their duties at the Company's expense.

## Induction and Development of Directors

On appointment all directors have a meeting with the Chairman and Chief Executive for briefing on their responsibilities. In addition to the induction program, all directors are required to update their skills and maintain familiarity with the Company and its business. There are specific training workshops that our directors participate that are accredited by the Center for Corporate Governance and Strathmore Business School.

## Directors Remuneration

The remuneration for non-executive directors consists of fees for their services in connection with board and committee meetings. They are not eligible for pension scheme membership and do not participate in any of the company's bonus or other incentive schemes. There were no loans advanced to directors at any time during the year. The disclosures relating to the directors' emoluments for the financial year to 31 March 2011 are contained in note 7, page 82 to the financial statements.

## Code of Ethics and Business Conduct

Centum believes in integrity and strong ethical values as a way of doing business. The Group adopted the Code of Ethics and Business Conduct together with a policy on Insider Trading. These policies outline the Directors and Managements duties to the Group and its stakeholders.

The Code of Ethics provides that Directors and Employees should avoid conflict of interest with the Group and where inevitable are restricted from participating in the decision making or exerting influence in any transaction in which their own interest may conflict with the best interest of the Group.

The Policy on insider trading outlines the conduct with respect to dealings with the Centum share and other restricted securities. The Directors and staff are restricted to deal for only 30 days after announcement of half yearly and annual results including major announcement that has price sensitive information.

## Related Party Transactions

The Group notes that a related party transaction arises where there is a relationship either by shareholding or directorship that results in the exercise of control. The Company maintains a register of interests for its Board of Directors. All transactions with related parties are disclosed on note 32 (ii) and (iii), page 94 and in table (i):

## Committees of the Board

The Board is regularly assisted by various standing committees in discharging its responsibilities. Though the Board has approved and delegated certain authorities to the Board sub-committees with specific mandates outlined in the respective Terms of Reference to ensure accountability the Board is fully aware of its collective and final responsibility to stakeholders.

The Board currently has four standing committees all of which are guided by clear terms of reference. The membership and leadership of these Committees is regularly reviewed by the Board. All committees appraise the full Board of their activities on a regular basis through oral and/or written reports. The current members of the Committee are shown on page 41 on the Annual Report.

Table i) - Directors shareholding in related companies.

	Directors	Related companies						
		Aon Minet Insurance Brokers Ltd.	KWA Holdings Ltd.	Mount Kenya Bottlers Ltd.	Rift Valley Bottlers Ltd.	UAP Holdings Ltd.	Kisii Bottlers Ltd.	General Motors EA Ltd.
1	ICDC	20.0%	72.7%	19.0%	29.3%	-	45.1%	20.0%
2	Christopher John Kirubi	-	-	-	-	16.8%	-	-
3	James N. Mugiuyi	-	-	-	-	10.5%	-	-

Source - Group Register of Interest

# Corporate Governance

## Audit and Risk Committee

### Membership

The members of this committee are all non-executive directors, the majority of whom qualify as independent non-executive directors as per Corporate Governance Guidelines. The Managing Director, the Finance Manager and the lead audit partner in charge of the internal and external audit are in attendance at all meetings.

### Activity

During the year the Committee reviewed the effectiveness of the internal control environment, and recommended to the Board the half yearly and annual financial statements, external audit plan and findings, received regular reports from KPMG Kenya the company's internal auditors and risk reports from the Risk Officer.

## Nomination and Governance Committee

### Membership

The members of this committee are all non-executive directors, the majority of whom qualify as independent non-executive directors as per Corporate Governance Guidelines.

### Activity

During the year the Committee considered the size, balance and board composition, reviewed and recommended to the Board the policies related to governance matters including the Directors and Staff Code of Ethics and Business Conduct.

## Investment Committee

### Membership

The committee comprises of a mix of the executive, independent and non-executive directors.

### Activity

The committee exercises oversight on the implementation of the investment strategy and policy of the group. During the year the Committee appraised all significant investments and monitored management's delegated authority over investment activity, regularly reviewed the overall portfolio to monitor exposure on sectors, asset class and geography.

## Branding Committee

### Membership

The committee comprises of a mix of the executive, independent and non-executive directors.

### Activity

During the year the Committee the Committee reviewed the brand objectives of the organisation.

## Board and Committee Evaluation

The Board evaluation is carried out once every three years and is scheduled for the financial year ending 31 March 2012 and. The Board evaluation will consider the overall functioning of the board including strategic planning, risk management and succession planning. This evaluation will be facilitated externally and the results will be formally reported to the Board.

## Meetings

The key activities considered by the Board during the year are the Strategic plan and budget including regular Committee reports on financial performance, investment activity risk tolerance, board appointments.

## Attendance of Board and Committee Meetings

The attendance at the Company and Board meeting is represented by the table (ii) below:

Table ii - Board Meeting Attendance for the period 1 April 2010 - 31 March 2011

Name	Status	Board of Directors (BOD)	Audit and Risk Committee(ARC)	Nomination & Governance Committee (NGC)	Investment Committee (IC)	Branding Committee (BC)
1. James Ngatia Muguviyi	Chairman of BOD	8/9	NM	4/4	NM	NM
2. James Mwirigi Mworira	CEO	9/9	NM	NM	6/6	2/2
3. Peter Mwandani Kimurwa*	Chairman of NGC	NM	NM	NM	NM	NM
4. Mbatha Mbithi*	Former Chairlady of NGC	8/9	NM	4/4	5/6	NM
5. Margaret Martha Byama	Member	7/9	3/5	3/4	NM	NM
6. Christopher John Kirubi	Chairman of IC	8/9	NM	3/4	6/6	2/2
7. Henry Chege Njoroge	Chairman of BC	7/9	5/5	NM	NM	2/2
8. Imtiaz Khan	Chairman of ARC	9/9	5/5	NM	6/6	NM
9. Robert Kenneth Bunyi	Member	8/9	4/5	NM	5/6	NM
10. Maina Robinson Mwangi**	Member	5/9	NM	3/4	2/6	NM

\* Mr. Peter Kimurwa replaced Ms. Mbatha Mbithi as the alternate director of ICDC on 10 May 2011

\*\*Mr. Maina Mwangi was appointed to the Board on 15 July 2010 and respective Committees in September 2010

NM - Not a Member

Source: Meetings Attendance Register

9/9 - The first number shows the meetings attended and the number after the backward slash is the meetings the directors were eligible to attend.

## Share Capital

The authorized and issued share capital of Centum consists of only ordinary shares as disclosed on note 27 page 92 of the financial statements. The share capital is made up of only ordinary shares. The holders of the ordinary shares are entitled to attend in person or through their proxy at the Annual General Meeting.

## Shareholders Rights

The rights and restrictions attaching to the shares are set out in the articles which can only be amended at the An-

nual General Meeting (AGM). All shareholders are entitled to receive the annual report and financial statements and such distributions from the Company as may lawfully be declared. All shareholders are entitled to attend, speak and vote at the AGM including the appointment of proxies. On a poll shareholders are entitled to one vote for each share held. There are no shares carrying special rights.

## Distribution of Shareholding

Table (iii) provides details of the number of shareholders and shares held within each of the bands/ranges stated in the register of members as at 31 March 2011:

Table iii - Shareholder Volume Analysis

Volume	Shares	Holders%	Holders	Fy 09/10			Fy 10/11	
				Holders%	Shares	Holders%	Holders	Holders%
1-500	2,821,593	0.51%	11,107	29.61%	2,165,313	0.36%	10,556	28.25%
501-5,000	39,876,444	7.25%	19,838	52.89%	37,516,876	6.2%	19,521	52.24%
5,001- 10,000	24,349,982	4.43%	3,261	8.69%	23,339,521	3.86%	3,388	9.07%
10,001 - 100,000	77,976,607	14.18%	3,042	8.11%	85,386,720	14.11%	3,582	9.59%
100,001 - 1,000,000	62,024,109	11.28%	237	0.63%	72,934,733	12.06%	287	0.77%
>1,000,000	342,903,095	62.35%	25	0.07%	383,603,850	63.41%	36	0.10%
<b>TOTALS</b>	<b>549,951,830</b>	<b>100%</b>	<b>37,510</b>	<b>100%</b>	<b>604,947,013</b>	<b>100%</b>	<b>37,370</b>	<b>100%</b>

Source - Custody and Registrars Limited, Company's Registrar

## Top Ten Shareholders

The major interests in the issued share capital as at 31st March 2011 are disclosed in table (iv) below:

Table iv - Top Ten Shareholders

Name	FY 09/10		FY 10/11	
	Number of shares	% Holding	Number of shares	% Holding
Industrial and Commercial Corporation Development (ICDC)*	129,304,130	23.51%	142,234,543	23.51%
Christopher John Kirubi*	96,344,670	17.52%	103,979,137	17.19%
Kiruma International Ltd **	28,348,995	5.15%	29,183,894	4.82%
Stanbic Nominees Ltd A/C R 48701 and 48703 ** ‡	31,620,620	5.75%	31,950,059	5.28%
International House Ltd **	23,051,050	4.19%	20,356,155	3.36%
USE Shareholders ^	-	0.00%	9,000,000	1.49%
Jubilee Insurance Company of Kenya Limited	4,603,050	0.84%	4,838,355	0.80%
John Kibunga Kimani	2,533,130	0.46%	3,463,993	0.57%
Standard Chartered Nominees Limited A/C 9897	-	0.00%	2,500,000	0.41%
Standard chartered Nominees Limited A/C 1256B	-	0.00%	2,474,489	0.41%
<b>Total</b>	<b>315,805,645</b>	<b>57.42%</b>	<b>349,980,625</b>	<b>57.85%</b>
Others	234,146,185	42.58%	254,966,388	42.15%
<b>Total Issued Shares</b>	<b>549,951,830</b>	<b>100.00%</b>	<b>604,947,013</b>	<b>100.00%</b>

\* Director of Centum

\*\* Company in which a Director of Centum has an interest

‡ A nominee account for UIAP Holdings where Centum holds a 24.2% stake

^ A nominee account for shareholders on the Uganda Securities Exchange

Source - Custody and Registrars Limited, Company's Registrar

# Corporate Governance

## Directors Shareholding

Table (v) discloses the directors' shareholding:

Table v) - Directors' Shareholding

No.	Name	Role	FY 09/10		FY 10/11	
			No of Shares	% Holding	No of Shares	% Holding
1	James Ngatia Muguviyi	Chairman	288,030	0.05%	316,833	0.05%
2	James Mwirigi Mworira	CEO	283,880	0.05%	312,268	0.05%
3	ICDC	Director	129,304,130	23.51%	142,234,543	23.51%
4	Peter Mwandani Kimurwa*	Alternate to ICDC	-	-	-	-
5	Mbatha Mbithi*	Alternate to ICDC	-	-	-	-
6	Permanent Secretary-Trade	Director	-	-	-	-
7	Margaret Martha Byama	Alternate to the PS Ministry of Trade	-	-	-	-
8	Christopher John Kirubi	Director	96,344,670	17.52%	103,979,137	17.19%
9	Henry Chege Njoroge	Director	100,024	0.02%	110,466	0.02%
10	Imtiaz Khan	Director	-	-	-	-
11	Robert Kenneth Bunyi	Director	200	-	220	-
12	Maina Robinson Mwangi	Director	-	-	-	-
Shares held by Directors			226,320,934	41.15%	246,953,467	40.82%
Other Shareholders			323,630,896	58.85%	357,993,546	59.18%
<b>Total Issued Shares</b>			<b>549,951,830</b>	<b>100.00%</b>	<b>604,947,013</b>	<b>100.00%</b>

\* Mr. Peter Kimurwa replaced Ms. Mbatha Mbithi as the alternate director of ICDC on 10 May 2011

Source: Custody & Registrars Limited, Company Share Registrar

## Company Secretary

All directors have access to the services of the company secretary who is responsible for ensuring that meeting procedures are followed and plays an active role in the facilitation of the induction of new directors and the improvement and monitoring of corporate governance processes. The Company Secretary is also responsible for investor relations.

## Investor Relations

### i) Communication with stakeholders

The Group places a great deal of importance on the quality and detail of financial disclosures to its stakeholders. The Company has also embraced technology to ensure this is done efficiently and regular communication with stakeholders also takes place via the company's website, twitter and blogs.

### ii) Shareholder Register Management

The Management of the register of shareholders is outsourced to Custody and Registrars Limited who are specialized service providers in this area and attend to all shareholder maintenance queries.

## Accolades

Centum received recognition at the inaugural Champions of Governance (COG) Awards sponsored by the Institute of Certified Public Secretaries Kenya (ICPSK). Centum was awarded first runners up in both the Overall Champion of Governance Winner and Finance and Investment category. In addition Centum was also recognised in the 2010 FiRe Awards as the first runners up in the Industrial, Commercial and Services category

Centum’s corporate social responsibility is driven by a clearly defined vision that merges with the values, principles and aspiration of the stakeholders we interact with.

**CSR Mission:** *To help the community improve its values, ethos, positive culture and economic well being.*

### Our Principles:

We recognize that we must integrate our business values and operations to meet the expectations of our stakeholders. We acknowledge all feedback that we receive from our stakeholders. We maintain open dialogue to ensure that we provide support according to our abilities. The stakeholders include the investors, regulators, community, employees, and the environment.

### Our Stakeholders:

#### Investors and Regulators

We are open and honest in communicating our strategy and performance to our stakeholders.

#### Community

Previously we have engaged in a number of activities that we have been engaged in and supported. These include initiatives such as partnering with institutions that will allow us to focus on strategic engagement within the community that makes use of its competencies, focus and core investment business.

- Mentored the micro entrepreneurs and set up a fund for the Informal Sector Business Institute, set up under the Eastlands College of Technology, established to promote educational initiatives for micro business.
- Provided material and monetary support to the Little Rock Children’s Home which has enabled the sustainability of the food fund program. Also, the resourcing of the library through the support of our investee Longhorn Publishers has provided the children with reading materials.

Centum also endeavors to support other events that fall within the realm of our business. These include but are not limited to annual galas of the ICPSK, the University of Nairobi Accounting Students Association, the ICPAK FRe Awards, the University of Nairobi Finance Students Association, the CFA and the ACCA.

### Employees

Centum is an equal opportunity employer and this transcends through the selection, training, reward of its human resource without any discrimination. The employment policies are clearly defined. The policies designed to provide a competitive reward package which attract and retain high quality human resources with regard to our cost efficiency targets. The details of the benefits are outlined in note 2 (p) to the financial statements on page 66.

### Environment

Our investments are in companies that are good corporate citizens. For Example the UAP group has continued the sponsorship of the Ndakaini Marathon where we have also provided support. Ndakaini Marathon raises funds to support the sustainable supply of safe water to the Ndakaini Dam through conservation of the catchment area and the empowerment of the local community to develop viable social economic enterprises associated with the dam.

### Our Focus:

**CSR Pillar:** *Centum will select sponsorship programs that will be guided by key pillar- Investment Education.*

Centum shall continue to support sustainable and viable program that utilize the skills within the company to impact on the wider community by enhancing their investment opportunities and business skills.

Centum will also partner with its stakeholders to support events aligned to the corporate strategy



Centum Staff visiting at Little Rock Children’s Home



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# Report Of The Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2011, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of the Group and of the Company.

## PRINCIPAL ACTIVITIES

The principal activity of the Group and its subsidiaries remains that of engagement in investment activities.

## RESULTS

For year ended 31 March

	2011 Kshs'000	2010 Kshs'000
Profit before taxation	2,294,429	1,080,790
Taxation	(2,046)	12,967
<b>Profit for the year transferred to revenue reserve</b>	<b>2,292,383</b>	<b>1,093,757</b>

The results for the year are set out fully on pages 52 to 95 in the attached financial statements.

## DIVIDEND

Directors do not recommend the payment of a dividend (2010: nil).

## DIRECTORS

Current members of the Board are shown on page 6-7 and 41.

In accordance with article 86 of the Articles of Association, Mr. H. C. Njoroge, Mr. I. Khan and Mr. R. Bunyi retire by rotation and, being eligible, offer themselves for re-election.

## AUDITORS

PricewaterhouseCoopers having expressed their willingness, continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap 486).

## APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 6 June 2011.

By order of the Board



Naomi E. Nyamongo  
Secretary

Nairobi  
6 June 2011

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## Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the Company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the Company and of the group's and the Company's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the Company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.



**James N. Muguiyi**  
Chairman



**James M Mworja**  
Managing Director

6 June 2011



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTUM INVESTMENT COMPANY LIMITED

We have audited the accompanying financial statements of Centum Investment Company Limited (the Company) and its subsidiaries (together, the Group) set out on pages 52 to 95. These financial statements comprise the consolidated statement of financial position at 31 March 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 March 2011, the statements of comprehensive income, changes in equity of the Company for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenya Companies Act and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion the accompanying financial statements give a true and fair view of the financial affairs of the Group and of the Company at 31 March 2011 and of their profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

### Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

  
Certified Public Accountants  
Nairobi

6 June 2011

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T: +254 (20) 285 5000, F: +254 (20) 285 5001, www.pwc.com/ke

Partners: A Eriksson B Kimacia P Kinisu K Muchiru M Mugasa P Ngahu A Njeru R Njoroge B Okundi K Saiti R Shah

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 Kshs'000	2010 Kshs'000
<b>INCOME</b>	6	2,261,431	1,038,257
<b>EXPENSES</b>			
Administrative expenses	7(a)	(205,980)	(122,326)
Operating expenses	7(b)	(93,259)	(77,988)
Finance costs	8	(154,697)	(46,940)
		(453,936)	(247,254)
<b>SHARE OF PROFITS OF ASSOCIATE COMPANIES</b>	19	486,934	289,787
<b>PROFIT BEFORE TAX</b>		2,294,429	1,080,790
Income tax (expense)/credit	10	(2,046)	12,967
<b>PROFIT FOR THE YEAR</b>		2,292,383	1,093,757
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
Reserves released on disposal of investments	11	(964,613)	(854,626)
Share of other comprehensive income of associates	19	165,053	(29,980)
Fair value (loss)/gain in unquoted investments	20	12,165	18,961
Fair value gain in quoted investments	21	199,577	1,312,022
Currency translation differences		(1,355)	-
<b>TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME</b>		(589,173)	446,377
<b>TOTAL COMPREHENSIVE INCOME</b>		1,703,210	1,540,134
<b>Earnings Per Share For Profit Attributable To The Equity Holders Of The Company</b>	12	Kshs 3.79	Kshs 1.81



# Company Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 Kshs'000	2010 Kshs'000
<b>INCOME</b>	6	1,684,796	1,121,464
<b>EXPENSES</b>			
Administrative expenses	7(a)	(201,853)	(122,154)
Operating expenses	7(b)	(89,113)	(76,897)
Finance costs	8	(154,697)	(46,940)
		(445,663)	(245,991)
<b>PROFIT BEFORE INCOME TAX</b>		1,239,133	875,473
Income tax(expense)/credit	10	(1,950)	12,967
<b>PROFIT FOR THE YEAR</b>		1,237,183	888,440
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
Reserves released on disposal of investments	11	(833,339)	(626,700)
Fair value gain in subsidiaries	18	902,681	565,992
Fair value gain in associates	19	1,990,419	1,867,270
Fair value(loss)/ gain in unquoted investments	20	12,165	18,961
Fair value gain in quoted investments	21	86,192	583,711
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		2,158,118	2,409,234
<b>TOTAL COMPREHENSIVE INCOME</b>		3,395,301	3,297,674

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# Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	2011 Kshs'000	2010 Kshs'000
<b>ASSETS</b>			
Deferred income tax asset	13	30,443	29,477
Prepaid operating lease rentals	14	-	35,940
Taxation recoverable	10	2,654	3,075
Investment property	15	3,525,578	-
Motor vehicle and equipment	16	26,813	11,347
Intangible assets	17	5,404	601
Investment in associates	19	3,377,305	2,948,585
Unquoted investments	20	1,338,664	1,251,209
Quoted investments	21	3,208,611	2,967,876
Corporate bonds at fair value through profit or loss	22	539,188	505,371
Receivables and prepayments	24	240,140	108,849
Deposits	25	-	345,000
Bank balances	25	6,776	48,641
		12,301,576	8,255,971
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS</b>			
Share capital	27	302,474	274,976
Share premium	27	589,753	589,753
Investment revaluation reserve	28	2,443,738	3,032,911
Retained earnings		6,223,412	3,958,527
<b>TOTAL EQUITY</b>		9,559,377	7,856,167
<b>Liabilities</b>			
Borrowings	26	1,987,980	-
Payables and accruals	29	719,170	357,154
Unclaimed dividends	30	35,049	42,650
<b>TOTAL LIABILITIES</b>		2,742,199	399,804
		12,301,576	8,255,971

The financial statements on pages 52 to 95 were approved for issue by the board of directors on 6 June 2011 and signed on its behalf by:



James N. Muguiyi  
Chairman



James M Mworira  
Managing Director

# Company Statement of Financial Position

As at 31 March 2011

	Notes	2011 Kshs'000	2010 Kshs'000
<b>ASSETS</b>			
Deferred income tax asset	13	30,539	29,477
Prepaid operating lease rentals	14	-	35,940
Taxation recoverable	10	832	3,044
Investment Property	15	265,000	-
Motor vehicle and equipment	16	26,754	11,347
Intangible assets	17	3,052	601
Investment in subsidiaries	18	1,753,506	850,163
Investment in associates	19	6,230,521	4,240,102
Unquoted investments	20	1,338,664	1,251,209
Quoted investments	21	2,422,116	2,080,599
Corporate bonds at fair value through profit or loss	22	539,188	505,371
Due from subsidiaries	23	2,221,780	412,623
Receivables and prepayments	24	165,745	26,658
Deposits	25	-	345,000
Cash and cash equivalents	25	5,903	48,168
		15,003,600	9,840,302
<b>CAPITAL AND RESERVES</b>			
Share capital	27	302,474	274,976
Share premium		589,753	589,753
Investment revaluation reserve	28	8,106,034	5,947,916
Retained earnings		3,554,106	2,344,421
Total equity		12,552,367	9,157,066
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	26	1,987,980	-
Payables and accruals	29	144,332	356,906
Due to subsidiaries	23	283,872	283,680
Unclaimed dividends	30	35,049	42,650
		2,451,233	683,236
		15,003,600	9,840,302

The financial statements on pages 52 to 95 were approved for issue by the board of directors on 6 June 2011 and signed on its behalf by:



**James N. Mugiyei**  
Chairman



**James M Mworio**  
Managing Director

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## Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

		Share capital Kshs'000	Share premium Kshs'000	Investment revaluation Kshs'000	Retained earnings Kshs'000	Total equity Kshs'000
<b>Year ended 31 March 2011</b>						
At start of year		274,976	589,753	3,032,911	3,958,527	7,856,167
<b>Comprehensive income</b>						
Profit for the year		-	-	-	2,292,383	2,292,383
<b>Other comprehensive income:</b>						
Reserves released on disposal of investments	11	-	-	(964,613)	-	(964,613)
Share of other comprehensive income of associates	19	-	-	165,053	-	165,053
Fair value gain/(loss) in unquoted investments	20	-	-	12,165	-	12,165
Fair value gain/(loss) in quoted investments	21	-	-	199,577	-	199,577
Currency translation differences		-	-	(1,355)	-	(1,355)
<b>Total other comprehensive income</b>		-	-	(589,173)	-	(589,173)
<b>Total comprehensive income</b>		-	-	(589,173)	2,292,383	1,703,210
<b>Transactions with owners</b>						
Issue of bonus shares	27	27,498	-	-	(27,498)	-
<b>Total transactions with owners</b>		<b>27,498</b>	-	-	<b>(27,498)</b>	-
<b>At end of year</b>		<b>302,474</b>	<b>589,753</b>	<b>2,443,738</b>	<b>6,223,412</b>	<b>9,559,377</b>
<b>Year ended 31 March 2010</b>						
At start of year		274,976	589,753	2,586,534	2,864,770	6,316,033
<b>Comprehensive income</b>						
Profit for the year		-	-	-	1,093,757	1,093,757
<b>Other comprehensive income:</b>						
Reserves released on disposal of investments	11	-	-	(854,626)	-	(854,626)
Share of other comprehensive income of associates	19	-	-	(29,980)	-	(29,980)
Fair value gain/(loss) in unquoted investments	20	-	-	18,961	-	18,961
Fair value gain/(loss) in quoted investments	21	-	-	1,312,022	-	1,312,022
<b>Total other comprehensive income</b>		-	-	446,377	-	446,377
<b>Total comprehensive income</b>		-	-	446,377	1,093,757	1,540,134
<b>At end of year</b>		<b>274,976</b>	<b>589,753</b>	<b>3,032,911</b>	<b>3,958,527</b>	<b>7,856,167</b>

# Company Statement of Changes in Equity

For the year ended 31 March 2011

		Share capital Kshs'000	Share premium Kshs'000	Investment revaluation Kshs'000	Retained earnings Kshs'000	Total equity Kshs'000
<b>Year ended 31 March 2011</b>						
At start of year		274,976	589,753	5,947,916	2,344,421	9,157,066
<b>Comprehensive income</b>						
Profit for the year		-	-	-	1,237,183	1,237,183
<b>Other comprehensive income:</b>						
Reserves released on disposal of investments	11	-	-	(833,339)	-	(833,339)
Fair value gain/(loss) in subsidiaries	18	-	-	902,681	-	902,681
Share of other comprehensive income of associates	19	-	-	1,990,419	-	1,990,419
Fair value gain/(loss) in unquoted investments	20	-	-	12,165	-	12,165
Fair value gain/(loss) in quoted investments	21	-	-	86,192	-	86,192
Total other comprehensive income		-	-	2,158,118	-	2,158,118
<b>Total comprehensive income</b>		-	-	<b>2,158,118</b>	<b>1,237,183</b>	<b>3,395,301</b>
<b>Transactions with owners</b>						
Issue of bonus shares	27	27,498	-	-	(27,498)	-
<b>Total transactions with owners</b>		<b>27,498</b>	-	-	<b>(27,498)</b>	-
<b>At end of year</b>		<b>302,474</b>	<b>589,753</b>	<b>8,106,034</b>	<b>3,554,106</b>	<b>12,552,367</b>
<b>Year ended 31 March 2010</b>						
At start of year		274,976	589,753	3,538,682	1,455,981	5,859,392
<b>Comprehensive income</b>						
Profit for the year		-	-	-	888,440	888,440
<b>Other comprehensive income:</b>						
Reserves released on disposal of investments	11	-	-	(626,700)	-	(626,700)
Fair value gain/(loss) in subsidiaries	18	-	-	565,992	-	565,992
Fair value gain/(loss) in associates	19	-	-	1,867,270	-	1,867,270
Fair value gain/(loss) in unquoted investments	20	-	-	18,961	-	18,961
Fair value gain/(loss) in quoted investments	21	-	-	583,711	-	583,711
Total other comprehensive income		-	-	2,409,234	-	2,409,234
<b>Total comprehensive income</b>		-	-	<b>2,409,234</b>	<b>888,440</b>	<b>3,297,674</b>
<b>At end of year</b>		<b>274,976</b>	<b>589,753</b>	<b>5,947,916</b>	<b>2,344,421</b>	<b>9,157,066</b>

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# Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 Kshs'000	2010 Kshs'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31	36,035	245,430
Income tax paid	10(c)	(2,591)	(603)
Dividends received from associates	19	223,267	197,214
<b>Net cash generated from operating activities</b>		<b>256,711</b>	<b>442,041</b>
<b>Cash flows from investing activities</b>			
Purchase of investment property	15	(2,485,417)	-
Purchases of equipment	16	(21,330)	(9,403)
Proceeds from disposal of equipment		257	-
Purchases of intangible assets	17	(5,871)	(597)
Purchase of shares in associates	19	-	(45)
Purchase of unquoted equity investments	20	(382,433)	(79,743)
Purchase of quoted equity investments	21	(1,670,399)	(636,416)
Purchase of corporate bonds	22	-	(505,371)
Proceeds from disposal of unquoted investments	11	307,143	265,147
Proceeds from disposal of quoted investments	11	1,629,241	1,083,606
<b>Net cash (used in)/from investing activities</b>		<b>(2,628,809)</b>	<b>117,178</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,000,000	-
Dividends paid to Company's shareholders	30	(1,392)	(5,728)
<b>Net cash used in financing activities</b>		<b>998,608</b>	<b>(5,728)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,373,490)</b>	<b>553,491</b>
Cash and cash equivalents at beginning of year		393,641	(159,850)
Exchange losses on cash and cash equivalents		(1,355)	-
<b>Cash and cash equivalents at end of year</b>	25	<b>(981,204)</b>	<b>393,641</b>

## 1 GENERAL INFORMATION

Centum Investment Company Limited is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya. The Company's shares are listed on the Nairobi Stock Exchange. The Company's shares are also listed by introduction on the Uganda Securities Exchange.

The Company has seven subsidiaries. Details of the business of the subsidiaries are highlighted in note 18 of the financial statements

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 statement of comprehensive income, in these financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of various investments. The financial statements are presented in Kenyan Shillings (Kshs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

## Adoption of new and revised standards

### (i) Early adoption of standards

The group did not early-adopt any new or amended standards during the year.

### (ii) Amended standards effective in 2010 but not relevant to the Group in the current year

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, but could affect the company in future acquisitions or partial disposals of subsidiaries.

Classification of rights issues' (amendment to IAS 32) – effective 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the

# Notes to the Financial Statements

For the year ended 31 March 2011

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

IFRIC 17 Distributions of Non-cash Assets to Owners – effective 1 July 2009. IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognized when the dividend is appropriately authorized and is no longer a the discretion of the entity. An entity should measure the dividend payable at fair value if the net assets to be distributed and an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit and loss.

IFRIC 18 Transfer of assets to customers – effective 1 July 2009. This interpretation clarifies the accounting for arrangement where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This has no impact on the Group's financial statements.

### **(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial instruments' – effective 1 January 2013. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. It introduces new requirements for classifying and measuring financial assets and financial liabilities and is likely to affect the Group's accounting for its financial assets. The standard may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

IAS 24 (Revised) 'Related party disclosures' – effective 1 January 2011. The revised standard clarifies and

simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amendment is not expected to have a material impact on the Group's financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' – effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. It is not expected to have any impact on the Group's financial statements.

Prepayments of a minimum funding requirement' (amendments to IFRIC 14) – effective 1 January 2011. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented.

Amendment to IFRS 7, Financial instruments: Disclosures (effective 1 July 2011) - This amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

the financial assets and associated liabilities. This amendment is not expected to have a material impact on the Group's financial statements as the Group does not have financial assets that have been transferred to another party that remain on the Group's balance sheet

Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012): - This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value by adding a rebuttable presumption that investment property measured at fair value is recovered entirely by sale to the current principles in IAS 12.

### (b) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The group financial statements reflect the result of the consolidation of the financial statements of the company and its wholly owned subsidiaries all of which as remade up to 31 March each year.

#### (i) Subsidiaries

Investments in subsidiaries are classified as available for sale and accounted for at fair value in the separate financial statements of the company.

#### (ii) Associates

Investments in associates are accounted for by the

equity method of accounting. These are undertakings in which the group has between 20% and 50% of the voting rights and over which the group exercises significant influence but which it does not control.

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. Losses of an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. A listing of the group's associates is shown in note 19.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Investments in associates are accounted for as available-for-sale financial assets in the separate financial statements of the company (and are stated at fair value). They are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

Where a significant amount of new investment into a company has been made within the financial year, the price at which the investment was made is considered the fair value unless there has been a significant change in conditions since the transaction took place. For all other investments, the earnings multiple method is employed. This method, which draws on market based measures of risk and return, involves the application of an earnings multiple to the earnings of the business being valued in order to derive a value for the business.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The earnings multiple that is applied is derived from comparable companies or transactions with similar prospects from a return and growth perspective. Where fair value cannot be reliably measured, the unquoted investment is carried at cost.

The difference between valuation and cost is recognised in other comprehensive income and accumulated in the investment revaluation reserve. Where valuation is below cost, the difference between valuation and cost is charged to profit or loss if, in the opinion of the directors, the reduction in value is not considered temporary. Where the investment is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

### (c) Functional currency and translation of foreign currencies

#### (i) 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 (Kshs)', which is the Company's functional currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented within 'other income' or 'other expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for

sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial 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. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

#### (iii) Group companies

The results and financial position of all the group entities (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 statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of comprehensive income amount are translated at average exchange rates (unless this average 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 the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that are recorded in equity are recognised in profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Segment reporting

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 organises its activity by business lines and these are defined as the Group's reportable segments. The three business lines are; Private equity, Quoted equity and Real Estate & Infrastructure. Performance is reviewed from a total return perspective.

### (e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable 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.

Revenue is recognised as follows:

- (i) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

### (f) Investment property

Investment property is shown at fair value, based on annual valuations by external independent valuers. Increases in the carrying amount arising on revaluation of the investment property are dealt with in profit or loss.

### (g) Motor vehicle and equipment

Motor vehicle and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the motor vehicle and equipment in equal annual instalments over their estimated useful lives.

The annual rates in use are:

Motor vehicle and motor cycles	20%
Furniture, fittings and office equipment	10%
Computers	33.3%

### (h) Computer software development costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated useful lives not exceeding a period of 3 years.

### (i) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables, held-to-maturity investments, and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

#### *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

#### *Corporate bonds*

Corporate bonds are classified as financial assets at fair value through profit or loss.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### *Held- to- maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale of other than an insignificant amount of held-to-maturity assets occurs, the entire category is classified as available-for-sale.

### *Available-for-sale financial assets*

Available-for-sale assets are financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously accumulated in the investment revaluation reserve is recognised in profit or loss.

Quoted investments are those that relate to companies listed on the stock exchange. They are classified as available-for-sale and are stated at the middle market value as at the end of each reporting period.

Unquoted investments are the unlisted non-associate companies in which the company has invested. They are classified as available-for-sale. Where a significant amount of new investment into a company has been made within the financial year, the price at which the investment was made is considered the fair value

unless the conditions have changed since the Group made the investment. For all other investments, the earnings multiple method is employed. This method, which draws on market based measures of risk and return, involves the application of an earnings multiple to the earnings of the business being valued in order to derive a value for the business. The earnings multiple that is applied is derived from comparable companies or transactions with similar prospects from a return and growth perspective. Where fair value cannot be reliably measured, the unquoted investment is carried at cost.

The difference between valuation and cost is recognised in other comprehensive income and accumulated in the investment revaluation reserve. Where valuation is below cost, the difference between valuation and cost is charged to profit or loss if, in the opinion of the directors, the reduction in value is not considered temporary. On the disposal of an investment, the difference between the net disposal proceeds and the cost is charged or credited to profit or loss.

### *Impairment and uncollectability of financial assets*

At the end of each reporting period, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

If it is probable that the group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is dealt with in profit or loss for the year. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

For listed and unlisted shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For listed and unlisted shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Other factors considered by the group in determining impairment for other financial assets include:

- Significant financial difficulty of the issuer or counter party
- Default or delinquency in interest or principal repayments
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

### *Derecognition of financial assets*

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received

### (j) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

### *Derecognition of financial liabilities*

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

### (k) Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease.

### (l) Receivables

Receivables are amounts due from investments in the ordinary course of business and are stated at amortised cost.

### (m) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

### (n) Share capital

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

### (o) Cash and cash equivalents

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

# Notes to the Financial Statements

For the year ended 31 March 2011

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (p) Employee benefits

#### (i) Retirement benefit 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 Shs 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.

#### (ii) Performance Bonus

The Group has in place a performance bonus scheme. The scheme is a reward system to employees of the company based on achievement of certain set benchmarks of business success.

The Group's performance bonus scheme is designed to enable achievement of consistent business growth that is tied to the increase in shareholder wealth, which is a primary business objective.

A target of 15% annual increase in opening shareholder funds has been set (hurdle rate). Employees only qualify for the bonus after achievement of this percentage increase in shareholder wealth.

Actual award of the bonus is in three equal installments over a period of three years. The annual payment is on condition that shareholder wealth is maintained at the same level or increased. Should there be a drop in shareholder wealth, payment will not be made and will be deferred until the year when shareholder wealth is restored. Should an employee leave employment of the company before payment is due, he/she will

forfeit payment. The amount payable is accrued over the period to the payment of each installment.

#### (q) Dividend distribution

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. Proposed dividends are shown as a separate component of equity until declared.

#### (r) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### (s) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the 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.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, if the 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.

### (u) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the group's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgement in applying the entities accounting policies are dealt with below:

### *Impairment losses*

At the end of each reporting period, the group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.



# Notes to the Financial Statements

For the year ended 31 March 2011

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

### *Valuation of unquoted investments*

For equity instruments for which no active market exists, the group uses the price of a recent investment or the earnings multiple to estimate the fair value of these investments. Management uses estimates based historical data relating to earnings of the investee company and other market based multiples in arriving at the fair value. The primary assumption in employing the earnings multiple method is that the market has assigned an appropriate value to the benchmark company. The methodology and assumptions used for arriving at the market based multiples are reviewed and compared with other methodologies to ensure there are no material variances.

## 4 FINANCIAL RISK MANAGEMENT

### *Introduction and overview*

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:

- Market risk - includes currency, interest rate and other price risk
- Credit risk
- 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.

### *Risk management framework*

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

The risk management function is supervised by the Audit and Risk Committee. Management identifies, evaluates and hedges 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, use of derivative and non-derivative financial instruments and investing excess liquidity.

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

## 4 FINANCIAL RISK MANAGEMENT (continued)

### a) Market risks

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 floating interest rates in the form of short term loans (overdrafts) and also holds cash deposits with financial institutions. The interest rates on the cash deposits are fixed and agreed upon in advance while 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 the facilities with variable rates, the company is in regular contact with the lenders in a bid to obtain the best available rates.

As at 31 March 2011, both group and company did not hold any deposits (2010: Kshs 345,000,000) and had utilised bank credit facilities of Kshs. 1,987,980,000(2010: nil).

As at 31 March 2011, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Kshs 7,322,519 (2010 - Shs 20,895,829) for both group and company resulting from interest paid on drawn down overdraft facilities.

The group has invested in corporate bonds with fixed interest rate which is not affected by interest rate fluctuations.

#### (ii) Price risk

The group's private equity holdings are valued according to the 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 Audit and Risk committee.

Quoted assets 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.

At 31 March 2011, if the prices at the Nairobi Stock Exchange had appreciated/depreciated by 5% with all other variables held constant, the impact on the group comprehensive income and revaluation reserves would have been Kshs 527,602,000 (2010 – Kshs 184,839,161) higher/lower.

At 31 March 2011, if the prices at the Nairobi Stock Exchange had appreciated/depreciated by 5% with all other variables held constant, the impact on the company comprehensive income and equity would have been Kshs 488,277,000 (2010 – Kshs 140,470,574) higher/lower.

#### (iii) Investment holding period risk

60% of the group and company's investments 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 got no fixed time horizon for its investments, and does not enforce exit options on as it believes current practice makes it easier to acquire attractive investments.

# Notes to the Financial Statements

For the year ended 31 March 2011

## 4 FINANCIAL RISK MANAGEMENT (continued)

### (iv) Concentration Risk

83% of the group's assets are located in Kenya with over 15% in the wider East African Region and 2% outside East Africa.

#### Investment Portfolio sectoral allocation

	Group Allocation		Company Allocation	
	2011	2010	2011	2010
Real Estate	30%	2%	23%	2%
Financial Services	23%	28%	25%	29%
Industrial and Allied	17%	21%	14%	9%
Alcoholic and Carbonated beverages	17%	27%	26%	39%
Automotive	6%	13%	6%	12%
Services	5%	6%	4%	6%
Publishing	2%	1%	2%	2%
Agriculture	0%	1%	0%	1%
Total	100%	100%	100%	100%

Each investment asset is considered independently by the Investment Committee and the board 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.

### (v) Foreign exchange risk

The group's exposure to fluctuations in the foreign currency rates relate to conversion rates for valuation of overseas holdings. The group does not have any foreign denominated financial liabilities.

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

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Quoted investments (Ugx)	5,158	2,350	5,158	2,350
Quoted investments (RwF)	47,516	-	47,516	-
Investment in Funds (Usd)	264,754	58,967	264,754	58,967
Prepayments	9,966	-	9,966	-
Cash and Equivalents	3,259	-	3,060	-
	330,653	61,317	330,454	61,317

The mean exchange rates ruling at 31 March 2011 and 31 March 2010 were:

	2011 Kshs	2010 Kshs
1 US Dollar (Usd)	82.99	77.33
1 Ugandan Shilling (UgX)	0.035	0.027
1 Rwandese Franc (RwF)	0.014	-

# Notes to the Financial Statements

For the year ended 31 March 2011

## 4 FINANCIAL RISK MANAGEMENT (continued)

The group/company currently holds 1.41% (2010 – 0.08%) of its quoted investments and 3.31% (2010-1.5%) of its unquoted investments in foreign currency. The group holds 44% (2010 – nil) of its real estate investments in foreign currency. The company has no foreign currency real estate assets.

If all other variables were held constant, at 31 March 2011, the impact on value and reserves of the Shilling weakening or strengthening by 5% against the above currencies would have been as below.

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
1 US Dollar (Usd)	96,889	2,948	13,889	2,948
1 Ugandan Shilling (UgX)	258	118	258	118
1 Rwandese Franc (RwF)	2,376	-	2,376	-
	99,523	3,066	16,523	3,066

### (b) Liquidity risks

This is the risk that the group will encounter difficulties in meeting its financial commitments from its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash to meet company 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 reserves, banking facilities and by 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. As at 31 March 2011, over 30% (2010: over 30%) of the groups assets were held in assets that are quickly convertible to cash. The group also had Kshs 212,020,000 (2010: Kshs 1,700,000,000) unutilised credit facility (See note 26).

The net liquid assets of the Group and Company as at 31 March 2011 as highlighted below.

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
<b>Net Liquid assets</b>				
Quoted investments	3,208,611	2,967,876	2,422,116	2,080,599
Corporate bonds	539,188	505,371	539,188	505,371
Due from subsidiaries	-	-	2,221,780	412,623
Receivables	230,174	108,849	155,779	26,658
Deposits	-	345,000	-	345,000
Cash and cash equivalents	6,776	48,641	5,903	48,168
	3,984,749	3,975,737	5,344,766	3,418,419
<b>Liabilities</b>				
Payables and accruals	719,170	357,154	144,332	356,906
Due to subsidiaries	-	-	283,872	283,680
Unclaimed dividends	35,049	42,650	35,049	42,650
Borrowings	1,987,980	-	1,987,980	-
	2,742,199	399,804	2,451,233	683,236
<b>Net liquid assets</b>	<b>1,242,550</b>	<b>3,575,933</b>	<b>2,893,533</b>	<b>2,735,183</b>

# Notes to the Financial Statements

For the year ended 31 March 2011

## 4 FINANCIAL RISK MANAGEMENT (continued)

The borrowings which are mainly utilised for investment purposes together with accruing interest are matched by expected future cash inflows. All financial liabilities are payable within 12 months except borrowings which are payable after the following periods;

	Less than 5 years Shs '000	Between 1 and 5 years Shs '000	Between 2 and 5 years Shs '000
<b>At 31 March 2011:</b>			
Overdrafts	987,980	-	-
Borrowings		289,993	710,007

### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with credit worthy counterparties.

The credit risk exposures are classified in three categories:

- Neither past due nor impaired
- Past due
- Impaired

Credit risk arises from cash and cash equivalents, deposits with banks, corporate bonds, loans advanced as well as trade and other receivables.

#### *Maximum exposure to credit risk before collateral held or other credit enhancements*

The table below represents the maximum credit risk exposure to the group at 31 March 2011 and 31 March 2010, without taking into account any collateral held or other credit enhancements attached (i.e. gross amounts).

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Corporate bonds	539,188	505,371	539,188	505,371
Call deposits	-	345,000	-	345,000
Bank balances	6,776	48,641	5,903	46,168
Receivables	230,174	108,849	155,779	26,658
	776,138	1,007,861	700,870	923,197

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority. The group has adopted a policy of only dealing with creditworthy counterparties and only investing in reputable corporates.

The above balances are classified as fully performing. There are no impaired or past due amounts (2010: nil).



## 4 FINANCIAL RISK MANAGEMENT (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 Stock 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.

<b>GROUP</b>		Level 1	Level 2	Level 3	Total
<b>31 March 2011</b>	Note	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<b>Financial assets:</b>					
Unquoted equity instruments	20	-	-	1,338,664	1,338,664
Quoted equity instruments	21	3,208,611	-	-	3,208,611
Corporate bonds	22	539,188	-	-	539,188
<b>31 March 2010</b>					
<b>Financial assets:</b>					
Unquoted equity instruments	20	-	-	1,251,209	1,251,209
Quoted equity instruments	21	2,967,876	-	-	2,967,876
Corporate bonds	22	505,371	-	-	505,371
<b>COMPANY</b>					
<b>31 March 2011</b>					
<b>Financial assets:</b>					
Investment in subsidiaries	18	-	-	1,753,506	1,753,506
Investment in associates	19	-	-	6,230,521	6,230,521
Unquoted equity instruments	20	-	-	1,338,664	1,338,664
Quoted equity instruments	21	2,422,116	-	-	2,422,116
Corporate bonds	22	539,188	-	-	539,188
<b>31 March 2010</b>					
<b>Financial assets:</b>					
Investment in subsidiaries	18	-	-	850,163	850,163
Investment in associates	19	-	-	4,240,102	4,240,102
Unquoted equity instruments	20	-	-	1,251,209	1,251,209
Quoted equity instruments	21	2,080,599	-	-	2,080,599
Corporate bonds	22	505,371	-	-	505,371

# Notes to the Financial Statements

For the year ended 31 March 2011

## 4 FINANCIAL RISK MANAGEMENT (continued)

There were no transfers into or out of level 3 in 2011 and 2010.

The following is a movement of financial assets classified under level 3.

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
At start of year	1,251,209	1,212,828	6,341,474	3,585,615
Additions	382,433	79,743	383,095	79,788
Disposals	(186,142)	(60,323)	(186,142)	(60,323)
Fair value gains	(108,836)	18,961	2,784,264	2,452,223
At end of year	1,338,664	1,251,209	9,322,691	6,341,474

	GROUP		COMPANY	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Total gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income	(108,836)	18,961	1,881,583	1,886,231

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 Stock Exchange appreciated/(depreciated) by 5%, the fair values of the financial assets under level 3 would change by the following.

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
5% change market value	42,474	56,583	341,13	233,553

### (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.
- 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. There have been no material changes in the group's management of capital during the year.

# Notes to the Financial Statements

For the year ended 31 March 2011

## 4 FINANCIAL RISK MANAGEMENT (continued)

	Note	Group		Company	
		2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Share capital		302,474	274,976	302,474	274,976
Share premium		589,753	589,753	589,753	589,753
Investment revaluation reserve	28	2,443,738	3,032,911	8,106,034	5,947,916
Retained earnings		6,223,412	3,958,527	3,554,106	2,344,421
Equity		9,559,377	7,856,167	12,552,367	9,157,066
Total borrowings	26	1,987,980	-	1,987,980	-
Less: Bank balances		(6,776)	(48,641)	(5,903)	(48,168)
Net borrowings		1,981,204	(48,641)	1,982,077	(48,168)
Gearing (%)		20.73%	Nil	15.79%	Nil

## 5 SEGMENT INFORMATION

The group's chief operating decision maker is the executive management committee.

The group organises its activity by business lines and these are defined as the group's reportable segments under IFRS 8, Operating Segments. The three business lines are; Private equity, Quoted equity and Real Estate & Infrastructure. Performance is reviewed from a total return perspective.

### 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 portfolio value in the period.

### 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:

### 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, rental income as well as fee income.

- **Dividend income** from investment in associates is included as portfolio income.

For the group dividend income, the equity method of accounting is not applied and as such dividends received from associate investments are incorporated.

- **Realised gains** 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 (SCI), the disclosure differs under the Group's segment reporting.

# Notes to the Financial Statements

For the year ended 31 March 2011

## 5 SEGMENT INFORMATION (continued)

In the SCI, 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 value movements** 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.

### Portfolio costs

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

### Portfolio value

Portfolio value includes the carrying value of equity investments as well as marketable securities.

#### (a) Group

31 March 2011	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Dividend income	419,430	109,996	-	529,426
Interest income	-	77,950	-	77,950
Other income	14,220	8,575	6,276	29,071
Realized gains	121,001	34,132	-	155,133
Unrealised value movements	189,493	175,253	1,002,866	1,367,612
<b>Gross portfolio return</b>	<b>744,144</b>	<b>405,906</b>	<b>1,009,142</b>	<b>2,159,192</b>
Finance costs	-	-	(154,697)	(154,697)
Portfolio costs	(171,306)	(84,324)	(43,609)	(299,239)
	(171,306)	(84,324)	(198,306)	(453,936)
<b>Net return</b>	<b>572,838</b>	<b>321,582</b>	<b>810,836</b>	<b>1,705,256</b>
Tax	(545)	(1,582)	81	(2,046)
<b>Total return</b>	<b>572,293</b>	<b>320,000</b>	<b>810,917</b>	<b>1,703,210</b>
<b>Gross portfolio return (%)</b>	<b>17.4%</b>	<b>11.5%</b>	<b>2,757%</b>	<b>27.5%</b>
<b>Total return (%)</b>	<b>13.4%</b>	<b>9.0%</b>	<b>2,215%</b>	<b>21.7%</b>
<b>Opening net asset value:</b>				
Portfolio value	4,199,795	3,473,247	35,940	7,708,982
Other net assets	76,751	69,777	657	147,185
	<b>4,276,546</b>	<b>3,543,024</b>	<b>36,597</b>	<b>7,856,167</b>
<b>Closing net asset value:</b>				
Portfolio value	4,715,969	3,723,790	3,525,578	11,965,337
Other net asset/(liabilities)	(47,038)	219,996	(590,938)	(417,980)
Borrowings	-	-	(1,987,980)	(1,987,980)
	<b>4,668,931</b>	<b>3,943,786</b>	<b>946,660</b>	<b>9,559,377</b>
<b>Value movement in the period/(Total return)</b>				<b>1,703,210</b>

# Notes to the Financial Statements

For the year ended 31 March 2011

## 5 SEGMENT INFORMATION (continued)

### (b) Group

31 March 2011	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Dividend income	247,527	45,839	-	293,366
Interest income	-	6,022	-	6,022
Other income	21,711	9,699	2,910	34,320
Realised gains	201,998	113,663	-	315,661
Unrealised value movements	128,691	996,361	-	1,125,052
<b>Gross portfolio return</b>	<b>599,927</b>	<b>1,171,584</b>	<b>2,910</b>	<b>1,774,421</b>
Finance costs	(28,761)	(17,036)	(1,143)	(46,940)
Portfolio costs	(119,289)	(64,757)	(16,268)	(200,314)
	(148,050)	(81,793)	(17,411)	(247,254)
<b>Net return</b>	<b>451,877</b>	<b>1,089,791</b>	<b>(14,501)</b>	<b>1,527,167</b>
Tax	496	11,010	1,461	12,967
<b>Total return</b>	<b>452,373</b>	<b>1,100,801</b>	<b>(13,040)</b>	<b>1,540,134</b>
Gross portfolio return (%)	14.9%	51.9%	8.1%	28.1%
Total return (%)	11.3%	48.7%	(36.4%)	24.4%
<b>Opening net asset value:</b>				
Portfolio value	4,101,600	2,305,043	36,560	6,443,203
Other net assets	26,253	16,315	243	42,811
Borrowings	(108,206)	(60,810)	(965)	(169,981)
	4,019,647	2,260,548	35,838	6,316,033
<b>Closing net asset value</b>				
Portfolio value	4,199,795	3,474,247	35,940	7,709,982
Other net asset/(liabilities)	75,751	69,777	657	146,185
Borrowings	-	-	-	-
	4,275,546	3,544,024	36,597	7,856,167
<b>Value movement in the period/(Total return)</b>				<b>1,540,134</b>

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# Notes to the Financial Statements

For the year ended 31 March 2011

## 5 SEGMENT INFORMATION (continued)

### (c) Company

31 March 2011	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Dividend income	421,106	88,691	-	509,797
Interest income	-	77,950	-	77,950
Other income	11,708	8,575	4,559	24,842
Realized gains	121,001	10,090	-	131,091
Unrealised value movements	1,879,642	220,564	999,028	3,099,234
<b>Gross portfolio return</b>	<b>2,433,457</b>	<b>405,870</b>	<b>1,003,587</b>	<b>3,842,914</b>
Finance costs	-	-	(154,697)	(154,697)
Portfolio costs	(164,916)	(84,286)	(41,764)	(290,966)
	(164,916)	(84,286)	(196,461)	(445,663)
<b>Net return</b>	<b>2,268,541</b>	<b>321,584</b>	<b>807,126</b>	<b>3,397,251</b>
Tax	(545)	(1,486)	81	(1,950)
<b>Total return</b>	<b>2,267,996</b>	<b>320,098</b>	<b>807,207</b>	<b>3,395,301</b>
<b>Gross portfolio return (%)</b>	<b>43.4%</b>	<b>11.5%</b>	<b>2,777%</b>	<b>42.0%</b>
<b>Total return (%)</b>	<b>40.5%</b>	<b>9.1%</b>	<b>2,234%</b>	<b>37.1%</b>
<b>Opening net asset value:</b>				
Portfolio value	5,491,311	3,487,361	35,948	9,014,620
Other net assets	110,903	31,358	185	142,446
	<b>5,602,214</b>	<b>3,518,719</b>	<b>36,133</b>	<b>9,157,066</b>
<b>Closing net asset value</b>				
Portfolio value	7,571,499	3,939,975	2,951,418	14,462,892
Other asset/(liabilities)	90,419	4,039	(17,003)	77,455
Borrowings	-	-	(1,987,980)	(1,987,980)
	<b>7,661,918</b>	<b>3,944,014</b>	<b>946,435</b>	<b>12,552,367</b>
<b>Value movement in the period/(Total return)</b>				<b>3,395,301</b>

# Notes to the Financial Statements

For the year ended 31 March 2011

## 5 SEGMENT INFORMATION (continued)

### 5(d) Company

31 March 2010	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Dividend income	409,708	45,840	-	455,548
Interest income	-	6,022	-	6,022
Other income	18,924	9,975	4,296	33,195
Realized gains	-	87,735	-	87,735
Unrealized value movements	1,886,230	1,061,968	-	2,948,198
<b>Gross portfolio return</b>	<b>2,314,862</b>	<b>1,211,540</b>	<b>4,296</b>	<b>3,530,698</b>
Finance costs	(28,761)	(17,036)	(1,143)	(46,940)
Portfolio costs	(118,543)	(64,364)	(16,144)	(199,051)
<b>Net return</b>	<b>2,167,558</b>	<b>1,130,140</b>	<b>(12,991)</b>	<b>3,284,707</b>
Tax	496	11,010	1,461	12,967
<b>Total return</b>	<b>2,168,054</b>	<b>1,141,150</b>	<b>(11,530)</b>	<b>3,297,674</b>
Gross portfolio return (%)	65.3%	53.2%	11.9%	60.3%
Total return (%)	61.1%	50.1%	(31.9%)	56.3%
<b>Opening net asset value:</b>				
Portfolio value	3,588,440	2,305,043	36,560	5,930,043
Other net assets	60,105	38,609	616	99,330
Borrowings	(102,860)	(66,073)	(1,048)	(169,981)
	3,545,685	2,277,579	36,128	5,859,392
<b>Closing net asset value</b>				
Portfolio value	5,491,311	3,487,361	35,948	9,014,620
Other net assets	110,903	31,358	185	142,446
	5,602,214	3,518,719	36,133	9,157,066
<b>Value movement in the period/(Total return)</b>				<b>3,297,674</b>

### 5(e) Reconciliation of total return to profit after tax for the year

	Group	
	2011 Kshs'000	2010 Kshs'000
Total return as per internal reporting	1,703,210	1,540,134
<b>Adjustments for:</b>		
Share of associate earnings	486,934	289,787
Share of other comprehensive income of associates	165,053	(29,980)
Associate dividend income	(353,657)	(150,077)
Unrealised value movements net of dividend relating to associates	(298,330)	(109,730)
Total Comprehensive Income	1,703,210	1,540,134
Less: Other comprehensive income	589,173	(446,377)
<b>Profit for the year</b>	<b>2,292,383</b>	<b>1,093,757</b>

# Notes to the Financial Statements

For the year ended 31 March 2011

## 5 SEGMENT INFORMATION (continued)

### 5(f) Reconciliation of Gross portfolio return to total income

Gross portfolio return as per internal reporting

	Group	
	2011 Kshs'000	2010 Kshs'000
	2,159,192	1,774,421
Adjustments for:		
Associate dividend income	(353,658)	(150,077)
Unrealised value movements net of dividend relating to associates	(298,330)	(109,730)
Items dealt with on other comprehensive income in the financial statements:		
Reserves released on disposal of investments	964,613	854,626
Fair value gain in unquoted securities	(12,164)	(18,961)
Fair value gain in quoted securities	(199,577)	(1,312,022)
Currency translation differences	1,355	-
<b>Total income for the year</b>	<b>2,261,431</b>	<b>1,038,257</b>

### 5(g) Other segment reporting disclosures

Group 31 March 2011	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Depreciation & amortisation	2,114	987	767	3,868
Property & equipment	13,971	7,224	5,618	26,813
Intangible assets	3,939	824	641	5,404
Additions to property & equipment	11,123	5,742	4,465	21,330
Additions to intangible assets	4,281	894	696	5,871
<b>Company 31 March 2011</b>				
Depreciation & amortisation	1,901	987	767	3,655
Property & equipment	13,912	7,224	5,618	26,754
Intangible assets	1,587	824	641	3,052
Additions to property & equipment	11,058	5,742	4,465	21,265
Additions to intangible assets	1,722	894	696	3,312
<b>Group &amp; Company 31 March 2010</b>				
Depreciation & amortisation	1,138	723	7	1,868
Property & equipment	6,912	4,390	45	11,347
Intangible assets	366	233	2	601
Additions to property & equipment	5,728	3,638	37	9,403
Additions to intangible assets	364	231	2	597

The Group's investments in associates are classified under Private Equity. The movements in associates are highlighted in note 19.

# Notes to the Financial Statements

For the year ended 31 March 2011

## 5 SEGMENT INFORMATION (continued)

5(h) Analysis of income and non-current assets by geographical segments is as below

### Income by country

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Kenya	1,838,960	998,438	1,672,516	919,465
Uganda	421,676	-	-	-
Others	795	39,819	12,280	201,999
	2,261,431	1,038,257	1,684,796	1,121,464

### Non-current assets by country

	Group		Company	
	2011	2010	2011	2010
<b>Kenya</b>				
Investment Property	1,865,800	-	265,000	-
Property and equipment	26,813	11,347	26,754	11,347
Intangible assets	5,404	601	3,052	601
	1,898,017	11,948	294,806	11,948
<b>Outside Kenya</b>				
Investment Property (Uganda)	1,659,778	-	-	-
	1,659,778	-	-	-

## 6 INCOME

### (a) Total investment income

	Note	Group		Company	
		2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Dividends receivable		175,768	143,289	509,797	455,547
Rent income		6,276	2,259	4,559	1,134
Interest receivable		77,950	6,022	77,950	6,022
Gain on disposal of investments	11	964,613	854,626	833,339	626,700
Unrealised gains on property	15	1,004,221	-	229,060	-
Unrealised gains on bond portfolio	22	9,808	-	9,808	-
Write back of long outstanding dividends	30	6,209	25,485	6,209	25,485
Other income		16,586	6,576	14,074	6,576
		2,261,431	1,038,257	1,684,796	1,121,464
<b>Income from financial assets:</b>					
Available for sale financial assets		1,223,906	1,009,275	1,426,659	1,093,607
At fair value through profit & loss		9,808	-	9,808	-
		1,233,714	1,009,275	1,436,467	1,093,607
<b>Investment income earned on non-financial assets</b>		1,027,717	28,982	248,329	27,857
		2,261,431	1,038,257	1,684,796	1,121,464

# Notes to the Financial Statements

For the year ended 31 March 2011

## 6 INCOME (continued)

### (b) Dividend income

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Associates	-	-	353,658	150,077
Subsidiary	-	39,819	1,676	201,999
Unquoted investments	65,772	57,631	65,772	57,632
Quoted investments	109,996	45,839	88,691	45,839
	175,768	143,289	509,797	455,547

## 7 EXPENSES BY NATURE

### (a) Administrative

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Staff costs( Note 9)	177,521	106,778	177,206	106,778
Directors' fees and expenses	8,461	4,430	8,461	4,430
Audit fees	2,805	2,020	2,805	2,020
Office rent & service charge	4,322	3,850	4,322	3,850
Depreciation & amortisation	3,868	1,868	3,655	1,868
Other administrative costs	9,003	3,380	5,404	3,208
	205,980	122,326	201,853	122,154

### (b) Operating expenses

AGM & annual report printing	17,740	17,809	17,740	17,809
Business development costs	16,270	6,066	16,270	6,066
Capital raising costs	13,948	10,039	13,948	10,039
Advertising & PR costs	8,167	11,556	8,167	11,556
Share registration costs	5,886	4,089	5,886	4,089
Listing expenses	3,937	2,397	3,937	2,397
Other costs	27,311	26,032	23,165	24,941
	93,259	77,988	89,113	76,897



# Notes to the Financial Statements

For the year ended 31 March 2011

## 8 FINANCE COSTS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Interest on borrowings	147,914	44,758	147,914	44,758
Commitment fees	6,277	1,500	6,277	1,500
Exchange loss	506	682	506	682
	154,697	46,940	154,697	46,940

## 9 EMPLOYEE BENEFITS EXPENSE

Salaries	68,056	48,641	67,741	48,641
Performance bonus provision	92,842	46,942	92,842	46,942
Retirement benefit scheme contributions	4,579	3,049	4,579	3,049
National Social Security Fund contributions (NSSF)	91	71	91	71
Leave pay provision	1,290	1,615	1,290	1,615
	166,858	100,318	166,543	100,318
Staff medical expenses	1,766	1,980	1,766	1,980
Other staff welfare costs	8,897	4,480	8,897	4,480
	177,521	106,778	177,206	106,778

## 10 (a) Income tax expense/(credit)

31 March 2011	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Current taxation based on adjusted profit for the year at 30%	3,012	3,115	3,012	3,115
Prior year tax	-	45	-	45
	3,012	3,160	3,012	3,160
Deferred tax charge/(credit)(note (13))	(3,188)	(16,173)	(3,284)	(16,173)
Prior year deferred tax	2,222	46	2,222	46
	(966)	(16,127)	(1,062)	(16,127)
	2,046	(12,967)	1,950	(12,967)

There was no tax charge on items of other comprehensive income (2010: nil)

# Notes to the Financial Statements

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## 10 (b) Reconciliation of taxation charge to expected tax based on accounting profit:

31 March 2011	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Accounting profit before taxation	2,294,429	1,080,790	1,239,133	875,473
Tax at the applicable rate of 30%	688,329	324,237	371,740	262,642
Tax effect of income not taxable	(816,061)	(387,247)	(499,568)	(325,652)
Tax effect of expenses not deductible for tax	127,248	49,952	127,248	49,952
Prior year current tax under provision	-	45	-	45
Prior year deferred tax under provision	2,222	46	2,222	46
	2,046	(12,967)	1,950	(12,967)

## (c) Taxation recoverable

31 March 2011	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
At beginning of the year	(3,075)	(5,632)	(3,044)	(5,601)
Charge for the year	3,012	3,160	3,012	3,160
Payments during the year	(2,591)	(603)	(800)	(603)
At end of year	(2,654)	(3,075)	(832)	(3,044)

## 11 Gains on disposal of investments

	Cost		Group Gain On disposal Kshs'000	Cost		Company Gain On disposal Kshs'000
	Kshs'000	Proceeds Kshs'000		Kshs'000	Proceeds Kshs'000	
31 March 2011						
Quoted investments	942,346	1,629,241	686,895	859,453	1,415,077	555,621
Unquoted investment	29,425	307,143	277,718	29,425	307,143	277,718
	971,775	1,936,388	964,613	888,878	1,722,220	833,339
At 31 March 2010						
Quoted investments	430,979	1,083,606	652,627	399,076	1,025,776	626,700
Unquoted investment	63,148	265,147	201,999	-	-	-
	494,127	1,348,753	854,626	399,076	1,025,776	626,700

# Notes to the Financial Statements

For the year ended 31 March 2011

## 12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in outstanding during the year.

	2011 Kshs'000	2010 Kshs'000
Profit attributable to equity holders of the Company	2,292,383	1,093,757
Weighted average number of ordinary shares in issue (thousands)	604,947	604,947
Basic earnings per share (Kshs)	3.79	1.81

At the Annual General Meeting held on 24 September 2010, the shareholders approved a bonus issue of one ordinary share for every ten shares held by utilisation of revenue reserves.

## 13 DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30%.

The deferred tax asset is attributable to the following items:

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Performance bonus provision	27,852	14,083	27,852	14,083
General provision for doubtful debts	-	12,121	-	12,121
Exchange differences	-	181	-	181
Tax losses	2,256	2,127	2,256	2,127
Leave pay provision	387	831	387	831
Accelerated capital allowances	(52)	134	44	134
	30,443	29,477	30,539	29,477

The movement in deferred income tax assets during the year was as follows:

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
At start of year	29,477	13,350	29,477	13,350
Charge to statement of comprehensive income(Note 10)	966	16,127	1,062	16,127
At end of the year	30,443	29,477	30,539	29,477

# Notes to the Financial Statements

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## 14 PREPAID OPERATING LEASE RENTALS

GROUP & COMPANY	2011 Kshs'000	2010 Kshs'000
<b>Cost</b>		
At start of year	59,487	59,487
Transfer to investment property	(59,487)	-
<b>At end of the year</b>	<b>-</b>	<b>59,487</b>
<b>Amortisation</b>		
Amortisation charge at start of year	23,547	22,927
Transfer to investment property	(23,547)	620
Amortisation charge at 31 March 2011	-	23,547
<b>Net book value</b>	<b>-</b>	<b>35,940</b>

Land which was previously held as an operating lease was transferred to investment property and reported at fair value in line with the requirements of IAS 40 as the Group now holds the land for the purposes of development of an investment property ( Note 15)

## 15 INVESTMENT PROPERTY

	Group & Company	
	Kshs'000	Kshs'000
<b>At 1 April 2010</b>		
Cost/valuation	-	-
<b>Movements in the year</b>		
Transfer from operating lease rentals (Note 14)	35,940	35,940
Additions	2,485,417	-
Fair value gains	1,004,221	229,060
<b>Closing valuation</b>	<b>3,525,578</b>	<b>265,000</b>

The fair value model has been applied for the investment property. The company commissioned an independent valuer to determine the fair value of the investment property as at 31st March 2011. The fair value was supported by market evidence.

An amount of Kshs 573,027,000 is payable within 12 months in respect of final settlement on purchase of one of the properties. The expenses directly attributable to investment property during the year amounted to Kshs. 6,515,627. Investment in property is classified as a non current asset.

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## 16 MOTOR VEHICLE AND EQUIPMENT

	Kshs'000	Kshs'000
<b>At 1 April 2009</b>		
Cost	11,235	11,235
Accumulated depreciation	(7,807)	(7,807)
Net book amount	3,428	3,428
<b>Year ended 31 March 2010</b>		
Opening net book amount	3,428	3,428
Additions	9,403	9,403
Disposals	(1,008)	(1,008)
Depreciation charge	(1,426)	(1,426)
Elimination on disposal	950	950
Closing net book amount	11,347	11,347
<b>At 31 March 2010</b>		
Cost	19,630	19,630
Accumulated depreciation	(8,283)	(8,283)
Net book amount	11,347	11,347
<b>Year ended 31 March 2011</b>		
Opening net book amount	11,347	11,347
Additions	21,330	21,265
Disposals	(5,933)	(5,933)
Depreciation charge	(2,800)	(2,794)
Elimination on disposal	2,869	2,869
Closing net book amount	26,813	26,754
<b>At 31 March 2011</b>		
Cost	35,027	34,963
Accumulated depreciation	(8,214)	(8,209)
Net book amount	26,813	26,754

## 17 INTANGIBLE ASSETS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
<b>Cost</b>				
At 1 April	1,908	1,311	1,908	1,311
Additions	5,871	597	3,312	597
Disposal	(938)	-	(938)	-
At End Of The Year	6,841	1,908	4,282	1,908
<b>Amortisation</b>				
At 1 April	1,307	865	1,307	865
Charge for the year	1,068	442	861	442
Released on disposal	(938)	-	(938)	-
At End Of The Year	1,437	1,307	1,230	1,307
<b>Net book value</b>				
At End Of The Year	5,404	601	3,052	601

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## 18 INVESTMENT IN SUBSIDIARIES (ALL 100% BENEFICIARY OWNED)

Company	Share capital	01.04.10	Cost	Fair Value	31.03.10
	Kshs'000	Kshs'000	Additions Kshs'000	Kshs'000	Kshs'000
Kenya National Properties Limited	31,300	114,735	-	284,063	284,063
Rasimu Limited	100	100	-	700,746	566,092
Centum BVI Limited	8	8	-	8	8
Pearl Marina Estates Limited	362	-	362	417,839	-
Runda Closeburn Limited	100	-	100	352,663	-
Uhuru Heights Limited	100	-	100	27	-
Etranzact Limited	100	-	100	(1,840)	-
		<b>114,843</b>	<b>662</b>	<b>1,753,506</b>	<b>850,163</b>

Subsidiary	Country of Incorporation	Principal activity
Kenya National Properties Ltd	Kenya	Management, ownership and development of property for rental purposes. At the moment, the Company has no developed property but is actively prospecting for opportunities.
Rasimu Limited	Kenya	Incorporated in July 2008 and principal activity is engagement in investment activities.
Centum BVI Limited	British Virgin Islands	Incorporated in October 2009 and principal activity is engagement in investment activity.
Runda Closeburn Ltd	Uganda	Incorporated in September 2010 and principal activity is engagement in real estate investments. The subsidiary has invested in 100 acres of land in the Runda area in Nairobi.
Pearl Marina Estates Ltd	Kenya	Incorporated in September 2010 and principal activity is engagement in real estate investments. The subsidiary has invested in 212 acres of land in Entebbe Uganda.
Etranzact Ltd	Kenya	Incorporated in October 2010 and principal activity is engagement in electronic payments and processing.

# Notes to the Financial Statements

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## 18 INVESTMENT IN SUBSIDIARIES (continued)

Fair value movement – Company	2011 Kshs'000	2010 Kshs'000
Opening valuation of subsidiaries	850,163	284,063
Additions in the year	662	108
Fair value gain in subsidiaries	902,681	565,992
Closing valuation of subsidiaries	1,753,506	850,163

Investments in Subsidiaries are classified as non-current assets

## 19 INVESTMENT IN ASSOCIATES

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
At 1 April	2,948,585	2,885,947	4,240,102	2,372,787
Share of profits after taxation	486,934	289,787	-	-
Share of other comprehensive income	165,053	(29,980)	-	-
Fair value gain/(loss)	-	-	1,990,419	1,867,270
Dividends received	(223,267)	(197,214)	-	-
Acquisitions during the year	-	45	-	45
	428,214	62,638	1,990,419	1,867,315
At 31 March	3,377,305	2,948,585	6,230,521	4,240,102

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 less any impairment in the value of individual investments.

Associates are held at fair value in the company's separate financial statements.

Summarised financial information in respect of the associates' performance is set out below:

	2011 Kshs'000	2010 Kshs'000
Total assets	27,041,191	22,750,223
Total liabilities	14,598,074	12,371,340
Net assets	12,443,117	10,378,883
Total revenue	22,426,120	17,483,461
Total profit for the year	2,582,613	1,110,356
Group's share of associate's contingent liabilities	765,954	226,422

The extent to which an outflow of funds will be required on the group's share of associate's contingent liabilities is dependent on the future operations of the associates being more or less favourable than currently expected. Investments in associates are classified as non-current assets.

# Notes to the Financial Statements

For the year ended 31 March 2011

## 20 UNQUOTED INVESTMENTS

	Group 2011 Kshs'000	Company 2010 Kshs'000
Opening valuation	1,251,209	1,212,828
Movements in the year:		
Additions	382,433	79,743
Disposals	(29,425)	(60,323)
Released on disposal	(277,718)	-
Fair value gain	12,165	18,961
	87,455	38,381
Closing valuation	1,338,664	1,251,209

## 21 QUOTED INVESTMENTS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Opening valuation	2,967,876	2,305,043	2,080,599	2,305,043
Movements in the period:				
Additions	1,670,399	636,416	1,670,399	217,620
Disposals	(942,346)	(430,979)	(859,453)	(399,075)
Released on disposal	(686,895)	(854,626)	(555,621)	(626,700)
Fair value gain	199,577	1,312,022	86,192	583,711
	240,735	662,833	341,517	(224,444)
Closing valuation	3,208,611	2,967,876	2,422,116	2,080,599

Quoted investments are classified as non current assets

## 22 CORPORATE BONDS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group & Company	
	2011 Kshs'000	2010 Kshs'000
Opening valuation	505,371	-
Movements in the period:		
Additions	-	505,371
Disposals	-	-
Interest receivable	24,009	-
Fair value gain through profit and loss	9,808	-
	33,817	505,371
Closing valuation	539,188	505,371

Corporate bonds are classified as non current assets

# Notes to the Financial Statements

For the year ended 31 March 2011

## 23 SUBSIDIARY BALANCES

	Company	
	2011 Kshs'000	2010 Kshs'000
<b>(a) Due from Subsidiaries</b>		
Rasimu Limited	301,708	335,299
Centum BVI Limited	-	77,324
Pearl Marina Estates Limited	667,883	-
Runda Closeburn Limited	1,248,033	-
eTransact Limited	4,156	-
	<b>2,221,780</b>	<b>412,623</b>
<b>(b) Due to Subsidiaries</b>		
Kenya National Properties Limited	283,837	283,680
Centum BVI Limited	8	-
Uhuru Heights Limited	27	-
	<b>283,872</b>	<b>283,680</b>
	<b>1,937,908</b>	<b>128,943</b>

The balances due to and due from the subsidiaries are interest free and have no specific repayment period.

## 24 RECEIVABLES & PREPAYMENTS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Dividends receivable	12,312	23,499	152,084	18,676
Land investment prepayments	9,966	-	9,966	-
Disposal proceeds receivable	214,168	77,331	-	-
Other receivables & prepayments	3,694	8,019	3,695	7,982
	<b>240,140</b>	<b>108,849</b>	<b>165,745</b>	<b>26,658</b>

## 25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
For the purpose of the statement of cash flows cash and cash equivalents comprise;				
Call deposits (maturing within 90 days)	-	345,000	-	345,000
Bank balances	6,776	48,641	5,903	48,168
Overdraft balances	(987,980)	-	(987,980)	-
	<b>(981,204)</b>	<b>393,641</b>	<b>(982,077)</b>	<b>393,168</b>

# Notes to the Financial Statements

For the year ended 31 March 2011

## 26 BORROWINGS

	Group & Company	
	2011 Kshs'000	2010 Kshs'000
The borrowings are made up as follows:		
Non-current		
Bank borrowings	1,000,000	-
Current		
Bank overdraft	987,980	-
<b>Total borrowings</b>	<b>1,987,980</b>	<b>-</b>

At 31 March 2011 the group had undrawn committed borrowing facilities amounting to Kshs 212,020,000 (2010: Kshs 1,700,000,000). The effective interest rate for bank overdraft was 9.5% (2010: 10.54%) and 10.00% (2010: 13.00%) for long term loan.

The long term loan facility is secured by a floating charge over all the listed securities other than Kshs 935,085,760 (2010: Kshs 1,357,649,623) which are security over the overdraft facilities. Overdraft facilities are secured by certain quoted investments. The market value of the shares held as security at 31 March 2010 was Kshs 935,085,760 (2010: Kshs 1,357,649,623).

## 27 SHARE CAPITAL & PREMIUM

	Year ended 31 March 2011			Year ended 31 March 2010		
	Number of shares	Ordinary shares Kshs'000	Share Premium Kshs'000	Number shares	Ordinary shares Kshs'000	Share Premium Kshs'000
<b>Group and Company</b>						
Balance at 1 April	549,952	274,976	589,753	549,952	274,976	589,753
Issue of shares – bonus	54,995	27,498	-	-	-	-
<b>Balance at 31 March</b>	<b>604,947</b>	<b>302,474</b>	<b>589,753</b>	<b>549,952</b>	<b>274,976</b>	<b>589,753</b>

The total authorised number of ordinary shares is 800m with a par value of Kshs 0.50 per share. 604,947,013 (2010:549,951,830) are issued and fully paid up.

At the Annual General Meeting held on 24 September 2010, the shareholders approved a bonus issue of one ordinary share for every ten shares held by utilisation of revenue reserves.

## 28 RESERVES

### (a) Investment Revaluation Reserve

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and 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 profit or loss.

### (b) Retained earnings

The retained earnings represent amounts available to the shareholders of the Group. Retained earnings are utilised to finance business activity.

# Notes to the Financial Statements

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## 29 PAYABLES AND ACCRUALS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
Sundry payables and accruals	13,935	7,654	13,644	7,406
Settlements in respect of investments	608,199	300,943	33,652	300,943
Leave pay provision	4,194	1,615	4,194	1,615
Performance bonus provision	92,842	46,942	92,842	46,942
	719,170	357,154	144,332	356,906

## 30 UNCLAIMED DIVIDENDS

	Group		Company	
	2011 Kshs'000	2010 Kshs'000	2011 Kshs'000	2010 Kshs'000
At the beginning of the year	42,650	73,863	42,650	73,863
Dividend declared	-	-	-	-
Dividend paid	(1,392)	(5,728)	(1,392)	(5,728)
Write back of long outstanding dividends	(6,209)	(25,485)	(6,209)	(25,485)
At the end of the year	35,049	42,650	35,049	42,650

## 31 CASH GENERATED FROM OPERATIONS

	Note	Group	
		2011 Kshs'000	2010 Kshs'000
Reconciliation of profit before income tax to cash generated from operations			
Profit before income tax		2,294,429	1,080,790
Adjustments for:			
Depreciation	16	2,800	1,426
Amortisation of intangibles	17	1,068	442
Amortisation of prepaid operating lease rentals	14	-	620
Fair value gains on bond investments	22	(33,817)	-
Fair value gains on property investments	15	(1,004,221)	-
Loss on disposal of equipment		2,807	58
Gains on disposal of quoted investments	11	(686,895)	(652,627)
Gains on disposal of unquoted investments	11	(277,718)	(201,999)
Share of profit from associates	19	(486,934)	(289,787)
Write back of long outstanding dividends	30	(6,209)	(25,485)
Changes in working capital		-	-
- receivables and prepayments		(208,622)	(15,100)
- payables and accrued expenses		439,347	347,092
Cash generated from operations		36,035	245,430

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## 32 RELATED PARTY TRANSACTIONS

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 services	Group & Company	
	2011 Kshs'000	2010 Kshs'000
Office rent (paid to entity controlled by a director)	3,945	3,153
Insurance premiums (paid to an associate)	2,804	3,970
	6,749	7,123

### (ii) 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	
	2011 Kshs'000	2010 Kshs'000
Salaries	41,227	33,124
Performance bonus	65,625	39,375
Retirement benefit scheme contribution	3,092	2,485
	109,944	74,984

### (iii) Directors' remuneration

Fees for services as a non executive director	8,461	4,430
Other included in key management compensation above	36,701	18,576
	45,162	23,006

### (iv) Outstanding related party balances

Performance bonus	65,625	39,375
Transaction fees (due to an associate)	5,717	-
	71,342	39,375

# Notes to the Financial Statements

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## 33 COMMITMENTS

### (i) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	Group & Company	
	2011	2010
	Kshs'000	Kshs'000
Equipment	823	15,000

### (ii) Operating lease commitments

At the end of the reporting year, the Group had outstanding lease commitments under lease obligations which fall due as follows;

	Group & Company	
	2011	2010
	Kshs'000	Kshs'000
Within one year	3,648	3,648
Within the second to fourth years inclusive	8,967	9,423
	12,615	13,071

## 34 FINANCIAL ASSETS BY CATEGORY

	Group		Company	
	2011	2010	2011	2010
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<b>a) Financial assets</b>				
At fair value through profit or loss	539,188	505,371	539,188	505,371
Loans and receivables	246,916	502,490	2,221,780	832,449
Available for sale	4,547,275	4,219,085	11,744,807	8,422,073
	5,333,379	5,226,946	14,505,775	9,759,893
Fair value through profit or loss				
Corporate bonds	539,188	505,371	539,188	505,371
Loans and receivables:				
Receivables	240,140	108,849	165,745	26,658
Bank deposits	-	345,000	-	345,000
Bank balances	6,776	48,461	5,903	48,168
Due from subsidiaries	-	-	2,221,780	412,623
	246,916	502,310	2,393,428	832,449
Available for sale:				
Investment in subsidiaries	-	-	1,753,506	850,163
Investment in associates	-	-	6,230,521	4,240,102
Unquoted investments	1,338,664	1,251,209	1,338,664	1,251,209
Quoted investments	3,208,611	2,967,876	2,422,116	2,080,599
	4,547,275	4,219,085	11,744,807	8,422,073

### 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 2010 and 2011 is shown on note 4(b).

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## Historical Performance

### COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2011	2010	2009	2008
Investment Income	1,684,796	1,121,464	505,944	761,004
Administration and operating costs	(290,966)	(199,051)	(123,017)	(102,003)
Finance costs	(154,697)	(46,940)	(12,983)	(18,381)
Foreign exchange movements	-	-	-	-
Provision for impairment	-	-	(271,239)	(54)
<b>Profit before taxation</b>	<b>1,239,133</b>	<b>875,473</b>	<b>98,705</b>	<b>640,566</b>
Taxation	(1,950)	12,967	(10,824)	1,586
<b>Profit after taxation</b>	<b>1,237,183</b>	<b>888,440</b>	<b>87,881</b>	<b>642,152</b>
Other comprehensive income/(loss)	2,158,118	2,409,234	(2,775,002)	(2,037,860)
<b>Total comprehensive income</b>	<b>3,395,301</b>	<b>3,297,674</b>	<b>(2,687,121)</b>	<b>(1,395,708)</b>

### COMPANY STATEMENT OF FINANCIAL POSITION

	2011	2010	2009	2008
<b>Assets</b>				
Deferred income tax asset	30,539	29,477	13,350	22,462
Prepaid operating lease rentals	-	35,940	36,560	37,180
Tax recoverable	832	3,044	5,601	2,897
Investment property	265,000	-	-	-
Motor vehicle and equipment	26,754	11,347	3,428	4,150
Intangible assets	3,052	601	446	699
Investment in subsidiaries	1,753,506	850,163	284,063	284,120
Investment in associates	6,230,521	4,240,102	2,372,787	3,489,484
Unquoted investments	1,338,664	1,251,209	1,212,828	1,842,945
Quoted investments	2,422,116	2,080,599	2,305,043	2,832,079
Corporate bonds	539,188	505,371	-	-
Term deposits	-	-	-	146,219
Due from related parties	2,221,780	412,623	2,825	72,380
Receivables and prepayments	165,745	26,658	150,266	283,428
Deposits	-	345,000	-	79,452
Cash and cash equivalents	5,903	48,168	10,101	48,267
<b>Total assets</b>	<b>15,003,600</b>	<b>9,840,302</b>	<b>6,397,298</b>	<b>9,145,762</b>
<b>Equity and Liabilities</b>				
<b>Capital and reserves</b>				
Share capital	302,474	274,976	274,976	274,976
Share premium and reserves	12,249,893	8,882,090	5,584,416	8,519,012
	12,552,367	9,157,066	5,859,392	8,793,988
<b>Liabilities</b>				
Borrowings	1,987,980	-	169,981	-
Due to related parties	283,872	283,680	284,061	284,603
Other current liabilities	179,381	399,556	83,864	67,171
	2,451,233	683,236	537,906	351,774
<b>Total equity and liabilities</b>	<b>15,003,600</b>	<b>9,840,302</b>	<b>6,397,298</b>	<b>9,145,762</b>

### COMPANY STATEMENT OF CASHFLOWS

	2011	2010	2009	2008
<b>Operating activities</b>				
Cash generated from operations	36,035	245,430	124,671	72,464
Taxation paid	(2,591)	(603)	(4,416)	(5,191)
Dividends received from associated companies	223,267	197,214	229,697	47,101
<b>Net cash generated from/(used in) the period</b>	<b>256,711</b>	<b>442,041</b>	<b>349,952</b>	<b>114,374</b>
<b>Investing activities</b>				
Purchase of investment property	(2,485,417)	-	-	-
Purchase of equipment	(21,330)	(9,403)	(1,559)	(270)
Purchase of intangible assets	(5,871)	(597)	(165)	(367)
Purchase of shares in associates	-	(45)	-	(244,662)
Purchase of other equity investments	(382,433)	(79,743)	-	-

# Historical Performance

## COMPANY STATEMENT OF CASHFLOWS (continued)

	2011	2010	2009	2008
Purchase of quoted equity investments	(1,670,399)	(636,416)	(625,373)	(166,183)
Proceeds on disposal of quoted equity	1,629,241	1,083,606	191,527	538,210
Proceeds on disposal of unquoted equity	307,143	265,147	-	-
Proceeds on disposal of non current assets held for sale	-	-	11,664	-
Proceeds on disposal of motor vehicles and equipment	257	-	1,828	-
<b>Net cash generated from/(used in) investing activities</b>	<b>(2,628,809)</b>	<b>117,178</b>	<b>(422,078)</b>	<b>126,728</b>
<b>Financing activities</b>				
Proceeds from borrowings	1,000,000	-	-	-
<b>Dividends paid</b>	<b>(1,392)</b>	<b>(5,728)</b>	<b>(215,479)</b>	<b>(250,543)</b>
	<b>998,608</b>	<b>(5,728)</b>	<b>(215,479)</b>	<b>(250,543)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,373,490)</b>	<b>553,491</b>	<b>(287,605)</b>	<b>(9,441)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>393,641</b>	<b>(159,850)</b>	<b>127,755</b>	<b>137,196</b>
Exchange losses on cash and cash equivalents	(1,355)			
<b>Cash and cash equivalents at end of the year</b>	<b>(981,204)</b>	<b>393,641</b>	<b>(159,850)</b>	<b>127,755</b>

### Key Performance Ratios

Gearing (%)	15.84%	-	2.90%	-
Cost Efficiency (%)	2.01%	2.21%	2.07%	1.17%
Net Asset Value (NAV) per Share(Ksh)	20.75	15.14	9.69	14.54
Return on Equity (%)	37%	56%	-31%	0%
Price to NAV Ratio	1.04	1.03	1.06	1.72

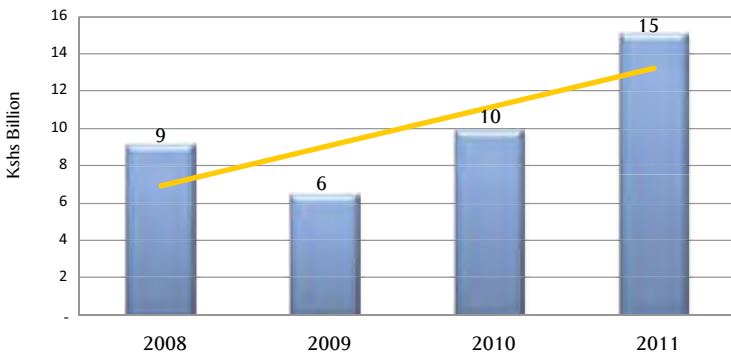
### Definition of Key Performance Ratios

<b>Earnings Per Share (EPS)</b>	The portion of the company's distributable profits allocated to each issued share. Its calculated by dividing net profits by the number of issued shares.
<b>Gearing (%)</b>	The level of the company's debt (net of cash or cash equivalents) compared to total assets. Its calculated as a percentage of borrowing to total assets as at the year end.
<b>Cost to Portfolio Ratio</b>	The ratio of the total costs to the portfolio value. Its expressed as a percentage of total operating and administrative costs to portfolio value.
<b>Net Asset Value (NAV) per Share(Ksh)</b>	The value of an entity's assets less the value of its liabilities on a per issued share basis. This is also known as book value. Its calculated by dividing the book value with the number of issued shares.
<b>Return on Equity (%)</b>	The measure of return on the shareholders funds. Its calculated by dividing total comprehensive income with the opening NAV per share.
<b>Price to NAV Ratio</b>	Is used to compare the stock market value of an entity with its NAV. The ratio is calculated by dividing the current closing price of the stock by the NAV per share

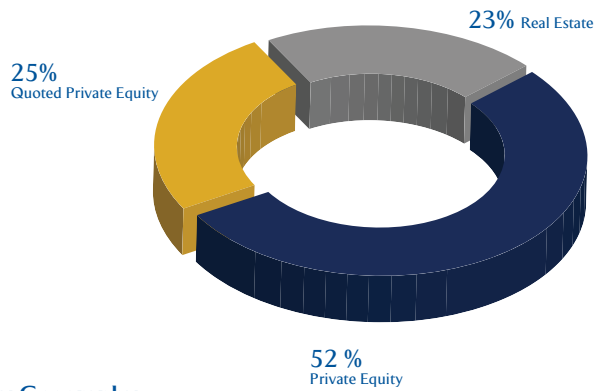
### Nairobi Stock Exchange (NSE) Market Indicators

<b>Share Price - High for the year</b>	26.00	19.90	30.00	34.75
<b>Share Price - Low for the year</b>	12.00	8.00	8.50	23.25
<b>31st March</b>	21.50	15.60	10.25	25.00
<b>NSE Index</b>	4,855	2,805	4,073	3,887
<b>Shares traded</b>				
<b>Number of shares</b>	52,084,700	20,445,143	39,774,235	69,940,604
<b>Value of shares traded (Kshs millions)</b>	1,096	247	863	1,945
<b>Turnover in shares traded as a percentage of issued share capital</b>	9%	4%	7%	13%
<b>Number of shares in issue</b>	549,951,830	549,951,830	549,951,830	549,951,830
<b>End of period</b>	604,947,013	549,951,830	549,951,830	549,951,830
<b>Weighted average</b>	604,947,013	549,951,830	549,951,830	549,951,830
<b>Market Capitalisation as at 31st March (Kshs millions)</b>	13,006	8,579	5,637	13,749

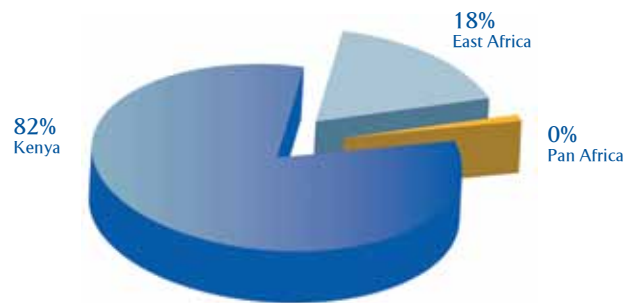
## 1 Asset Growth Creating shareholder wealth



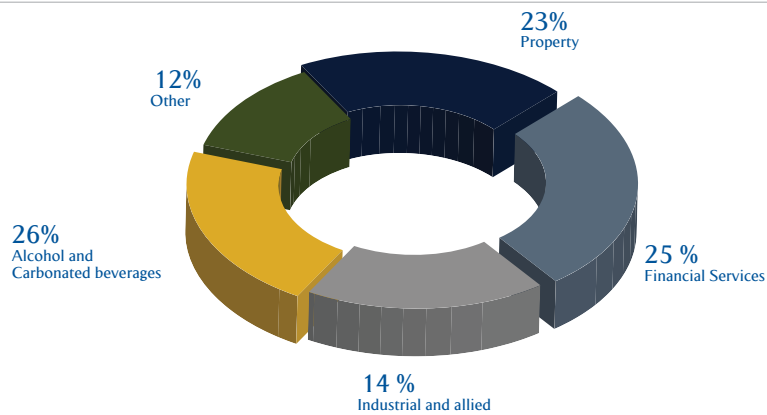
## 2. Portfolio Allocation By Business Line



## 3. Portfolio Allocation By Geography



## 4. Portfolio Allocation By Sector



Overview

Management and Business Review

Governance

Statutory Information & Audited Financial Statements

Additional Disclosures

Proxies and Voting Forms



# Information for Shareholders

Bonus Calendar of Events:	
22 Jul 11	Book Closure
23 Sep 11	Shareholder Approval
28 Sep 11	Crediting to respective CDS accounts
29 Sep 11	Listing and Commencement of trading of bonus shares at the NSE
30 Sep 11	Dispatch bonus share certificates by registered mail
	NOTE: The announcement above is subject to the approval by the Regulators

## Digital Communication

### To Register for Electronic Communications

If you would prefer to receive shareholder communications electronically in the future including annual reports and notices of meetings, please visit our Registrar's website [www.sharepoweronline.com](http://www.sharepoweronline.com) and follow the instructions to register.

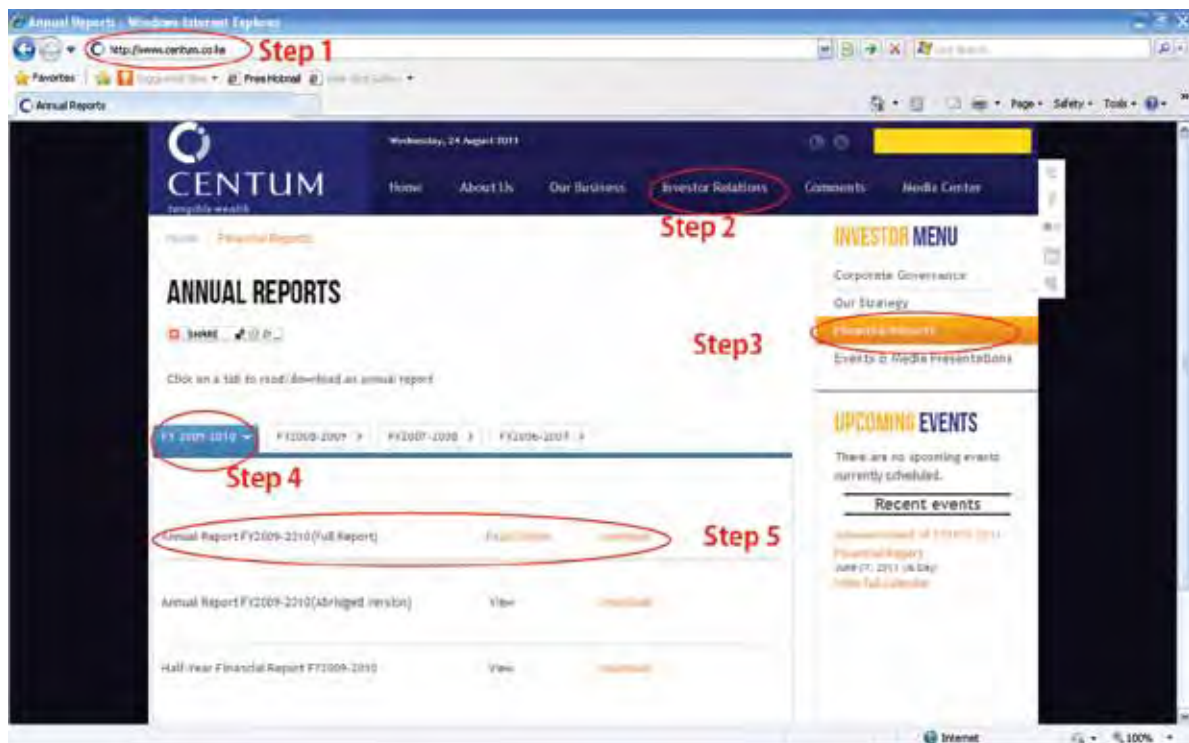
### Half Yearly Reports Online

The 2011 half yearly information will only be available online. Please register on our website [www.centum.co.ke](http://www.centum.co.ke) to ensure you are notified when it becomes available.

### For Investor Relations Information and General Enquiries

Please visit [www.centum.co.ke](http://www.centum.co.ke) on the investor relations page

### How to access the Financial Report in 5 easy steps from our website



- Step 1: Open your internet browser and type [www.centum.co.ke](http://www.centum.co.ke)
- Step 2: Click on Investor Relations link as shown on the web page
- Step 3: Click on Financial Reports
- Step 4: Select the Financial Year
- Step 5: You can either read the report online or download the report





## CHANGE OF ADDRESS AND EMAIL & MOBILE PHONE COLLECTION FORM

Completed mandate forms should be posted to Custody and Registrars Services Limited, P O Box 8484, 00100 GPO, Nairobi, Kenya or delivered by hand to 6th Floor, Bruce House, Standard Street, Nairobi, Kenya.

I/We, the undersigned, hereby authorize and instruct the Custody and Registrars Services Limited, on behalf of Centum Investment Company Limited to update my postal details as indicated below. I also authorize for the update of my shareholder records with my registered mobile phone number and e-mail address for purposes of general correspondence as well as dispatching any other shareholder notices and alerts.

I/We confirm that the details set out below are true and correct. This authority and instruction shall remain in effect until cancelled by written notice issued by me/us and received by the Centum Investment Company Limited or Custody and Registrars Services Limited. In the event that the details set out below change in any way, I/we agree to cancel this authority and instruction forthwith.

SHAREHOLDER'S FULL NAME			
SHARE ACCOUNT NUMBER			
CURRENT ADDRESS (INCLUDE POSTAL CODE AND POST OFFICE NAME)	REGISTERED MOBILE PHONE NUMBER AND EMAIL ADDRESS FOR FUTURE CORRESPONDENCE & ALERTS	SIGNATURE	DATE
	MOBILE PHONE NUMBER		
	E-MAIL ADDRESS		
I/WE WISH TO RECEIVE A PRINTED ANNUAL REPORT	YES	NO	
<p>NB: IF YOUR SHARES ARE IN CDSC, KINDLY FORWARD YOUR POSTAL DETAILS TO YOUR BROKER. YOU CAN HOWEVER SEND YOUR EMAIL ADDRESS AND MOBILE PHONE NUMBERS TO US FOR GENERAL CORRESPONDENCE ON <a href="mailto:updatecentum@crsltd.co.ke">updatecentum@crsltd.co.ke</a> .</p> <p>WHEN SENDING YOUR UPDATE USING THE EMAIL PROVIDED, YOU NEED TO SCAN AND ATTACH YOUR IDENTIFICATION DOCUMENTS AS INDICATED BELOW.</p>			
<p><b>Important: For verification of Identity and proof of shareholding, please attach</b></p> <ol style="list-style-type: none"> <li>1. A certified copy of your identification document (national ID or Valid passport)</li> <li>2. A certified copy of Centum dividend notice, shares certificate or CDSC Statement</li> </ol> <p>All the above copies should be certified by a magistrate, lawyer or at our offices upon presentation of originals.</p>			

**NOTE: This information will supersede any previous mandate instruction lodged with Custody and Registrars Services Limited.**

# Proxy Form and Voting Form

Proxy Form	103
Voting Form	104



# Proxy Form

# Fomu ya Uakilishi

I/We \_\_\_\_\_

Mimi/Sisi \_\_\_\_\_

Share A/c No \_\_\_\_\_

Nambari ya akaunti ya hisa \_\_\_\_\_

of (address) \_\_\_\_\_

anwani \_\_\_\_\_

Being a member(s) of Centum Investment Company Limited, hereby appoint \_\_\_\_\_

Kama mwanahisa/wanahisa wa Centum Investment Company Limited, namteua/tunamteua \_\_\_\_\_

or failing him/her the duly appointed Chairman of the Meeting to be my/our proxy, to vote for me/us and on my/our behalf at the 44th Annual General Meeting of the Company, to be held on Friday, 23 September 2011 at the Tsavo Ball Room, KICC, Nairobi at 10.00 a.m. and at any adjournment thereof.

na akikosa, nateua/tunamteua Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/ yetu kwenye Mkutano Mkuu wa Mwaka Makala ya 44 utaofanyika Ijumaa, 23 Septemba 2011 katika Kikumbi cha KICC, chumba cha Tsavo, Nairobi, saa nne, ama siku yoyote ile endapo mkutano hua utahirishwa.

I/We direct the Proxy to vote for /against the resolution(s) as indicated on the back of this Proxy Form.

Mimi/sisi ninamuagiza/tunamuagiza mwakilishi kupiga kura kuunga mkono/dhidi ya/kuzuia kura kwa maamuzi kama ilivyoelekezwa katika sehemu ya nyuma ya fomu hii.

As witness I/We lay my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Sahihi hii/hizi imewekwa/zimewekwa Tarehe \_\_\_\_\_ ya \_\_\_\_\_ 2011.

Signature(s) \_\_\_\_\_

Sahihi \_\_\_\_\_

## Notes:

1. This proxy form is to be delivered to the Secretary's office not later than 10.00am on Thursday, 22 September, 2011.
2. In the case of a Corporation, the proxy must be under the Common Seal or under the hand of an Officer or Attorney duly authorized.
3. The back of this form is to be used for voting for or against or to withhold your vote on the resolutions. If neither for nor against is struck out or your vote is not withheld you will be deemed to have authorised the Proxy to vote as they think fit.
4. Please note that voting will only take place if a poll is demanded at the meeting in accordance with sections 137 and 138 of the Companies Act (Cap 486)

## Maelezo muhimu:

1. Ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kufikishwa kwa Katibu wa Kampuni kabla ya saa nne Alhamisi, Septemba, 2011.
2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo
3. Sehemu ya nyuma ya fom hii inafaa kutimikakuunga mkono/dhidi ya/kuizuia kura yako. Ikiwa maamuzi yakuunda mkono ama dhidi ya ama kuzuia kura yako haijalekezwa katika fomu ya uwakilishi basi itaeleweka kwamba umemuidhinisha muwakilishi wako kupiga kura kama anavyofikiria.
4. Upigaji kura utafanyika iwapo kura ititishwa katika mkutano ikiambatana na kifungu 137 na 138 ya Sheria za Kampuni (Fungu la 486)

The Company Secretary  
Centum Investment Company Limited  
International House, 5th Floor, Mama Ngina Street  
P O Box 10518, 00100  
Nairobi, Kenya.

# Voting Form


	For	Against	Vote Withheld
<b>1. ORDINARY RESOLUTION</b> To adopt and approve the accounts for the year ended 31 March 2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2. ORDINARY RESOLUTION</b> To approve the directors remuneration for the year ended 31 March 2011	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3. ORDINARY RESOLUTION</b> To re-elect the following directors by rotation			
Henry C. Njoroge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Robert K. Bunyi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Imtiaz Khan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4. ORDINARY RESOLUTION</b> To approve the re-appointment PricewaterhouseCoopers as the Company auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5. ORDINARY RESOLUTION</b> To approve the issue of bonus shares at the rate of 1 share for every 10 shares held	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>


	For	Against	Vote Withheld
<b>6. ORDINARY RESOLUTION</b> To approve the Company's listing by introduction on the:			
Dar-es-Salaam Stock Exchange	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rwanda Stock Exchange	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>7. ORDINARY RESOLUTION</b> To ratify the establishment of:			
Centum Exotics Company Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crested Heights Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Centum Development Company Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>8. ORDINARY RESOLUTION</b> To approve the posting of the Notice, Annual Report and Financial Statements on the website and distribute copies upon shareholders' request	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed.....

\*Please insert a mark in whichever box is desired.

## HOW TO USE THIS FORM

	For	Against	Vote Withheld
Correctly filled poll form/ kura iliojazwa vyema			
<b>ORDINARY RESOLUTION</b> To approve the appointment of PriceWaterhouseCoopers as the Company auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against	Vote Withheld
Incorrectly filled poll form/ kura iliojazwa vibaya			
<b>ORDINARY RESOLUTION</b> To approve the appointment of PriceWaterhouseCoopers as the Company auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



[www.centum.co.ke](http://www.centum.co.ke)



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returns for over  
42 years and counting...

private equity | quoted private equity | real estate & infrastructure



**Centum Investment Company Limited**  
International House  
5th Floor, Mama Ngina Street  
PO Box 10518-00100  
Nairobi, Kenya.

**Tel:** +254 20 316303  
**Pilot Line:** +254 20 2286000  
**Mob:** +254 722 205339  
**Fax:** +254 20 2223223  
**Email:** [info@centum.co.ke](mailto:info@centum.co.ke)  
[www.centum.co.ke](http://www.centum.co.ke)