






**Centum Investment Company Limited**  
Annual Report & Financial Statements  
fy 11/12

Our Focus



-  Direct Presence
-  Indirect presence
-  Current target areas

## OVERVIEW

Corporate Information	3
Notice of the 45th Annual General Meeting	4
Notisi ya Mkutano wa Mwaka Makala 45	5
Members of the Board	6 - 7
Corporate Pillars	8
Performance Highlights	9
Chairman's Statement	10 -13
Taarifa ya Mwenyekiti	14 -17

## BUSINESS REVIEW

Management Team	19
Chief Executive's Review	20 - 23
Mapitio Ya Mkurugenzi Mkuu	24 - 27
Financial Review	28 - 29
PE Business Review	30 - 31
QPE Business Review	32 - 33
REI Business Review	34 - 39
Risk Management & Internal Controls	40 - 41

## GOVERNANCE

Board of Directors & Committee Members	43
Corporate Governance Statement	44 - 48
Corporate Social Responsibility	49

## STATUTORY INFORMATION & AUDITED FINANCIAL STATEMENTS

Directors Responsibilities	51
Report of the Directors /Ripoti Ya Wakurugenzi	52
Report of the Auditors	53
Consolidated Statement of Comprehensive Income	54
Company Statement of Comprehensive Income	55
Consolidated Statement of Financial Position	56
Company Statement of Financial Position	57
Consolidated Statement of Changes in Equity	58 - 59
Company Statement of Changes in Equity	60 - 61
Consolidated Statement of Cash Flows	62
Notes to the Financial Statements	63 -103

## ADDITIONAL DISCLOSURES

Portfolio Statistics	105
Historical Performance	106 -108
Information for Shareholders	109

## VOTING FORMS AND PROXIES

Proxy Form / Fomu ya Uakilishi	111
Voting Form	112

## Overview

Corporate Information	3
Notice of the 45th Annual General Meeting	4
Notisi ya Mkutano wa Mwaka Makala 45	5
Members of the Board	6 - 7
Corporate Pillars	8
Performance Highlights	9
Chairman's Statement	10-13
Taarifa ya Mwenyekiti	14-17

Centum has a stake in four of the six Coca Cola bottling plants in Kenya namely; Nairobi Bottlers, Mount Kenya Bottlers, Kisii Bottlers and Rift Valley Bottlers.



Note 19, Pg 96

### 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

# Notice of the 45th Annual General Meeting

Notice Is Hereby Given that the 45th Annual General Meeting of Centum Investment Company Limited will be held on Wednesday, 25 July 2012 at the Two Rivers, Limuru Road (please see map below), Nairobi from 11.00 a.m. for the following purposes: -

## AGENDA

### 1. Constitution of the Meeting

The Secretary to read the notice convening the meeting and determine if a quorum is present.

### 2. Confirmation of Minutes

To confirm the minutes of the 44th Annual General Meeting held on Friday, 23 September 2011.

### 3. Ordinary Business

#### i) Report of the Auditors and Consolidated Financial Statements for the year ended 31 March 2012:

To receive, consider and approve the Consolidated Financial Statements for the financial year ended 31 March 2012 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:

(a) To re-elect Mr. J. N. Muguiyi a director retiring by rotation, who being eligible, offers himself for re-election.

(b) To re-elect Industrial & Commercial Development Corporation (ICDC) a director retiring by rotation, who being eligible, offers himself for re-election.

#### iv) Election of Director over the age of 70

To elect Dr. C. J. Kirubi, who offers himself for re-election as a director of the company and in respect of whom special notice has been received pursuant to section 186(5) of the Companies Act (Cap. 486 of the Laws of Kenya) of the intention to propose the following resolution as an ordinary resolution:

"THAT Dr. C. J. Kirubi, who is over the age of 70 years, be and is hereby re-elected a director of the company."

#### v) Appointment and Remuneration of Auditors:

To 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. 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

18 June 2012

## PLEASE NOTE:

1. 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.
2. 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 Tuesday, **24 July 2012**
3. Registration of members and proxies for the Annual General Meetings will commence at 8.00 a.m. on **Wednesday, 25 July 2012**. 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.
4. Please note that there will be a bus at the Kenyatta International Conference Centre (KICC) in Nairobi to transport bona fide shareholders to the venue of the AGM at the following times:
  - a. From 7.30 a.m.
  - b. From 8.30 a.m.
  - c. From 9.30 a.m.
  - d. From 10.30 a.m.
5. Map to the venue Two Rivers - please see illustration below



## Notisi ya Mkutano wa Mwaka Makala 45

Notisi inatolewa kuwa mkutano wa mwaka makala ya 44 ya kampuni ya Centum Investment utafanyika mnamo Jumatano, 25 Julai 2012 katika sehemu ya Two Rivers, Barabara ya Limuru (tazama ramani uliyopewa), Nairobi kuanzia saa 11.00 ili kutekeleza shughuli zifuatazo: -

### YATAKAYO KUWEMO (AJENDA)

#### 1. Kuandaa mkutano

Katibu wa kampuni kusoma notisi ya kuandaa mkutano na kuhakikisha kuwa kuna idadi tosha ya wanachama.

#### 2. Kuidhinisha majadiliano ya mkutano uliopita

Kuidhinisha mambo yaliyojadiliwa kwenye mkutano wa mwaka makala ya 44 uliofanyika Ijumaa, 23 Septemba 2011

#### 3. Shughuli za kawaida

(i) Ripoti ya wahasibu na taarifa ya fedha iliyojumuishwa ya mwaka uliokwisha tarehe 31 Machi 2012:  
Kupokea na kuthatmini kama inafaa kuidhinisha ripoti ya kifedha pamoja na taarifa ya wakurugenzi na ripoti ya wahasibu ya mwaka uliokwisha 31 Machi 2012.

(ii) Mishahara ya wakurugenzi  
Kuidhinisha halmashauri ya wakurugenzi kuamua mishahara yao.

(iii) Uchaguzi Ya Wakurugenzi

- Kumchagua tena Bw. J.N Muguyi ,mkurugenzi anayestaafu kwa zamu lakini kwa kuwa ana ruhusa anajitolea tena ili kuchaguliwa.
- Kuchagua tena shirika la Industrial & Development Corporation, likiwa mkurugenzi linalostaafu kwa zamu na kwa kuwa lina ruhusa linajitolea tena ili kuchaguliwa.

(iv) Uteuzi wa Mkurugenzi Mwenye Umri wa Zaidi ya Miaka 70.  
Kumteua Dr.C.J.Kirubi, anayejitolea ili kuteuliwa tena kuwa mkurugenzi wa kampuni na ambaye kwa ajili yake notisi maalum imepokelewa kwa mujibu wa sehemu ya 186(5) ya kanuni na sheria za kampuni (fungu la 486 ya sheria za Kenya) juu ya nia ya kupendekeza azimio lifuatalo kama azimio la kawaida:  
"KWAMBA Dr.C.J Kirubi, ambaye umri wake unapita miaka 70, anateuliwa kuwa Mkurugenzi wa kampuni"

(v) Uteuzi wa Wahasibu na kuidhinisha malipo yao  
Kuteua Price Water House Coopers (PwC) kuwa wahasibu ya kampuni kulingana na sehemu ya 159(2) ya kanuni na sheria za kampuni (Fungu la 486) na kuidhinisha wakurugenzi kuamua malipo yao

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

### KWA AMRI YA HALMASHAURI YA WAKURUGENZI



Naomi E. Nyamongo  
Katibu

18 Juni 2012

### FAHAMU KUWA

- Mwanachama mwenye kibali cha kuhudhuria na kupiga kura katika 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 asubuhi ya siku hiyo.
- Usajili wa wanachama na wawakilishi wanaohudhuria mkutano mkuu utanza saa tatu asubuhi Jumatano 25 Julai 2012. Wanachama na wawakilishi watahitajika kubeba vitambulisho na nakala ya daftari ya akaunti ya CDSC ili kurahizisha usajili.
- Tafadhali fahamu kwamba basi la usafiri litakuwa hapo Kenyatta International Conference Centre Jijini Nairobi litakalosafirisha wanachama halisi hadi mahali pa mkutano wa mwaka kwa saa zifuatazo:
  - Kuanzia saa 7.30 ya asubuhi
  - Kuanzia saa 8.30 ya asubuhi
  - Kuanzia saa 9.30 ya asubuhi
  - Kuanzia saa 10.30 ya asubuhi
- Ramani ya mahali pa mkutano - tazama mchoro ufuatao



## Members of the Board



“ We have consistently delivered positive market beating returns in each of the three years that we have been implementing our current strategy. ”

### 1. Mr. James N. Muguiyi (68yrs)

- 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, Aimsoft Kenya Limited, One Solution Limited and Mount Kenya Bottlers Limited.

### 2. Mr. James M. Mworja (34yrs)

- 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.

### 3. Dr. Christopher J. Kirubi (70yrs)

- 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.

### 4. Mr. Henry C. Njoroge (46yrs)

- 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.

### 5. Mrs. Margaret M. Byama (56yrs)

- 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.

**6. Mr. Imtiaz Khan (43yrs)**

- 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.

**7. Mr. Maina R. Mwangi (48yrs)**

- 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.

**8. Mr. Robert K. Bunyi (41yrs)**

- 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.

**9. Peter M. Kimurwa (41yrs)**

- 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, Kisii Bottlers Limited, General Motors East Africa Limited and Development Bank of Kenya Limited.

## 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

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


Kshs. m	FY 2011/12	FY 2010/11	FY 2009/10
<b>Return</b>			
Total Return	1,133	3,395	3,298
Return on Opening Equity (%)	9%	37%	56%
Outperformance relative to NSE 20 Share Index	22%	41%	13%
<b>Costs</b>			
Cost Efficiency (%)	1.9%	2.0%	2.1%
<b>Financial Position</b>			
Total Assets	15,521	15,003	9,840
Portfolio Value	14,694	14,462	9,015
Net Asset Value (NAV)	13,685	12,552	9,157
NAV/Share*	20.6	18.9	13.8
Debt	1,000	1,988	-
Gearing (%)	7.3%	15.8%	-
<b>Investment Activity</b>			
Investments	4,455	4,537	1,221
Realization Proceeds	5,891	1,936	1,348

\*Adjusted for bonus issue of shares

For more information, please go to:

Total Return –  page 28

Return on Opening Equity (ROE)/ Gross Portfolio Return –  Note 5 C, D & E page 82-84

Cost Efficiency –  page 28

Portfolio Value -  Note 5 C, D & E page 82-84

Investment Activity –  Business Review page 20-41

## Chairman's Statement



"In crafting the five-year strategy for the 2009-2014 period we identified our ability to offer investors access to inaccessible investment opportunities as our key value proposition."

## Chairman's Statement

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, 2012.

### Strategy

On January 30, 2009 the Board of Centum approved the 2009-2014 strategic plan, which has been our blue print for the last 3 years. We defined our business as an investment channel that seeks to provide investors with access to a portfolio of inaccessible, quality, diversified investments, with the objective of consistently generating above market returns.

On April 1, 2009, which was the beginning of the 2009-2014 strategy period the following was the status of the business.

- We had Kshs 6 billion in total assets under management;
- 39% of the assets under management were invested in listed equities;
- We had limited exposure outside Kenya;
- We did not have any third party funds under management;
- In the previous years our rate of return on opening shareholder funds was very strongly correlated to the NSE 20 Share Index, and consequently had experienced both significant appreciation and significant loss of value in line with the volatility in the listed markets.

In crafting the five-year strategy for the 2009-2014 period we identified our ability to offer investors access to inaccessible investment opportunities as our key value proposition.

We at the time came up with five strategic objectives:

1. The consistent delivery of market beating returns.
2. Geographical diversification with the target of having at least 50% of assets under management invested outside Kenya by 2014 and asset class diversification where we sought to reduce our exposure to listed equities while increasing exposure to private equity and real estate and infrastructure. This was important in achieving our objective of providing access to inaccessible opportunities and also reducing the correlation between our returns on shareholder funds and the general market returns.
3. Increasing assets under management to Kshs 30 billion by 2014. Centum has always invested in blue chip entities. Some of the market leaders in our portfolio include, UAP Holdings, Nairobi Bottlers, NAS Servair, Aon Minet, Longhorn Kenya Limited and General Motors East Africa. We recognized that as the economic momentum picked up and the levels of profitability increased the valuations of high quality entities would continue to increase. This observation is demonstrated in many ways. In 2006 the market capitalization of the Nairobi Securities Exchange was Kshs 478 billion, this figure has increased almost three fold to Kshs 1.2 trillion today even though the number of listed companies has remained roughly the

same. The risk of having a small balance sheet was that (a) investing in high quality investment opportunities would lead to a higher degree of concentration in the portfolio given that their value would be higher (b) to avoid the concentration risk we would have been forced to make smaller investments which implies that we would either have to take increasingly smaller stakes or migrate to investing in lower valued entities.

4. Brand was a critical area of focus for us. Reputation is an important ingredient to the success of an investment business and it is earned through the ability to consistently deliver to promise. It calls for the development of processes, systems, controls through which high caliber professionals manage the business. It also calls for effective oversight by the Board and consequently the ability to attract experienced and knowledgeable non-executive directors who can play an effective oversight role.
5. Cost control is important if we are to pass as much of the value derived by the portfolio to the investors. We set a ceiling of 2.5% of costs (administrative, portfolio and shareholder related costs) to assets under management. This metric compares favorably to the industry.

I am proud that 3 years since we embarked on our five-year strategic plan we have recorded excellent progress against these five strategic objectives.

1. We have consistently delivered positive market beating returns in each of the three years that we have been implementing our current strategy. This is a significant achievement when one considers that with the exception of 2009/2010 the capital markets have lost value in the last two years. In all we have delivered cumulative value of 132% over 3 years compared to the NSE index, which has appreciated by 19%.

In addition we have significantly reduced the correlation of our returns to market movements. The year ended March 2012 is a good example given that the NSE came down by 13% while our Net Asset Value per share went up by 9%.

2. We have increased the proportion of assets invested outside Kenya from less than 0.5% to 14% by March 31, 2012. In addition, our pipeline of opportunities has a healthy spread of opportunities across the region. We have also reduced our exposure to listed equities from 39% in 2009 to 12% in 2012.
3. We have increased assets under management from Kshs 6 billion to Kshs 14.6 billion over 36 months, a 143% growth. We have developed a solid pipeline of opportunities and a platform that will enable us tap third party funds to invest in the opportunities that we have been developing. I am therefore confident that we are well positioned to achieve our Kshs 30 billion target by March 31, 2014.

## Chairman's Statement

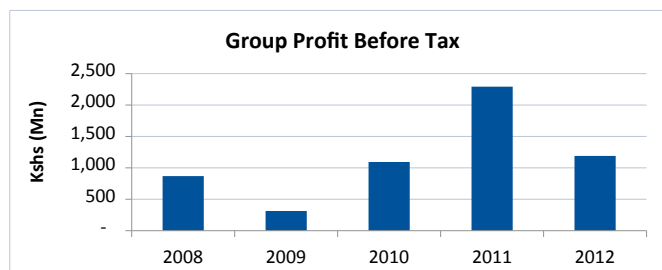
4. We have made good progress in developing the Centum brand. This is such an important area of focus for the Board and Management that I have dedicated a section of this statement to discussing it.

### Operating Environment and Performance

The year 2011 was a challenging year for Centum, Kenya and the economies of many countries across the continent and globally. In Kenya inflation peaked to 16%, cost of debt doubled to more than 20%, economic growth slowed to 3.4% and the NSE 20 Share Index fell by 13%. This trend was repeated across the globe with Europe, emerging markets and other African countries experiencing significant currency volatility, declines in the stock market and general economic uncertainty. In Africa, with the exception of Tunisia, Malawi and Tanzania all other exchanges experienced significant decline in values ranging from a decline of 7% in Zambia to 18% in Nigeria.

In spite of the economic challenges, your Company did well. Shareholder value increased by 9% outperforming the NSE 20-share index by 22%. We enhanced the financial strength of the Company by reducing expensive debt and increasing our holdings of cash and cash equivalents. We carried on with our objective of reducing our exposure to listed securities as proportion of total holdings and in the year our percentage exposure reduced from 24% to 12%. We also made good progress on our geographical diversification objective and in the year we increased the proportion of assets invested outside Kenya from 7% to 13%. More critically we made excellent progress in pursuing the value creation initiatives in our real estate and private equity business lines.

The Chief Executive has in his report set out the challenges we face in harmonizing the financial reports as prepared in compliance with the International Financial Reporting Standards (IFRS) and the measure of shareholder value created in the period. This notwithstanding we recorded group profit before tax of Kshs 1,366 Million in the year to March 2012 as compared to Kshs 2,294 Million in the previous year. The profit registered in 2011/2012 was the second highest in the 45 year history of the Company while the 2010/2011 profitability was the highest. The decline in profitability was driven by fact that we recorded a lower increase in the revaluation of our investment property as opposed to the previous year. Excluding the investment property revaluation movements the profit before tax for the year to March 2012 was Kshs 1,010 Million as opposed to Kshs 1,290 Million in the previous financial period.



### Brand

I believe that the best way to build shareholder value is to build a great company. Building a great Company calls for an investment in outstanding people, quality investment processes and high standards of accounting and reporting. These are the elements that enable an organization to consistently deliver to promise and consequently build a great brand. We are committed about our brand and this is one of the key pillars of our strategic plan. We have developed a high caliber team of professionals who have done an excellent job of executing the strategic plan and delivering the results that we see today. A team of 15 professionals supported by a very lean support team manages Centum. It is commendable that this team is able to manage a fast growing and increasingly complex business across different business lines and geographies. To illustrate the point in 2011/2012 your Company carried out about 150 investment transactions with a cumulative value of Kshs 6.3 Billion. I would also like to congratulate our CEO James Mworira, who received continental recognition for excellence in leadership when he was awarded the Africa Young Business Leader of the Year 2011 award at the respected All Africa Business Leaders Awards in South Africa in October 2011. We have many more exceptional members of the team and we are putting in place a leadership development program that will support the development of a leadership pipeline to support the growth of our business.

We are currently managing the business at a cost to asset ratio of 1.9%, which is significantly below our target of 2.5%. While this is commendable the Board recognizes that the business is of a scale and complexity where it is necessary to beef up the team to drive some of our critical business lines such as Real Estate and Infrastructure and important support roles in legal, compliance, communication and investor relationship management. We therefore anticipate that the cost ratio in the coming year will almost certainly be above the current cost structure but will still be maintained below the 2.5% target.

The increasing complexity and scope of our business coupled with frequent updates to IFRS, greater compliance requirements across the different markets and businesses that we are operating in imply that we need to invest more to ensure that we meet and exceed the reporting and regulatory demands. We are striving to build a world-class organization and the global trend today is that the business environment is getting more regulated not less; we intend to be prepared and to meet these regulations properly. We shall therefore be focusing on building our capacity to meet the reporting and regulatory challenges that we expect to come our way.

### Dividend

In 2009/2010 your Board made a decision not to recommend the payment of dividend and instead re-invest the funds that would otherwise have been used to pay the dividend in growing shareholder value. It is now three years since we implemented the zero payout dividend policy and now is a good time to reflect on the merits of that decision. In 2008/2009, which

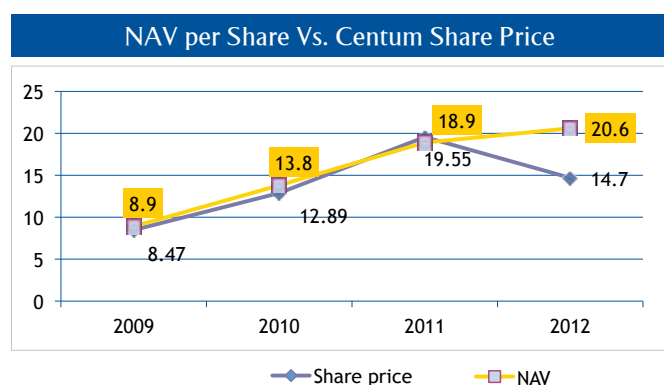
## Chairman's Statement

is the most recent year that we paid a dividend we paid out Kshs 240 Million. Assuming that we maintained the same dividend we would have paid out Kshs 720 Million over the last three years. Your Company has utilized these funds and grown shareholder funds by Kshs 7.8 Billion from a starting point of Kshs 5.9 Billion. This growth has been achieved with the use of very limited debt. For every shilling of dividend foregone over the last three years, the Company has created Kshs 10.83 of value to its shareholders.

We have developed a pipeline of very attractive opportunities that are now very ripe for investment. The Two Rivers development, where we have secured most approvals and our pipeline in the private equity business line are examples. The Board is therefore persuaded that the opportunity cost of paying a dividend at this point is higher than at any point in the past and has therefore not recommended the payment of a dividend.

### Bonus Share Issues

We have in the past two financial years declared a bonus share issue of 1 new share for every 10 held. This year your Board made a decision not to declare a bonus share issue. This decision was informed by the fact the share price is currently trading at a 37% discount to Net Asset Value (NAV) per share. NAV per share is in itself a very conservative approximation of the intrinsic value of the business given that our accounting is fairly conservative and that it excludes the value of intangible assets such as our brand and our pipeline of opportunities. There is therefore reasonable evidence to suggest that the share is currently significantly undervalued.



The history of financial markets shows that market prices and intrinsic values often follow very different paths-sometimes for extended periods- but eventually they meet. We believe that this gap will close over time and we remain committed to building a great company and consequently building intrinsic value, which is the variable that is largely within our control. Given that the share is trading at a material discount to intrinsic value the Board was of the view that increasing the supply of shares by issuing bonus shares would have the effect of possibly widening that gap. If the company law allowed and we had surplus funds the decision we may have taken would have been the purchase of our own undervalued shares so as to increase the NAV per share. Given that the law at

present does not permit share repurchases we intend to focus more on investor communication to bridge any information asymmetry that may be contributing to the current discount to intrinsic value.

### Cross Listing

At our last Annual General Meeting you approved that we should proceed and crosslist our shares on the Dar-es-Salaam and Rwanda Stock Exchanges. This is an important initiative because it allows us to expand our shareholder base to include investors from other African countries, which is in line with our vision to be Africa's foremost investment channel.

The conclusion of the cross listing has been delayed for two reasons. The first is that the capital markets have been subdued and we were of the view that the timing was not optimal. The second is because of the challenges of transferring shares to the markets where we have secondary listings to facilitate trading.

Active participation of a broad cross section of investors in our secondary listing exchanges and liquidity has been difficult to achieve because the share registers are not unified and for shares to trade in this other exchanges it is necessary to transfer and immobilize shares from the primary market to the respective depository registers in the secondary markets. When we listed on the Uganda Securities Exchange (USE) we were able to persuade some of our shareholders to transfer their shares from Kenya to Uganda for purposes of providing some liquidity in that market. The process was lengthy and those shareholders who volunteered to transfer their shares to facilitate trading on the USE had to endure a considerable degree of sacrifice and I would like to express my deep gratitude to them.

### Appreciation

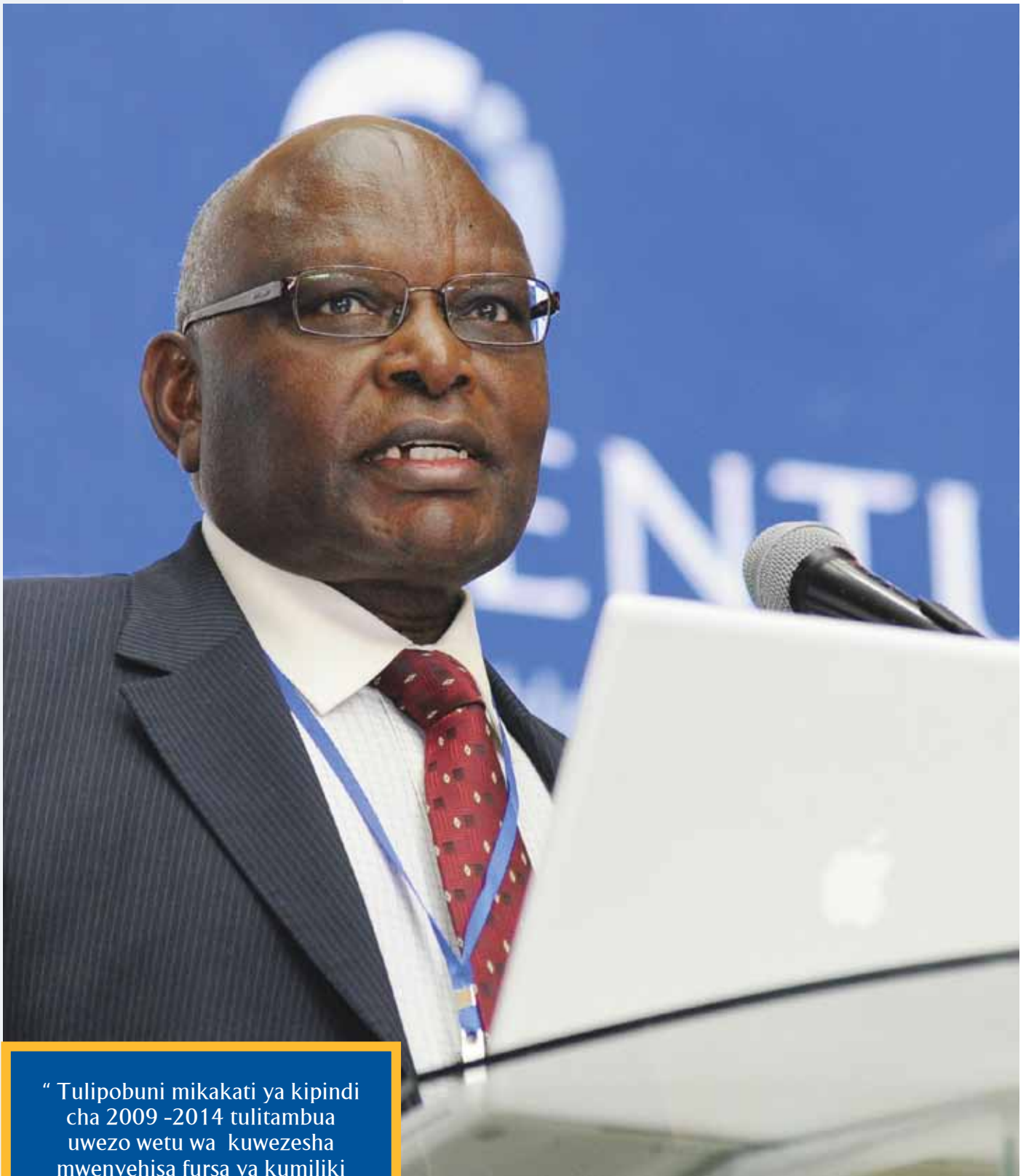
I would like record my sincere gratitude to you the shareholders for the support you have continued to provide to your Company. I would also like to recognize the contribution of the Board and Management teams' of the companies we have invested in, without whom we would not have achieved the good performance. 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. MUGIYI**  
CHAIRMAN,

2nd July 2012

## Taarifa ya Mwenyekiti



“ Tulipobuni mikakati ya kipindi cha 2009 -2014 tulitambua uwezo wetu wa kuwezesha mwenyehisa fursa ya kumiliki hisa ambazo kwa kawaida si rahisi kupatikana kama nguzo yetu.”



## Taarifa ya Mwenyekiti

Kwa Mwenyehisa,

Ni fahari kwangu kuwasilisha Ripoti ya Mwaka pamoja na Taarifa ya kifedha ya Kampuni ya Centum Investment Company Limited (Centum) ya mwaka uliokwisha Machi 31,2012.

### Mikakati ya Utendaji Kazi

Mnamo Januari 30,2009 Halmashauri ya wakurugenzi ya Centum waliidhinisha mkakati wa 2009-2014 ambao umekuwa mwongozo wa miaka 3 iliyopita.Tulitambua biashara yetu kuwa uwekezaji na kupatia mwenyehisa fursa ya kumiliki rasilimali thabiti,ambayo kwa kawaida si rahisi kupatikana ,tukitarajia faida ya juu kuliko ya soko la hisa.

Mnamo Aprili 1, 2009, ukiwa mwanzo wa kipindi cha 2009-2014 cha mikakati mambo yafuatayo yalijiri:

- Thamani ya rasilimali tuliosimamia ilikuwa shilingi(K) bilioni 6;
- Asilimia 39 ya rasilimali tulizosimamia zilikuwa kwenye kitengo cha hisa zilizoordheshwa;
- Uwekezaji nje ya Kenya ililikuwa kidogo, chini ya asilimia 1;
- Hatukusimamia fedha za wengine;
- Kwa miaka iliyopita kiwango cha mapato kwa rasilimali tulizoanza nazo kilikuwa sambamba na kile cha Soko la Hisa Nairobi (NSE), na kushuhudia kuimarika aau nyakati zingine kudorora kwa thamani kulingana na mabadiliko katika hali ya soko la hisa zilizoordheshwa.

Tulipobuni mikakati ya kipindi cha 2009 -2014 tulitambua uwezo wetu wa kuwezesha mwenyehisa fursa ya kumiliki hisa ambazo kwa kawaida si rahisi kupatikana kama nguzo yetu.

Wakati huo tulitambua malengo ya mikakati kuwa:

1. Kudumusha faida ya juu kuliko ile ya soko la hisa;
2. Kuongeza maeneo ya kijorofia tunayoshiriki tukinua kumiliki rasilimali kwa kiwango cha asilimia 50 ya rasilimali zetu zote, ziwekezwe nje ya Kenya ifikapo 2014 na kuweka muundo mpya wa rasilimali ambao utashuhudia kupungua kwa uwekezaji katika kitengo cha hisa zilizoordheshwa huku kile cha mashirika ya binafsi pamoja na cha nyumba,ujenzi na muundo mzingi kuongezwa. Hii ilikuwa muhimu tunapolenga kuwezesha mwenyehisa fursa ya kumiliki hisa ambazo kwa kawaida si rahisi kupatikana na pia kusawazisha baina ya faida kwa mwenyehisa ikilinganishwa na faida inayopatikana kwa soko kwa jumla;
3. Kuongeza thamani ya rasilimali tunazosimamia na kufikia shilingi (K) bilioni 30 ifikapo 2014. Kwa kawaida Centum huwekeza kwenye makampuni yenye kuleta faida ya juu. Baadhi ya kampuni hizo ni UAP, Nairobi Bottlers, NAS Servair, Aon Kenya, Longhorn Kenya na General Motors East Africa. Tulitambua kwamba kutokana na kuimarika kwa hali ya uchumi na faida thamani ya mashirika haya itaendelea kuongezeka. Mtazamo huu unajitokeza kwa jinsi nyingi. Mnamo mwaka wa 2006 hisa zote katika soko la hisa la Nairobi zilikuwa na thamani ya shilingi (K) bilioni

478 walakini zimeongezeka hadi shilingi(K) trilion 1.2 kwa wakati huu hata ingawa hakujakuwa na ongezeko la idadi ya kampuni katika soko la hisa. Uwekezaji katika kitengo hicho haukuwa kubwa kwa kuwa (a) ununuzi wa hisa za hali ya juu ungemeanisha tunalimbikisa zaidi kwa kuwa thamani zake ni kubwa. (b) ili kuepusha kulimbikisa ingetubidi kununua kwa uchache au kununua hisa duni.

4. Chapa na sifa ya kampuni ilikuwa muhimu. Sifa nzuri ni muhimu katika Kufaulu kwa kampuni ya uwekezaji na hupatikana kupitia kudumisha utekelezaji wa yale tuliahidi.Inatubidi kubuni mfumo unaotoa fursa kwa wasomi kusimamia kampuni. Pia inabidi mtazamo kwa makini wa Halmashauri ya wakurugenzi utakaovutia wakurugenzi wenye ujuzi ili kuhudumu.
5. Kudhibiti gharama ni muhimu ili tuweze kufikisha manufaa yatakayopatikana kwa mwenyehisa.Tuliweka kiwango cha asilimia 2.5 cha gharama (usimamizi na gharama zinazohusiana na wenyehisa ) dhidi ya thamani ya rasilimali tunazosimamia.Kiwango hiki ni linganifu na kile cha kampuni zingine zinazohudumu kama sisi.

Ninajivuna kwamba miaka 3 tangu tulipoanzisha utekelezaji wa mikakati ya miaka tano tumewahi kupata matokeo bora.

1. Tumedumisha faida ya juu kila mwaka kuliko ya soko la hisa katika kipindihicho cha miaka tatu tangu kutekeleza mikakati hiyo. Hii ni matokeo mema ikifahamika kuwa soko la hisa limekuwa likipoteza thamani isipokuwa mwaka wa 2009/2010. Kwa jumla tumewasilisha kiwango cha asilimia 132 kwa miaka mitatu kulinganishwa na kiwango cha asilimia 19 cha Soko la Hisa la Nairobi. Zadi ya hayo tumepunguza pakubwa hasara kutokana na mauzo.Mwaka unaokwisha machi 2012 ni mfano mwema ambapo kiwango cha Soko la Hisa kilipungua kwa asilimia 13, huku thamani ya rasilimali zetu ikiongezeka kwa asilimia 9.
2. Tumeongeza thamani ya rasilimali tunazosimamia zilizowekezwa nje ya Kenya kutoka chini ya asilimia 0.5 hadi asilimia 14 mnamo Machi 31,2012. Pamoja na hayo kuna misururu ya nafasi ya miradi yenye manufaa yanayopatikana katika kanda hili.Pia tumepunguza uwekezaji kwenye kitengo cha hisa zilizoordheshwa kutoka asilimia 39 mwaka wa 2009 hadi asilimia 12 mwaka wa 2012.
3. Tumeongeza rasilimali chini ya usimamizi wetu kutoka shilingi (K) bilioni 6 hadi shilingi (K) bilioni 14.6 kwa kipindi cha miezi 36, ukiwa ni ukuaji wa asilimia 143. Tumekuza misururu ya nafasi yenye manufaa yatakayokuwa ulingo wa kutuwezesha kunyakua fursa ya kuwekeza fedha za wengine kwenye miradi hayo. Kwa hivyo natumaini kuwa tuko tayari kutimiza lengo la kufikia shilingi(K) Bilioni 30 ifikapo Machi 31,2014.
4. Tumepiga hatua katika kujenga chapa cha Centum. Hili ni jambo muhimu linaloangaziwa kwa makini na Halmashauri ya wakurugenzi na wasimamizi na kwa hivyo nimetenga sehemu maalum ya taarifa hii ili kujadili swala hilo.

# Taarifa ya Mwenyekiti

## Mazingira ya Utendaji Kazi na Matokeo

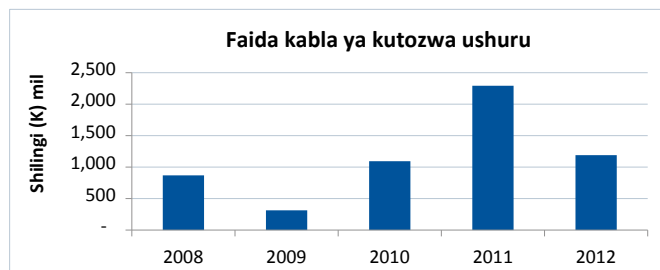
Mwaka wa 2011 ulikuwa mgumu kwa Centum, Kenya na uchumi ya nchi nyingi barani na duniani mzima. Nchini Kenya mfumko wa bei ulitimia asilimia 16, kiwango cha riba kuongezeka maradufu hadi zaidi ya asilimia 20, ukuaji wa uchumi ulididimia hadi asilimia 3.4 huku kiwango cha Soko la Hisa la Nairobi (NSE) kikipungua kwa asilimia 13. Hali hii ilidhihirika kote duniani, huku bara la Ulaya, masoko yanayoinuka, na baadhi ya nchi barani Afrika zikishuhudia kudorora kwa kiwango cha ubadilishanaji wa fedha, kupungua kwa shughuli katika masoko ya hisa na kwa jumla hali ya kutatanisha. Mataifa mengi barani Afrika isipokuwa Tunisia, Malawi, na Tanzania yalishuhudia upungufu wa asilimia 7 nchini Zambia na asilimia 18 nchini Nigeria.

Licha ya changamoto hizo za uchumi, Kampuni ilitenda vyema. Thamani kwa mwenyehisa iliongezeka kwa asilimia 9 na kushinda ile ya Soko la Hisa la Nairobi (NSE20) kwa asilimia 22. Tuliimarisha hali ya fedha ya kampuni kwa kuepuka ukopaji na kwa kuhimiza matumizi ya pesa taslimu. Tuliendeleza mbinu yetu ya kupunguza kiwango cha uwekezaji kwenye kitengo cha hisa zilizoorodheshwa dhidi ya rasilimali zote kutoka asilimia 24 hadi asilimia 12 mwaka huo. Pia tuliendelea na mpango wetu wa kushiriki kwenye maeneo mengi kijogorofia jambo lililotufanya kuwa na kiwango cha kati ya asilimia 7 hadi asilimia 13 cha rasilimali tulizowekeza nje ya Kenya. Muhimu zaidi ni kwamba tulikuwa na maendeleo katika kuimarisha thamani kwenye kitengo cha nyumba na ujenzi na cha mashirika ya Kibinafsi.

Afisa Msimamizi mkuu katika taarifa yake amedokeza changamoto tunazokabili tunaposawazisha taarifa za kifeda jinsi ilivyoandaliwa ili kuambatana na kanuni za kimataifa (IFRS) na kulinganisha na ongezeko la thamani ya rasilimali kwa mwenyehisa.

Hata hivyo kampuni ilipata faida kabla ya ushuru iliyojumuisha mashirika ya shilingi (K) milioni 1,366 kwa mwaka uliokwisha machi 2012 dhidi ya shilingi (K) milioni 2,294 ya mwaka uliotangulia. Faida iliyopatikana mwaka wa 2011/2012 ilikuwa ya pili kwa ukubwa kuwahi kupatikana katika historia ya miaka 45 ya Centum ilihali ile ya mwaka wa 2010/2011 inaongoza.

Sababu iliyosababisha kupungua kwa faida ni kushuka kwa thamani ya mradi wa nyumba na ujenzi dhidi ya mwaka uliotangulia. Tukiondoa faida kutokana na ukadirianaji wa mradi wa nyumba na ujenzi, faida kwa kampuni kabla ya kutoza ushuru kwa mwaka uliokwisha Machi 2012 ilikuwa shilingi (K) milioni 1,010 dhidi ya shilingi (K) milioni 1,290 ya kipindi kilichotangulia.



## Chapa

Ninaamini kuwa njia bora ya kuimarisha thamani kwa mwenyehisa ni kwa kujenga kampuni thabiti. Ujenzi wa kampuni thabiti unahitaji kuweko kwa wasimamizi stadi, uwekezaji unaostahili na kiwango cha juu cha uhasibu na uwasilishanaji wa ripoti zetu. Haya ni mambo muhimu yanayoweza kampuni kuendelea kutimiza ahadi zake na kujenga sifa na chapa yenye nguvu. Tunajivunia chapa yetu na ndio mojawapo wa nguzo ya mikakati tuliyoweka. Tumeweka kundi la wasimamizi waliohitimu na lenye sifa ya hali ya juu ambao wametia fora katika kufanikisha mikakati na katika utendaji kazi ulioleta matokeo tunayoshuhudia leo. Kundi la watu 15 waliohitimu wakisaidiwa na wadogo wao wachache wanasimamia Centum. Ni jambo la kupongeza kwamba kundi hili linaweza kusimamia kampuni inayokua kwa haraka na ambayo biashara yake ni kuwekeza kwenye vitengo tofauti na katika maeneo mbalimbali kijogorofia. Ili kuthibitisha jambo hilo, mnamo mwaka wa 2011/2012 kampuni yako ilikamilisha biashara 150 ya uwekezaji wenye thamani ya shilingi (K) bilioni 6.3.

Ningependa pia kumpongeza Afisa Msimamizi wetu mkuu James Mworja, ambaye alitunukiwa tuzo linalotambulika barani kwa minajili ya usimamizi bora na linaloitwa Afrika Young Business Leader of the year award, kule Afrika Kusini mnamo Oktoba 2011. Kuna pia wengine miongoni mwa kundi hilo wenye taaluma ya kipekee na tumeweka mbinu ya kuendelea kuwajenga zaidi ili kusaidia kukuza ukuaji wa kampuni yetu.

Kwakati huu tunasimamia kampuni kwagharama ya kiwango cha asilimia 1.9 dhidi ya thamani ya rasilimali zote, ambacho ni chini kuliko kiwango cha asilimia 2.5 kilichotarajiwa. Ingawa jambo hilo ni la kuridhisha, Halmashauri ya wakurugenzi wanaamini kuwa kampuni ni kubwa na kwa hivyo kuna haja ya kuongeza idadi ya wasimamizi ili kuendesha shughuli kama vile katika kitengo cha Nyumba, ujenzi na muundo msingi, na kupata usaidizi katika sheria, idhiniho, mawasiliano na usimamizi wa uhusiano mwema baina yetu na wawekezaji. Kwa sababu hiyo tunatarajia kuwa kiwango cha gharama za usimamizi kwa mwaka ujao kitakuwa juu kuliko cha wakati huu lakini kudhibitiwa chini ya asilimia 2.5 kilichowekwa.

Hali ya msukosuko katika soko, kubadilika kwa kanuni za IFRS, mahitaji ya idhiniho kwenye vitengo vyote, inatuhitaji kuongeza uwekezaji ili kuweza kutimiza na hata kuzidisha masharti ya kisheria. Tunanua kujenga kampuni ya kiwango cha kimataifa na ukweli wa mambo sasa ni kwamba hali ya biashara duniani kote inaelekea mkondo wa kusimamiwa chini ya sheria na haitarajiwi kubadilika, kwa hivyo tuko tayari kukabili masharti hayo vilivyo. Tunaangazia kuimarisha usimamizi ili kuweza kutimiza masharti hayo ya kisheria tunayotarajia.

## Mgao wa Faida

Mwaka wa 2009/2010 Halmashauri ya Wakurugenzi walipendekeza mgao wa faida usilipwe na badala yake kuwekeza fedha ambazo zingelipwa kama mgao ili kuongeza rasilimali ya mwenyehisa. Sasa inapata miaka mitatu tangu

## Taarifa ya Mwenyekiti

tulifuata mwelekeo huo wa kutolipa mgao wa faida na tuna fursa sasa ya kuweza kutathmini ubusara wake.

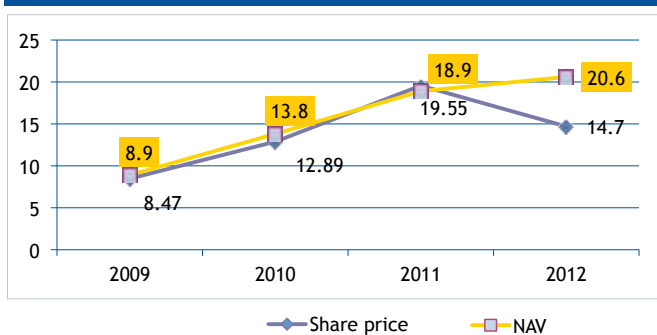
Katika mwaka wa mwisho wa 2008/2009 wa kulipa mgao, tulilipa shilingi (K) milioni 240 kama mgao wa faida. Kama tungeyumisha kiwango hicho cha malipo tungekuwa tumelipa shilingi (K) milioni 720 kwa muda wa miaka mitatu. Kampuni yako imewekeza fedha hizo na kukuza rasilimali ya mwenyehisa kwa shilingi (K) bilioni 7.8 kutoka shilingi (K) bilioni 5.9. Ongezeko hilo limepatikana bila ya matumizi ya fedha nyingi za mkopo. Kwa kila shilingi ya mgao iliyobaki, kampuni imeweza kuongeza thamani na kunufaisha mwenyehisa kwa kufikisha hadi shilingi (K) 10.83.

Tumepata na kunyakua msururu wa nafasi zenye kuvutia ambazo kwa sasa tuko tayari kujenga. Mfano ni mradi wa Two Rivers, ambapo tumetimiza masharti zote na mwingine ni uwekezaji katika mashirika ya kibinafsi. Halmashauri ya Wakurugenzi wanaridhika kuwa ulipaji wa mgao kwa wakati huu utatugharimu sana kuliko hapo awali na wanapendekeza mgao wa faida usilipwe.

### Hisa za Ziada

Kwa miaka miwili iliyopita tumewahi kutoa hisa moja dhidi ya hisa kumi kama toleo la hisa za ziada. Mwaka huu Halmashauri ya Wakurugenzi wameamua hisa za ziada zisitolewe. Uamuzi huo ni kwa kuwa bei ya hisa si nzuri kwa wakati huu, ikiwa na kiwango cha chini kwa asilimia 37 dhidi ya thamani halisi ya kila hisa. Mbinu ya kukadiri thamani halisi ya hisa (NAV) haikutilia maanani manufaa ambayo si dhahiri kama vile manufaa kutokana na chapa nzuri na kwa hivyo haionyeshi mambo yalivyoye. Hizi ni sababu ya kushuku kwamba bei ya hisa inapaswa kuwa juu.

Thamani ya hisa kwa kipimo cha NAV dhidi ya bei ya hisa



Historia ya masoko inaonyesha kuwa kwa muda mrefu kuna tofauti kati ya bei ya hisa na thamani yake halisi kwani zinafuata mkondo mbalimbali. Walakini hatimaye zinasawazisha. Nasadiki kuwa tofauti hizi zitaondolewa hatimaye kwa kuwa tunatakusudia kujenga kampuni thabiti itakayoongeza thamani halisi ya hisa.

Kwa kuwa hisa zinazwa kwa bei ya chini kuliko thamani yake, Halmashauri ya Wakurugenzi walitambua kwamba toleo la hisa haingekuwa jambo zuri kwa kuwa soko ingevurika na kufanya bei kuanguka zaidi. Kama sheria za kampuni ingeruhusu, na tukiwa na fedha, tungenunua hisa

hizo ili kuongeza thamani. Lakini kwa sasa sheria haituruhusu kununua hisa zetu, tunalenga kuwasiliana zaidi na wenyehisa ili kutoa maelezo kuhusu mikakati yetu ili kupunguza tofauti kati ya thamani ya kampuni na bei ya hisa.

### Usajili katika Masoko ya Nje

Kwenye mkutano wa mwaka uliopita, ulituidhinisha kusajili hisa katika soko la hisa la Dar-es-Salaam na la Rwanda. Huu ni mpango muhimu utakayopelekea kuongezeka kwa wenyehisa kwa kushirikisha wenyehisa kutoka nchi zingine barani Afrika na kutimiza lengo letu la kuwa kampuni ya uwekezaji inayoongoza barani Afrika.

Ukamilishaji wa mpango huo wa usajili umechelewa kwa sababu mbili. Kwanza ni kwamba masoko hayafanyi vizuri kwa hivyo si wakati mwema wa kusajili. Pili ni changamoto ya kuhamisha hisa kwa masoko mengine kwa minajili ya mauzo huko.

Imekuwa vigumu kushirikisha wenyehisa wengi katika biashara ya hisa, jambo linalosababisha upungufu wa fedha, kwa kuwa usajili haujaunganishwa na inatubidi kuhamisha na kuhifadhi hisa hizo kutoka hapa nchini hadi kwa madalali wanaohusika.

Wakati tuliposajili katika soko la hisa la Uganda tuliweza kubembeleza baadhi ya wenyenyehisa wa hapa nchini ili kuhamisha hisa huko kwa minajili ya kusimua soko hilo. Jambo hilo lilichukua muda mrefu na wale waliitikia na kuvumilia kwa kushiriki kule Uganda wanastahili heko na ningependa kuwashukuru.

### Shukrani

Ningependa kutoa shukrani zangu za dhata 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 michango na juhudi kwa mwaka mzima, za wenzangu katika Halmashauri ya Wakurugenzi ya Centum na hali kadhalika kwa kundi la Wasimamizi na kuwasihii waongeze juhudi maradufu.

Mungu awabariki.

JAMES N. MUGUIYI  
MWENYEKITI

2 Julai 2012

## Business Review

Management Team	19
Chief Executive's Review	20 - 23
Mapitio Ya Mkurugenzi Mkuu	24 - 27
Financial Review	28 - 29
PE Business Review	30 - 31
QPE Business Review	32 - 33
REI Business Review	34 - 39
Risk Management & Internal Controls	40 - 41

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



## Management Team



**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.



**Chris Ochieng**  
Project Development Manager; Real Estate & Infrastructure

- Chris joined Centum in April 2012
- Has over 8 years in construction project management and property development.
- He is a specialist in project development planning. He holds a BSC. in Civil Engineering from Egerton University,
- Mr.Chris is a Certified Project Management Professional (PMP).



**Pius Muchiri**  
Investment Officer, QPE

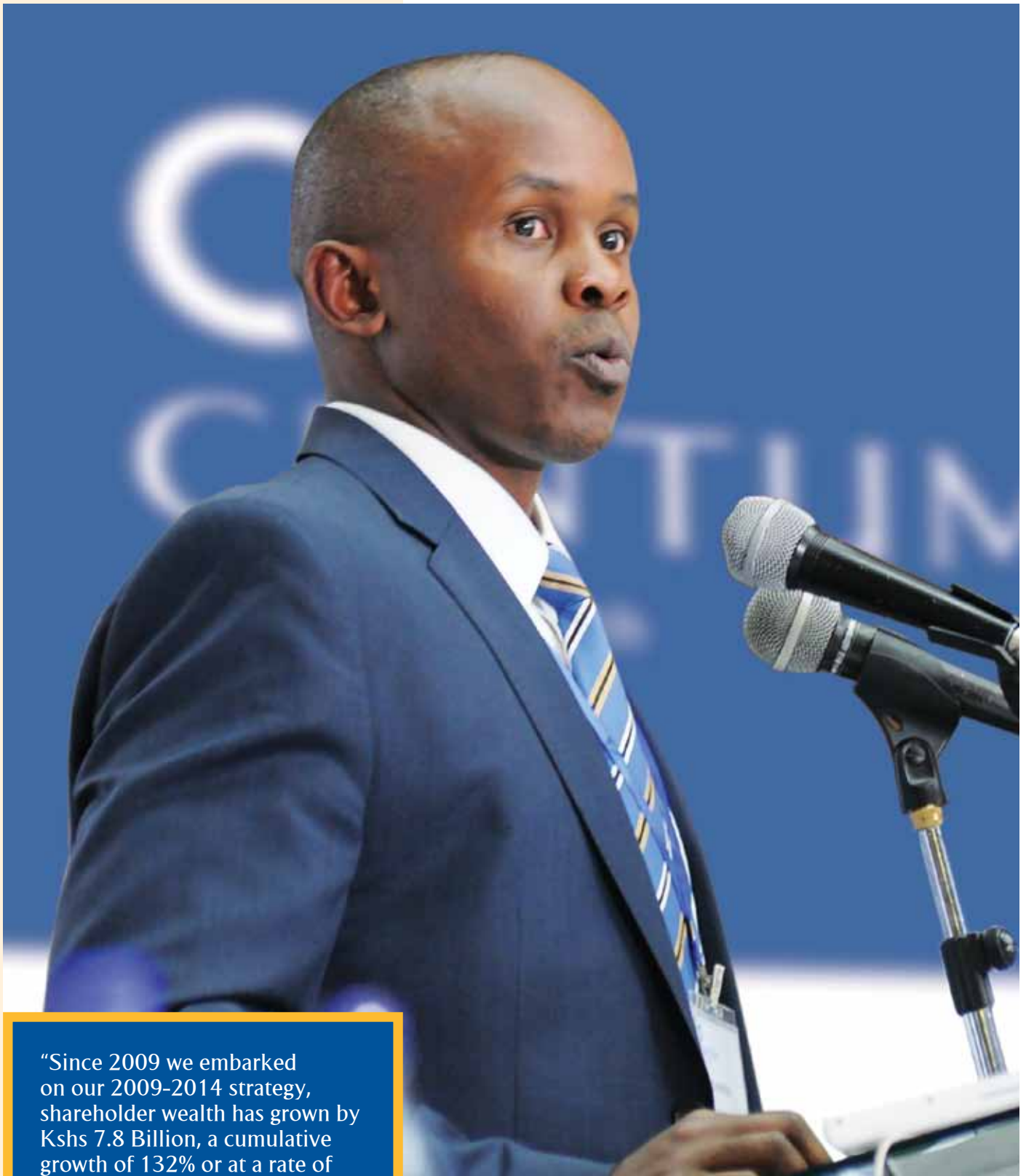
- Pius is in charge of the QPE investment portfolio. Prior to this appointment, he served the company as an accountant. He joined Centum in November 2004 and has over nine years work experience.
- He is a member of East African Investment Professionals.
- He holds Bachelor of Commerce degree from the 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



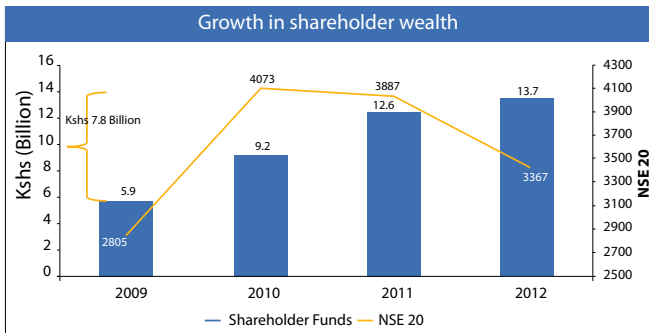
“Since 2009 we embarked on our 2009-2014 strategy, shareholder wealth has grown by Kshs 7.8 Billion, a cumulative growth of 132% or at a rate of 32.5% compounded annually.”

Dear Shareholder,

I am pleased to present you with yet another set of good results.

**Performance**

Centum's gain in net worth in the year to March 2012 was Kshs 1.1 Billion, which increased the Net Asset Value (NAV) per share by 9% to Kshs 20.57. Since 2009 we embarked on our 2009-2014 strategy, shareholder wealth has grown by Kshs 7.8 Billion, a cumulative growth of 132% or at a rate of 32.5% compounded annually.



Our focus is the creation of real tangible wealth at a rate of return that is above market returns.

I am proud of the fact that over the last 3 years, a period when we have had some of the most turbulent financial markets, your Company has created tangible wealth at a rate that exceeds market returns. Your Company has effectively increased the tangible book value per share by 132% over the last 3 years as compared to the NSE 20 Index, which has increased by 19%.

**Strategic Period Track Record**

The table below illustrates the NAV performance against the NSE Index Return:

2009 - 2012 Performance relative to the NSE Index			
Year	Centum NAV Return	NSE 20 Return	Centum Outperformance
2010	56%	43%	13%
2011	37%	-4%	41%
2012	9%	-13%	22%
<b>Geometric Average</b>	<b>33%</b>	<b>6%</b>	<b>27%</b>

**Reporting**

I believe that the performance of your Company should be assessed based on its increase of NAV per share relative to the general market returns, in our case the NSE 20 Share Index. The NAV per share is a conservative measure of shareholder value and its movement is a proxy of the rate of growth of the intrinsic business value per share.

There is divergence between the way we are required to report performance in our audited financial statements and the measurement of the increase in NAV or shareholder wealth. The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS).

IFRS are a set of accounting standards developed with a view to provide a global framework of how companies prepare and disclose their financial statements. The IFRS were aimed at standardizing accounting procedures by allowing global use of one reporting language.

IFRS are not tailor made for financial reporting by investment companies. The table below illustrates the differing treatment of different types of assets in the group financial statements.

Investment Type	Income Recognition in the Statement of Comprehensive Income	Asset Recognition in the Statement of Financial Position
Subsidiary (more than 51% equity ownership)	Line by line consolidation of revenue and expenses	Line by line consolidation of assets
Associate (more than 20% but less than 51%)	Share of associate company earnings	Share of net asset value of associates
Other Equity Investments (less than 20% equity stake)	Income earned i.e. dividends	Fair value of equity investment
Investment property	Unrealized movements in property valuation	Fair value, based on annual valuations by external valuers

To address this challenge, in 2009 we introduced the total return statement, which measures the value created during the period and essentially recognizes each type of investment (investment property, subsidiary, associate, financial investments) in a consistent manner. The total return statement is on page 28 & note 5 of this years annual report. Other leading investment companies have adopted this additional reporting across the world with slight variations but the objective is essentially to measure value created within the period. (I recommend that you look at the annual report of 3i and Berkshire Hathaway.)

In the year to March 31, 2012 we registered a Group Profit After Tax of Kshs 1,189 Million as opposed to Kshs 2,292 Million in the previous year. The decline in profitability was on account of a lower increase in the revaluation of our investment properties in the year to March 2012 as compared to the gain in the previous year. We are required to conduct annual valuations of the investment property and increases or decreases in the valuations of the property are dealt with in the profit and loss statement. This is the second year that we are holding investment property and it has become evident that this accounting treatment for investment property results in significant volatility in reported profit and loss. We expect that our investment property will experience significant value increase over the course of the coming years but that value uplift will not be smooth and uniform in each specific year.

## Chief Executive's Review

Consequently, it is most likely that we may see significant volatility in reported profits from one financial period to the next.

### Business Line Review

To facilitate the implementation of the 2009-2014 strategic plan and to ensure that we have the appropriate degree of focus, accountability and expertise, we re-organised our investment operations into three business lines. The business lines are private equity, real estate and infrastructure and quoted private equity.

#### i. Private Equity

The Private Equity (PE) business line has invested in companies that largely serve the needs of the domestic and regional market. The investment strategy is underpinned by the growth in consumer spending and investment, which is being driven by economic growth.

The PE business line had as at the close of the financial period Kshs 8.6 billion in assets under management, which is 58% Centum's total investment assets. This business line delivered a gross return of 17.8%, which translated to an absolute return of Kshs 1.3 billion. This return comprises of dividends, director's fees, realized gains and unrealized gains.

We target to deliver a 30%-35% return on our PE portfolio and I am pleased to report that we have done so over the last 3 years, where the average annual return has been 40%.

We have pursued a three-pronged strategy in managing our PE business line since 2009.

1. To manage the portfolio actively by addressing underperforming assets and working with our partners to implement value creation plans for each investee company.
2. Strengthen our investment processes and relationships across the region to enable us develop a proprietary pipeline of attractive opportunities and make high quality investment that are structured to ensure alignment between us and our partners.
3. Pursue a geographical diversification agenda with a target to have 50% of assets invested outside Kenya.

We have in the course of the last three years worked on executing on these three strategic pillars. Consequently, the value of our private equity portfolio has grown from Kshs. 4 billion to Kshs. 8.6 billion, which has primarily been driven by a 70% growth in the earnings of the underlying portfolio companies.

Some of the portfolio companies that have recorded notable progress include Longhorn Kenya Limited in which we hold a 35% equity stake, which listed its shares on the Nairobi Securities Exchange on May 30, 2012 at a price of Kshs. 14.00 per share and the share price have since increased by

approximately 33%. UAP Group in which we hold a 24% equity stake raised Kshs. 4.7 billion from some of the leading private equity investors on the continent. The funds will be used to strengthen its balance sheet and finance UAP's growth strategy across the region. The current fund raising round was at a 10x value uplift on our original investment cost and was a 20% value uplift on the March 2011 valuation. Nairobi Bottlers, in which we hold a 27% equity stake and which is the largest Coca-Cola bottler in the country accounting for more than 50% of the market has very recently commissioned a new PET (plastic) bottling line that will see it more than double bottling capacity from 5 million cases to 12 million cases. This is part of a US\$ 50 million investment program that is currently in progress. General Motors East Africa is now the market leader in the new motor vehicle motor segment and now commands a 27% market share.

The examples I have highlighted are largely in the public domain and many of the other portfolio companies in the PE portfolio are making considerable progress but given that they are private entities the specific details are at this point confidential. It is however instructive to note that in the year to March 31, 2012 our share of profits from the PE portfolio companies increased by almost 20% despite the fact that 2011/2012 was a very difficult year.

Kenya Wine Agencies Limited (KWAL) where we have a 26.43% equity stake is going through some challenges. Distell one of its partners and with whom KWAL has had a long standing production and distribution arrangement has recently cancelled this contract and is setting up independently. Distell's products account for a significant component of the revenue of KWAL and this will have a negative impact in the short term on the profitability of KWAL. We expect this loss of profits to be made up in the medium term as KWAL focuses on growing the revenues of its local brands to make up for the lost profits. Some of KWAL's strong brands include King Fisher, Kibao Vodka and Hunters Choice. KWAL accounts for 2.2% of the total portfolio and contributes 6% to the share of associate income.

We have built an attractive pipeline of proprietary PE opportunities in growth sectors across the region and with a blend of a high cash yield and capital growth characteristics. We intend to invite other investors to partner with us in making these investments as part of our strategy of raising third party funds. The details of the opportunities are at this point confidential and we shall make appropriate announcements as we conclude.

I would like to thank the lean and efficient PE team of David Owino, Kenneth Kamau and Job Muriuki for the great work they have done.

#### ii. Real Estate and Infrastructure

Our strategy in real estate is to participate in the entire development process beginning with land development, moving on to the property development and finally the property and portfolio management process. Our real estate management process is hinged on developing a real estate



solution that addresses a compelling market need. In our case we have identified the opportunity to develop quality environments for commercial activity and with an integrated blend of uses ranging from retail, entertainment, offices, hotel and serviced apartments as a compelling and unmet need.

The Real Estate and Infrastructure business review on Pg 34 to 39 of this annual Report provides a very comprehensive update of our strategy and progress within this business line.

Our long term vision is to create a portfolio of real estate projects across the East African region and develop a track record as the leading supplier of high quality investment grade real estate assets into the capital markets.

I would like to express my gratitude to the Real Estate team of Chris Ochieng, Zachariah Chira and Kevin Kamemba for the excellent work they have done. I would also to recognize the contribution of our team of consultants led by the project manager, the urban planner, engineers, architects and the real estate agents.

### iii. Quoted Private Equity

The Quoted Private Equity (QPE) business line leverages on our expertise in private equity to invest and create value in quoted companies that exhibit private-equity like traits. This business line focuses on making investments in listed entities that are under-researched, are illiquid, with significant growth potential and where we can obtain a significant equity stake. The second mandate of the QPE business line is to provide liquidity management for the overall portfolio. The QPE business line provides an avenue to deploy surplus funds and is also a source of liquidity by providing collateral for borrowing or by the disposal of marketable securities.

The QPE business line also allows us to compare the valuations of entities in the private markets against those of entities in public markets across the continent. This flexibility has contributed greatly to more efficient asset allocation.

In each of the last three years of the 2009-2014 strategy period the QPE business line has outperformed the NSE Index by an average of 11%. In the 2011/2012 financial period the QPE business line outperformed the NSE by 13%.

As at March 31, 2012 the QPE business line had Kshs. 2.1 billion of assets under management, which is 12% of total assets under management down from 24% 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.

Last year was an extraordinarily difficult year and the QPE team managed to significantly outperform the NSE index, provide the business with significant amounts of liquidity and managed to make significant exits that de-risked the portfolio ahead of the downturn. I would like to appreciate the excellent work done by Pius Muchiri and Byron Ogutu.

### Financing

Interest rates increased rapidly and dramatically in late 2011 and in our case they almost doubled. Fortunately we had taken a decision in April 2011 to significantly scale down our investments in listed equities. That decision released Kshs 1,692 million in liquidity, which allowed us to pay down more than Kshs 1 Billion of debt and close the year with significant cash and cash equivalent holdings.

At the time of writing this statement, bank interest rates remain very high. It is our hope that we shall see a decline in interest rates in the course of the coming months. The current high interest rate environment is stifling economic activity and is having a negative impact on the sales and profitability of our portfolio companies.

Our pipeline of very attractive opportunities far exceeds the cash holdings that we have. At 7% the debt to asset ratio is very low and we are exploring alternative ways of raising debt capital and one of the options available to us is the issuance of a bond in the capital markets. We are currently actively exploring this option and we hope to tap the markets as soon as we have suitable conditions.

Other capital raising options available include exits from some of our mature investment opportunities. In 2011/2012 we raised Kshs 5,891 million from exits. The second option available is raising third party funds in each of our three business lines. Third party funds will give Centum an opportunity to close its pipeline of opportunities and possibly earn management and performance fees from these funds.

### Outlook

The coming 12-24 months have the potential to be transformative for Centum. Many of the projects we have been working on over the last 24 months are now coming together and the potential upside is likely to be very significant. Our target is to continue delivering market beating returns and making significant progress against our strategic objectives.

I would like to appreciate my entire team for their dedication and commitment to service in the year that has just ended. The results and progress we recorded was very difficult to achieve in the context of the challenges in the operating environment. The team went beyond the call of duty and took bold and difficult decisions to ensure that shareholder wealth was preserved.

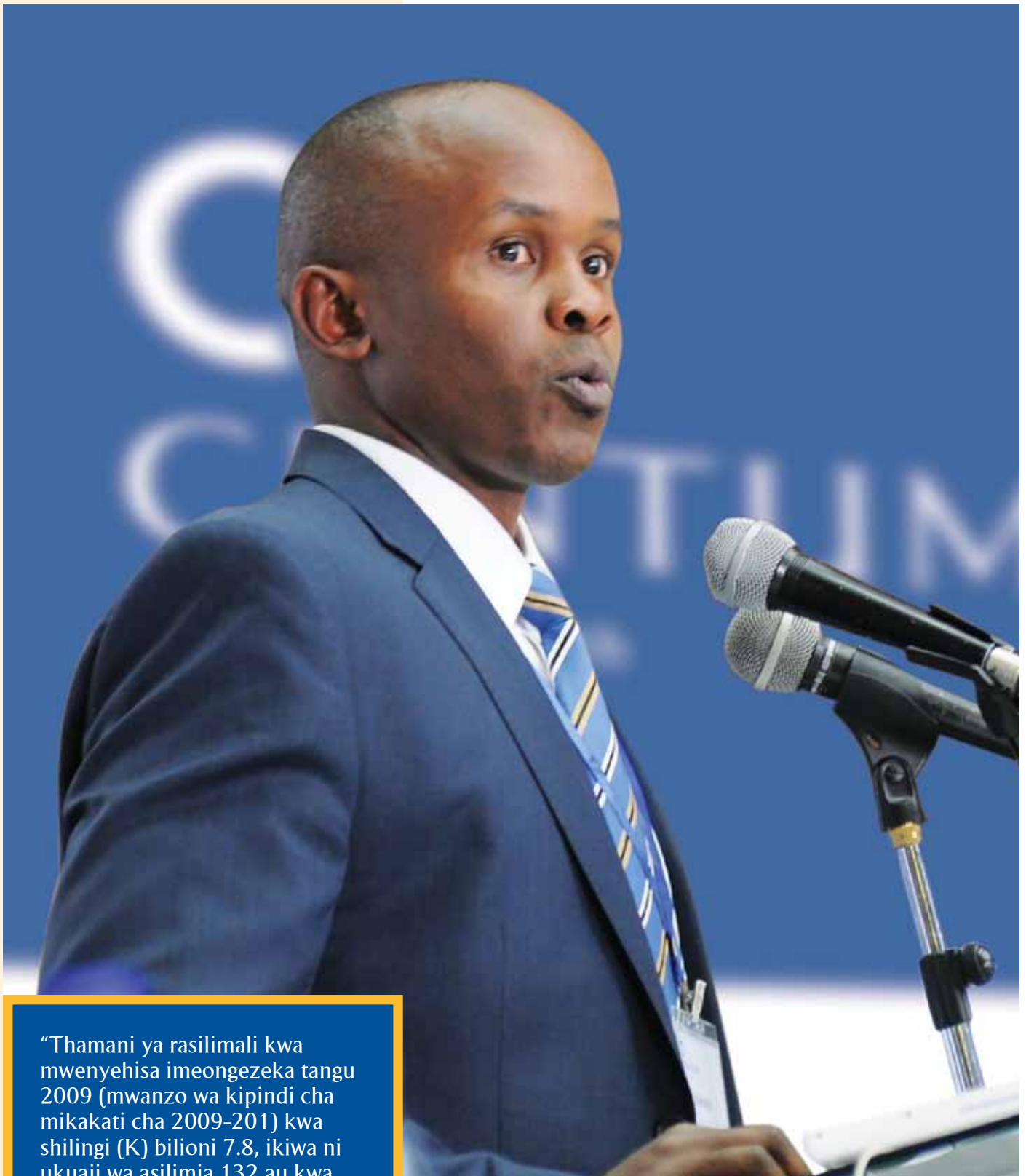
I am also grateful for your continued support and request that you continue to support your Company, Board and Management team as you have done in the past.



**JAMES MWORIA**  
CHIEF EXECUTIVE OFFICER

2nd July 2012

## Mapitio ya Mkurugenzi Mkuu



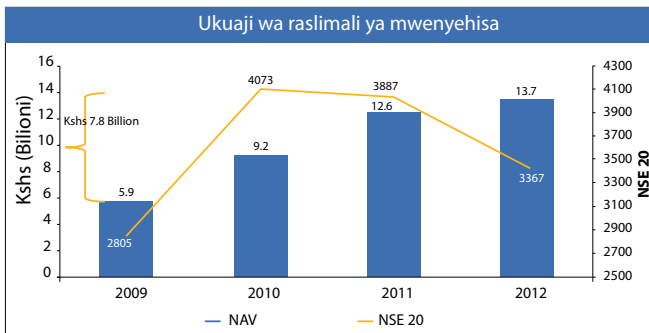
“Thamani ya rasilimali kwa mwenyehisa imeongezeka tangu 2009 (mwanzo wa kipindi cha mikakati cha 2009-2011) kwa shilingi (K) bilioni 7.8, ikiwa ni ukuaji wa asilimia 132 au kwa kiwango cha asilimia 32.5 kila mwaka.”

Kwa Mwenyehisa,

Ni fahari kwangu kuwasilisha kwako ripoti ya mwaka ya 2011/2012 pamoja na taarifa za kifedha.

### Utendaji Kazi

Centum iliimarisha thamani ya rasilimali zake na kufikia shilingi(K) bilioni 1.1 kwa mwaka uliokwisha m Machi 2012 na kufanya thamani ya kila hisa kuongezeka kwa asilimia 9 hadi shilingi(K) 20.57. Thamani ya rasilimali kwa mwenyehisa imeongezeka tangu 2009 (mwanzo wa kipindi cha mikakati cha 2009-201) kwa shilingi (K) bilioni 7.8, ikiwa ni ukuaji wa asilimia 132 au kwa kiwango cha asilimia 32.5 kila mwaka.



Lengo letu ni kupata faida kwa kiwango kinachoshinda kile cha soko.

Ninajivunia kwamba katika kipindi cha miaka 3 ambacho tumeshuhudia misukosuko katika masoko, kampuni imeweza kupata faida kwa kiwango kinachoshinda kile cha soko. Kwa jumla tumewasilisha kiwango cha asilimia 132 kwa miaka mitatu kulinganishwa na kiwango cha asilimia 19 cha Soko La Hisa La Nairobi.

### Mkondo wa Mikakati

Jedwali lifuatalo linalinganisha kipimo cha thamani ya hisa dhidi ya kiwango cha Soko la Hisa la Nairobi.

Utendaji dhidi ya kiwango cha hisa cha NSE mwaka 2010			
Year	Centum NAV Return	NSE 20 Return	Centum Outperformance
2010	56%	43%	13%
2011	37%	-4%	41%
2012	9%	-13%	22%
Geometric Average	33%	6%	27%

### Uwasilishanaji wa ripoti

Naamini kwamba utendaji wa kampuni yako unapaswa kutathminiwa kulingana na jinsi ilivyoimarisha thamani ya hisa dhidi ya kiwango cha soko la hisa.

Mbinu ya kupima ukuaji wa rasilimali kupitia NAV ni ishara ya ukuaji wa rasilimali ikilinganishwa na NSE 20. Kuna tofauti baina ya jinsi tunapaswa kuwasilisha ripoti juu ya utendaji kwenye taarifa za kifedha dhidi ya ukadirianaji wa nyongezeko kwa thamani ya hisa. Taarifa za kifedha zimeandaliwa kwa kufuta kanuni za uhasibu za kimataifa (IFRS).

Kanuni hizi (IFRS) zilizowekwa ni mwongozo wa jinsi ripoti za kifedha zinapaswa kuandaliwa na kutolewa. Zinanuiwa kuleta uwiano katika taaluma ya uhasibu kote duniani kwa minajili ya utoaji wa ripoti na taarifa za kifedha.

Kanuni hizo (IFRS) hazikuwekwa ili kulenga kampuni za uwekezaji tu. Jedwali lifuatalo linadhihirisha jinsi rasilimali mbalimbali zilivyoonyeshwa kwenye taarifa za kifedha

Aina ya uwekezaji	Jinsi tulitambua mapato kwenye taarifa yamapato	Jinsi tulitambua rasilimali Kwenye taarifa inayoonyesha hali ya rasilimali
Kampuni tanzu (tunamiliki zaidi ya asilimia 51)	Tunatambua misururu yote ya mapato	Tunatambua rasilimali zake zote
Shirika(tunamiliki zaidi yaasilimia 20 lakini chini ya asilimia 51)	Mgao wa mapato	Mgao wa rasilimali ya shirika hilo
Uwekezaji mengine(tunamiliki chini ya asilimia 20)	Mgao wa faida	Thamani ya hisa
Miradi ya nyumba na ujenzi	Fedha ambazo zingepatikana kama miradi ingeuzwa	Thamani halisi kulingana na wakadiraji wa nje

Ili kusuluhisha tatizo hilo, mnamo mwaka wa 2009 tulianza kutumia mbinu ya kutambua mapato kwa jumla ambao hupima kiwango cha ukuaji ulioshuhudiwa katika kipindi hicho na kuzingatia mchango wa vitengo vyote(Miradi ya nyumba na ujenzi,kampuni tanzu,mashirika,uwekezaji wa fedha). Mapato kwa jumla yameonyeshwa ukurasa wa 28 na noti 5 ya ripoti ya mwaka. Mbinu hii imenukuliwa na kufanyiwa mabadiliko kidogo na Kampuni kubwa zingine duniani lengo likiwa kupima kiwango cha ukuaji. (Ningependekeza utizame ripoti ya mwaka ya kampuni iitwayo 3i and Berkshire Hathaway.)

Kwa mwaka uliokwisha machi 2012 tulipata faida baada ya kutozwa ushuru na iliyojumuisha mashirika ya shilingi (K) milioni 1,189 dhidi ya shilingi(K) milioni 2,292 ya mwaka uliotangulia. Sababu iliyosababisha kupungua kwa faida ni kushuka kwa thamani ya mradi wa nyumba na ujenzi kwa mwaka uliokwisha Machi 2012,dhidi ya ongezeko ulioshuhudiwa mwaka uliotangulia. Tunahitajika kufanya ukadiri wa hizo rasilimali na faida na hasara kuonyeshwa katika takwimu za hesabu za fedha.Huu ni mwaka wa pili tangu kumiliki mradi huo na jinsi mchango wao unvyotambuliwa inaadhiri pakubwa matokeo ya faida na hasara. Tunatarajia miradi hiyo kuongeza thamani kwa

## Mapitio ya Mkurugenzi Mkuu

miaka ijayo kwa utaratibu unaofaa. Kufuatana na hayo kuna uwezekano wa kuwa na hali ya kutatanisha ya matokeo kwa vipindi vijavyo.

### Uchambuzi wa Utendaji kwa Vitengo

Ili kuwezesha utekelezaji wa mikakati ya 2009 - 2014 na kuhakikisha kuwa tunaongozwa na huo mwelekeo, uwajibikaji, na ujuzi wa kutosha, tuliunda rasilimali kwa vitengo vitatu. Vitengo hivi ni, hisa za kibinafsi, Mradi wa nyumba, ujenzi na muundo msingi na cha hisa za kibinafsi zilizoorodheshwa.

#### i. Kitengo cha Hisa za Kibinafsi

Kwenye kitengo hiki tumewekeza katika mashirika yanayohudumia mahitaji ya wateja humu nchini na wale wa kanda hili. Sababu ya kufanya huu uwekezaji ni kule kuongezeka kwa mahitaji ya wateja kufuatana na kuimarika kwa hali ya Uchumi.

Kitengo cha hisa za kibinafsi kilikuwa na rasilimali chini ya usimamizi wetu yenye thamani ya shilingi(K) bilioni 8.6, ikiwakilisha asilimia 58 ya rasilimali zote za Centum. Kitengo hiki kilipata faida ya jumla ya asilimia 17.8 ambayo ni shilingi(K) bilioni 1.3. Faida hii inachangiwa na ada ya wakurugenzi na ukuaji wa thamani ya rasilimali.

Tunatarajia kupata faida ya asilimia 30-35 katika kitengo hiki na nifuraha kufahamisha kuwa tumewahi kufanya hivyo hapo nyuma, ambapo kwa miaka 3 tulipata asilimia 40.

Tumefuata mwongozo wa mbinu tatu katika kusimamia kitengo hiki tangu 2009:

1. Usimamizi unaotambua rasilimali duni na kushirikisha wenzetu ili kuinua kila moja ya kampuni hizo.
2. Kufanya shughuli zetu za uwekezaji kuwa thabiti na kukuza uhusiano katika kanda hili ili tuweze kunyakua nafasi za kuvutia zinazojitokeza na kuwekeza kwa muundo utakaoleta uwiano wa shughuli kati yetu na washiriki wetu.
3. Kuongeza maeneo ya kijogorofia tunayoshiriki tukinua kumiliki rasilimali kwa kiwango cha asilimia 50 dhidi ya rasilimali zetu zote, ziwekezwe nje ya kenya.

Kwa muda wa miaka mitatu iliyopita tumewahi kutimiza mikakati hiyo mitatu ambayo ni nguzo yetu. Kufuatana na hayo thamani ya rasilimali katika kitengo hiki imeongezeka kutoka shilingi(K) bilioni 4 hadi shilingi(K) bilioni 8.6, ongezeko kutokana na mapato ya mashirika yaliyomo.

Baadhi ya kampuni zilizoripoti kuimarika ni Longhorn Kenya Limited ambamo tunamiliki asilimia 35. Bei ya hisa za kampuni hiyo katika Soko la Hisa la Nairobi ilikuwa shilingi(K) 14.00 kwa kila hisa mnamo Mei 30, 2012 na kwa wakati huu imeongezeka kwa asilimia 33. Shirika la UAP ambamo tunamiliki kwa asilimia 24 iliweza kuchangisha

shilingi(K) bilioni 4.7 kupitia uuzaji wa hisa kwa wawekezaji wa kimashirika wanaongoza barani Afrika. F edha hizo zitatumika kuimarisha takwimu na ukuaji wake kwenye kanda hili. Uchangishaji huo ulishinda bei ya ununuzi mara kumi dhidi ya thamani yake mnamo machi 2011, ongezeko la thamani kwa asilimia 20. Shirika la Nairobi bottlers ambamo tunamiliki kwa asilimia 27 na ambayo ni kampuni kubwa humu nchini miongoni mwa Coca-Cola bottlers inayoshikilia asilimia 50 ya soko, hivi majuzi iliweza kuzindua kiwanda kipya cha utengenezaji wa bidhaa zinazopakwa kwa chupa za plastiki itakayowezesha kuongeza uzalishaji kutoka masanduku milioni 5 hadi masanduku milioni 12. Hii ni mojawapo ya miradi yenye thamani ya dola za Kimarekani milioni 50 tunayotekeleza kwa wakati huu.

Hizi ni baadhi tu ya kampuni za kinafsi tulizotaja kwa kuwa zinajulikana na umma walakini kunazo pia kampuni zingine kwenye kitengo hiki ambazo zinaendelea kufanya vyema lakini kwa kuwa ni mashirika za kibinafsi utendaji zao zimewekwa siri. Ni muhimu kufahamu kuwa katika mwaka uliokwisha Machi 31, 2012 mgao kwetu wa faida za hizi kampuni iliongezeka kwa asilimia 20 licha ya kwamba mwaka wa 2011/2012 ulikuwa mgumu. Shirika la Kenya Wine Agencies (KWAL) ambamo tunamiliki kwa asilimia 26.4 inakumbwa na changamoto nyingi. Kampuni ya Distell ambayo imekuwa mshiriki wake katika utengenezaji na uuzaji wa bidhaa, hivi majuzi iliweza kufutulia mbali mkataba huo. Bidhaa za Distell ndizo zinawakilisha sehemu kubwa ya mapato ya KWAL na kwa hivyo mapato yataadhirika pakubwa kwa muda usiokuwa mrefu. Tunatarajia hasara zitakazotokea kupungua kwa kuwa tuna mpango wa kukuza mapato ya KWAL kupitia mauzo ya bidhaa zinazotengenezwa humu nchini ili kujaza pengo hilo. Baadhi ya bidhaa za KWAL zinazotia fora ni kama vile vinywaji vya King Fisher, Kibao, Vodka na cha Hunters choice. KWAL inawakilisha asilimia 2.2 ya rasilimali na huchangia asilimia 6 ya mapato yanayotoka kwa mashirika.

Tumenyakua nafasi zilozitokeza katika kitengo cha hisa za kibinafsi zinazovutia kwa kuwa na faida kubwa na ukuaji wa haraka ambamo tuliwekeza kote kwenye kanda hili Habari zaidi kuhusiana na miradi hiyo imewekwa siri lakini zitatolewa bindi tukikamilisha.

Ningependa kushukuru kundi linalojumuisha David Owino, Kenneth Kamau na Job Muruiki kwa kusimamia kitengo hiki cha hisa za kibinafsi barabara.

#### ii. Kitengo cha Mradi wa Nyumba, Ujenzi na Muundo Msingi

Mkakati tulioweka kwa kitengo hiki ni kutekeleza mradi kuanzia uwekaji wa muundo msingi, ujenzi, na hatimaye usimamizi wa miradi katika kitengo hiki. Usimamizi huo unahusu ujenzi wa miradi itakayotimiza mahitaji ya wateja. Tumetambua nafasi za kujenga nyumba za kibiashara kwa kuzingatia mazingira bora zitakazotumika kwa minajili ya maduka, burudani, ofisi, hoteli na nyumba za kukodesha.

Mradi huu huanza kwa kutambua ploti zinazofaa ili kutimiza mahitaji ya soko. Baada ya kukamilisha ununuzi wa ploti hizo hatua ya pili ni uwekaji wa muundo msingi pamoja na kutenga mahali pa mradi huo. Huu ni wakati tunatafuta maidhinisho muhimu, leseni ili kupata kibali cha kuedelea na mradi.

Matarajio yetu kwa siku za usoni ni ujenzi wa nyumba kote katika kanda la Afrika ya mashariki na kuweka rekodi kama kampuni inayoongoza kwa uuzaji wa nyumba za hali ya juu ili kuwekeza fedha kwenye soko la hisa.

Ningependa kutoa shukrani zangu kwa wasimamizi wa kitengo hiki wakiwa ni Chris Ochieng, Zacharia Chira na Kevin Kamemba kwa kazi nzuri waliyofanya. Pia ningependa kutambua mchango wa kundi la washauri wakiongozwa na maneja wa mradi, wapangaji wa miji, wahandisi, wachoraji na maajenti wa nyumba.

### iii. Kitengo cha Hisa za Kibinafsi Zilizoorodheshwa

Kitengo hiki kilitegemea ujuzi wetu kuwekeza na kukuza thamani ya kampuni zilizoorodheshwa walakini zenye kuegemea upande wa kibinafsi. Matarajio wa kitengo hiki ni usimamizi wa fedha. Kinatupatia fursa ya matumizi ya fedha za ziada na pia hutoa dhamana wakati tunapokopa au wakati wa kuuza hisa.

Kitengo cha Hisa za kibinafsi zilizoorodheshwa pia hutuwezeshwa kulinganisha baina ya kampuni za kibinafsi dhidi ya zile zilizoorodheshwa kote barani Afrika. Hii husaidia wakati wa kugawa matumizi ya rasilimali.

Kwa kila mwaka wa kipindi cha mikakati cha 2009-2014, katika kitengo hiki kiwango cha utendaji kimeshinda kile cha Soko la Hisa la Nairobi kwa kiwango cha asilimia 11. Kwa mwaka wa 2011/2012 kiwango cha utendaji cha kitengo hiki kilishinda ile ya Soko La Hisa La Nairobi kwa asilimia 13. Mnamo Machi 31, 2012 kitengo cha Hisa Za Kibinafsi zilizoorodheshwa kilikuwa na rasilimali ya thamani ya shilingi(k) bilioni 2.1 chini ya usimamizi wetu, hii ikiwa ni asilimia 12 ya thamani ya rasilimali zote chini ya usimamizi wetu na kupungua kwa asilimia 24 dhidi ya mwaka uliotangulia. Upungufu huu ulitokana na mauzo ili kutimiza lengo la kupatia wawekezaji fursa ya kumiliki hisa ambazo kwa kawaida si rahisi kupatikana.

Mwaka jana ulikuwa mgumu walakini utendaji kazi wa kundi linalosimamia kitengo hiki walipata faida kwa kiwango kinachoshinda kile cha Soko La Hisa La Nairobi na hali nzuri ya fedha. Pia walifaulu kuuza hisa ambazo zilikuwa hazifanyi vizuri kabla ya kudorora zaidi. Ningependa kushukuru Pius Muchiri na Byron Ogotu kwa kazi nzuri waliyofanya.

### Matumizi ya Fedha

Viwango vya riba mnamo mwisho wa 2011 viliongezeka kwa haraka na kwa hali ya kutatanisha na kwetu kilikuwa

maradufu. Kwa bahati nzuri tulikuwa tumepunguza uwekezaji katika hisa zilizoorodheshwa. Tulipata shilingi (k) milioni 1,692 kutokana na uamuzi huo, jambo lililoimarisha hali ya fedha na kutuwezeshwa kulipa deni ya zaidi ya shilingi(k) bilioni 1, na kuwa na fedha kiasi mwishoni mwa mwaka.

Ninapoandika taarifa hii kiwango cha riba ya benki iko juu. Ni matumaini yetu kuwa tutashuhudia kushuka kwa kiwango cha riba hivi karibuni. Hali hii inadhuru shughuli za kibiashara na kusababisha kupungua kwa mauzo yetu hali kadhalika faida za mashirika yetu.

Kuna nafasi ya kuvutia yenye thamani kubwa kuliko fedha tulizonazo. Kiwango cha deni dhidi ya rasilimali ni nafuu kikiwa ni asilimia 6.7 na kwa hivyo tunatafuta njia ya kuchangisha fedha na mojawapo ni uuzaji wa hati za bondi kwenye soko la fedha. Tunafuata njia hii kwa makini na tunatarajia kuwa sokoni tukifikia wakati unaofaa.

Njia zingine za kuchangisha fedha ni kupitia mauzo ya hisa ambazo tumeshikilia kwa muda. Katika mwaka wa 2011/2012 tulichangisha shilingi(k) bilioni 5,891 kupitia mauzo. Njia ya pili ni matumizi ya fedha zilizoko kwenye vitengo vyetu tatu. Fedha hizi zitawezeshwa Centum kunyakua nafasi zinazojitokeza na kulipwa ada ya usimamizi.

### Mwaka Ujao

Kipindi cha miezi 12-24 kinachokuja ni fursa kwa Centum kubadilika. Miradi mingi tuliyokuwa tunajenga kwa kipindi cha miezi 24 yanaelekea kukamilika na kutupatia matumaini ya kupata faida. Lengo ni kuendelea kupata faida kwa kiwango kinachoshinda cha soko na utekelezaji wa mikakati tuliyoweka.

Ningependa kupongeza kundi langu zima la usimamizi kwa kujitolea kuhudumu kwa mwaka wa fedha uliokamilika. Mapato na maendeleo tuliyoyapata yaliwezekana licha ya hali ngumu ya mazingira ya kibiashara na changamoto nyingi. Walifanya kazi kwa kujitolea zaidi kuliko wanavyowajibika na kuchukua hatua madhubuti na uamuzi wa busara ili kuhakikisha kwamba rasilimali ya mwenyehisa zinahifadhiwa.

Pia nakushukuru kwa kuendelea kuniunga mkono na ninakusihi kuendelea na moyo huo kwa kuunga mkono kampuni, Halmashauri ya Wakurugenzi, na kundi la wasimamizi kwa jinsi mlivyofanya tangu zamani.



JAMES MWORIA  
MKURUGENZI MKUU

2 Julai 2012

# Business Review

## FINANCIAL REVIEW

### Introduction

Consistent with past financial years, Centum financial statements include the Company in addition to the Group financial 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 don't have controlling majority but hold more than 25%, are valued at net asset value in accordance with International Financial Reporting Standards (IFRS).

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. In this approach the entire portfolio is fair valued, and the total return is similar to the total comprehensive income in the Company IFRS performance disclosure as highlighted on page 9.

Total return is calculated as the gross portfolio return less portfolio and finance costs. It can be expressed as an absolute amount or as a percentage of the opening portfolio.

Gross portfolio return is the sum of cash return and value movements in the period. It is computed by adding portfolio income (made up of dividend income, interest income and realized gains) to unrealised value movements in the portfolio. It can also be expressed as an absolute amount or as a percentage of opening portfolio value.

Total return is our internal means of tracking current performance against prior year, budget and projected performance.

Centum recorded a total return of 9% in the financial year ended 31 March 2012. In absolute terms, the gain in net worth in the year was Kshs 1.1 billion.

Performance in the period proved tenacity of our strategy in the face of a challenging operating environment. During the year to 31 March 2012, the NSE 20 share index fell by 13%, cost of credit increased sharply to more than 20%, the foreign currency market experienced wild gyrations and liquidity was tight throughout most of the year.

Details of return are highlighted in the total return statement below.

Kshs. m	2012	2011	2010
Dividend Income	404	510	456
Interest Income	52	78	6
Other Income	52	25	33
Realised gains	84	131	88
Unrealised gains	859	3,099	2,948
<b>Gross Return</b>	<b>1,451</b>	<b>3,843</b>	<b>3,531</b>
Finance Costs	(50)	(155)	(47)
Portfolio costs	(268)	(293)	(199)
<b>Total Return</b>	<b>1,133</b>	<b>3,395</b>	<b>3,297</b>
<b>Gross return</b>	<b>12%</b>	<b>42%</b>	<b>60%</b>
<b>Total return</b>	<b>9%</b>	<b>37%</b>	<b>56%</b>

#### b) Cost Efficiency

Kshs.'m	2012	2011	2010
Portfolio costs	227	291	199
Closing portfolio value	14,694	14,486	9,360
<b>Cost efficiency</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.1%</b>

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 cost efficiency at below 2.5%.

#### c) Statement of Financial Position

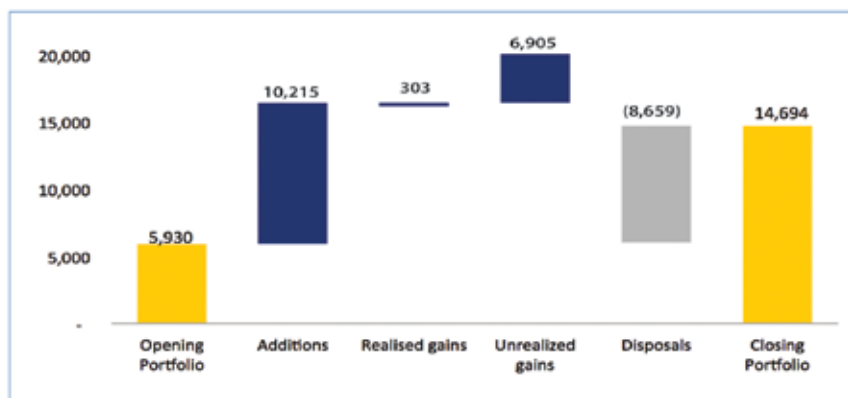
Centum's strong balance sheet provides a solid platform for growth. Net asset value grew to Kshs 13.7 billion from Kshs 9.1 billion.

Gearing as at 31 March 2012 stood at 7.3%.

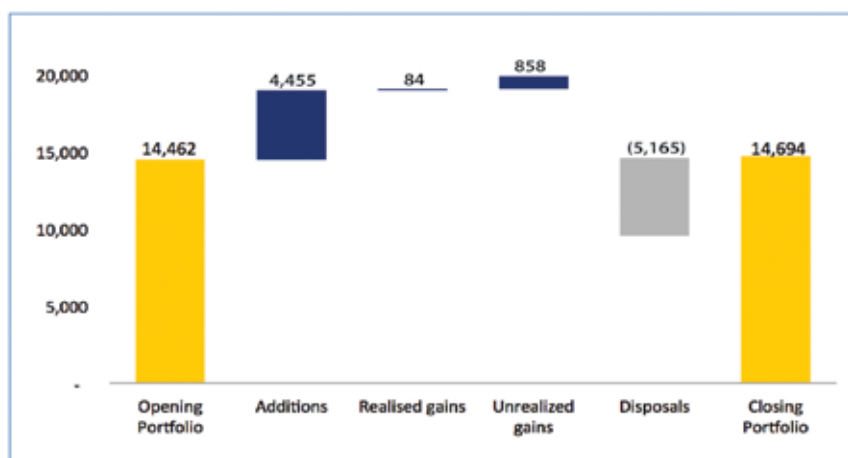
Kshs.'m	2012	2011	2010
Portfolio value	14,694	14,487	9,015
Net assets	(19)	53	142
Debt	(1,000)	(1,988)	-
<b>Shareholder s' funds (NAV)</b>	<b>13,685</b>	<b>12,552</b>	<b>9,157</b>
<b>Gearing</b>	<b>7.3%</b>	<b>15.8%</b>	<b>-</b>
<b>NAV per share (Kshs.)</b>	<b>20.57</b>	<b>18.86</b>	<b>13.76</b>

Assets Under Management

Asset under management grew from Kshs 5.9 billion at 1 April 2009 to Kshs 14.7 billion as at 31 March 2012. Components of this movements are highlighted below;



The movement in Centum’s portfolio from 1 April 2011 to 31 March 2012 is highlighted below;



During the year ended 31st March 2012, Centum invested Kshs. 4.5 billion in its three business lines.

Realizations during the year amounted to Kshs. 5.9 billion driven by the need to protect shareholder’s value and earn a return in the process. By and large, this means that our Quoted Private Equity was the busiest in turning round our investments.

Funding and Gearing

During the period, Centum financed its investment activity using a combination of equity and debt. However, in line with the focus of reducing exposure to expensive debt, gearing reduced to 7.3% in March 2012, from 15.7% in March 2011.

# Business Review

## PRIVATE EQUITY

### Introduction

Private Equity is Centum's largest business line with approximately 58% of the total portfolio. Centum's established track record, our proprietary deal flow, our networks in the PE industry, and our long established status – a channel through which investors can participate in PE investments - makes Centum the partner of choice in the East Africa private equity space.

### Industry

The Sub-Sahara Africa (SSA) private equity and venture capital industry experienced a 5-year low performance in 2011 with the amounts funds raised and invested registering zero or no growth when compared to 2010. Funds raised during the year amounted US\$1.3 billion and investments totaled US\$483M with the bulk of these activities taking place in South Africa. In East Africa however, there was increased activity with the number of players in the industry increasing although a fewer number of deals were closed compared to 2010. The competitive landscape is expected to improve in the near future as more economies open up in the region and process of economic integration gathers pace. The unstable exchange and interest rate environment that was experienced in the later part 2011 caused a lot of anxiety on business in the region with many entrepreneurs shifting their preference of expansion capital to the more patient equity financing as compared to debt. This environment has ironically opened up very good opportunity for PE industry players and Centum to exploit in the short to medium term period.

### Opportunities for Centum

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

- Fundamental nature of the business- Centum's focus is to invest in high growth companies that require capital to grow either locally or internationally through organic or inorganic growth,
- Depth of regional markets- 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,
- Partnerships- success in PE investments is underpinned by strategic partnerships with industry leaders, private investors and fellow PE players.

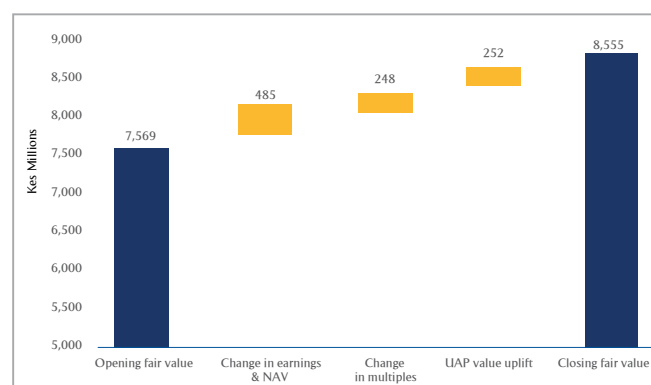
### Performance

The table below summarizes the PE business line performance for years ended 31 March 2012 and 2011. During the year, the PE business line generated a total return of Kshs 1.2 Billion, equivalent to 16% over the opening equity portfolio base of Kshs 7.6 Billion.

### PE performance for the year ended 31 March 2012

Kshs M	2012	2011	2010
Portfolio income	375	554	429
Unrealized gains	992	1,880	1,886
<b>Gross return</b>	<b>1,367</b>	<b>2,434</b>	<b>2,315</b>
Total return	1,245	2,268	2,168
<hr/>			
<b>Gross return (%)</b>	<b>18%</b>	<b>43%</b>	<b>65%</b>
<b>Total return (%)</b>	<b>16%</b>	<b>40%</b>	<b>61%</b>
<hr/>			
Closing portfolio value	8,609	7,662	5,491

The chart below is a summary of the movement in Centum's PE portfolio from 1 April 2011 to 31 March 2012.



### 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, and is based on fair value. Fair value is the amount for which an equity investment can change hands in an arm's length transaction.

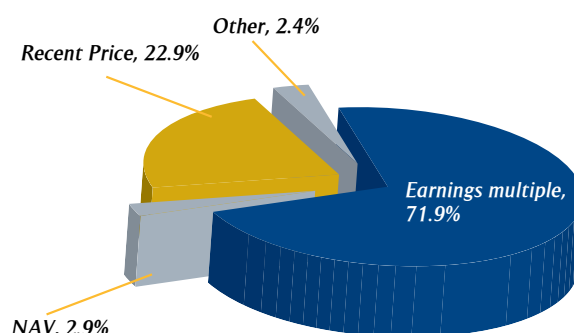
Centum determines fair value using any one of the following methods:

- 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.



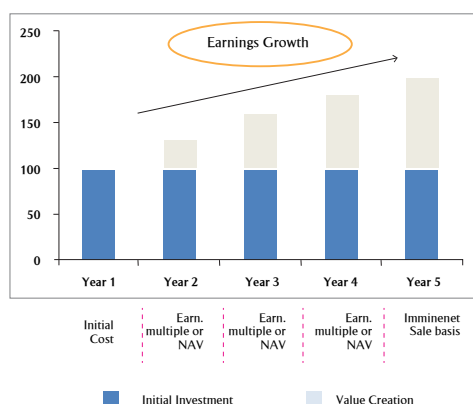
The chart below shows that Centum values its private equity portfolio primarily using the earnings multiple method. When we value our portfolio using this method, there are two sources of value uplift:

- a. Multiples expansion,
  - b. Increase in earnings of the company that is being valued.
- Although the increase in multiples over the period resulted in a slight increase in the valuation of our private equity portfolio, the value uplift from increase in earnings was almost twice that from the expansion of the multiple.



The chart below shows the sources of value in a multiples valuation over time. At the time of acquisition of an company, its cost is the best estimate of the value of the company. As the company's earnings grow, the company has to be valued using one of the methods listed above. At the time that the asset is up for sale, we will value it using the imminent sale value.

### INVESTMENT VALUE



### FAIR VALUATION



### Outlook

The focus of Centum's PE business line is three-fold:

- a) To maximize the value of our current portfolio through several initiatives including exiting some of our more mature investments;
- b) Grow assets under management by deploying between Kshs 2.3 billion in new opportunities and by harnessing third party funds in line with our 5-year strategy; and
- c) Diversifying our portfolio by ensuring that over 50% of new investments made are outside Kenya by pursuing aggressive regional expansion strategies

Centum will also focus on acquisition of control positions in unlisted companies. Centum will make investments as ordinary or preference shares, and/or convertible debt. Investments will be in sectors that we understand. Centum will focus on businesses that are industry leaders that have a sustainable competitive advantage that is supported by a solid track record. Centum will, in exceptional circumstances, invest in green fields and brown fields where there is a compelling investment thesis. Centum will keenly pursue diversification of its PE portfolio by geography and sector.

# Business Review

## QUOTED PRIVATE EQUITY

### Introduction

The Quoted Private Equity (QPE) business line acquires influential or controlling equity stakes in quoted companies within Africa and manages a portfolio of these investments. We are flexible on the size of the stake and are guided by the specific circumstances of each opportunity. In the process of searching for QPE opportunities we also come across attractive marketable securities opportunities, where we invest in minority stakes that are in line with our strategic objectives.

### 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 the number one actively managed fund of marketable securities in Africa. Why Africa? Besides China, Africa is fastest growing economy in the World and is expected to maintain this momentum going forward. Our interest is to focus on countries that will be the driving force behind the growth of the African economy. During the last 12 months we have made a lot progress on this front and we have identified a number of attractive opportunities outside Kenya. Besides the obvious benefits of geographical diversification, like other global fund managers, we will be seeking to competitively channel capital across African markets in search for the best possible risk-adjusted return for our shareholders.
- **Stable macroeconomic environment:** after witnessing a high interest rate regime in the second half of 2011, we expect rates to edge downwards in 2012. We are of the view that the country may revert to a stable interest rate regime as inflation eases. Thus, we expect businesses to continue enjoying better borrowing rates going forward that will buoy the level of economic activity in the country which will in turn shore-up earnings and valuations. We also expect that as the yield curve continues edging downwards it will find a new equilibrium and more capital may be reallocated away from the fixed income market to the equity markets, which is good for the equity markets.
- **Scaling up the size of our transactions:** To generate a meaningful return for our shareholders, we continue to see scale as key to our investment strategy going forward. We have consistently beaten the NSE 20-Share Index for the last five years and it remains among our key objectives. We want to leverage on 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 in our view we deem to be undervalued public listed companies with Private Equity kind of characteristics. We then leverage on 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 our return through dividend and interest incomes, realized and unrealized gains. The marketable securities play a critical role of providing liquidity to the overall Centum portfolio.

### Performance

The QPE performance is disclosed as part of segment information in note 5 of the financial statements on (note 5, page 78). The table below summarizes the QPE business line performance for the years ended 31 March 2012.

Kshs.M	2012	2011	2010
Portfolio Income	209	183	150
Unrealized value movements	(153)	221	1,062
<b>Gross Return</b>	<b>56</b>	<b>404</b>	<b>1,212</b>
Finance costs	(50)	--	(17)
Portfolio costs	(54)	(84)	(64)
<b>Total return</b>	<b>(48)</b>	<b>320</b>	<b>1,131</b>
<b>Gross Return</b>	<b>1.4%</b>	<b>11.5%</b>	<b>53.2%</b>
<b>Total return</b>	<b>(1.7%)</b>	<b>9.1%</b>	<b>50.1%</b>
Closing portfolio value	2,474	3,940	3,847

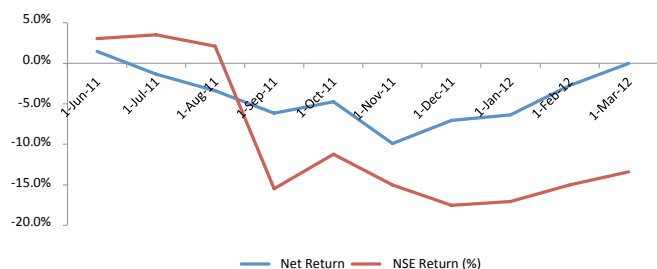
QPE targets to make a net return of 25% p.a. of the beginning portfolio value. Returns on individual investments vary from this target depending on the risk characteristics of individual investments.

During the year ended March 2012, QPE generated a negative total return Kshs 48mn, equivalent to a return of negative 1.7% over opening equity portfolio base. This performance was impressive in view of a marked downturn in the NSE-20, which returned negative 13.4%, over the same period.

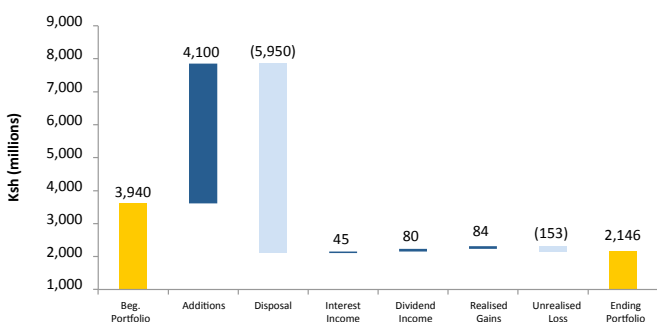
We sold our 22% stake in Carbacid Limited, which we had acquired through a private transfer in May 2009 for a cost of Kshs 418 million. Over the two years, the investment generated Kshs1.2 billion in form of dividends and disposal proceeds, an equivalent of 190% holding period return. Our investment experience with Carbacid is proof that QPE

business model is sound and feasible in the Sub-Saharan Africa space where there are few takers for small to mid-cap stocks that exhibit private-equity-like characteristics.

Geopolitical events in the Middle East, rising inflation in Kenya and a heightened domestic political climate weighed on all the African major equity markets as foreign capital fled to quality.



The portfolio was valued Kshs 2.16 Billion as at March 31, 2012 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 4.2 Billion (2010: Kshs 1.67 Billion) while disposals for the year totaled Kshs 5.8 Billion driven by our focus on capital preservation.

### Outlook

QPE is making headway into accessing new markets outside Kenya as opportunities arise. Key areas are Nigeria, Ghana, Zambia and Uganda based on a promising macroeconomic outlook and potential for returns. Our target is 50% geographical diversification 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 made trips to familiarize ourselves with local conditions. In the FY11/12 fiscal year, we invested in the Tanzania Breweries Ltd IPO in Tanzania – an IPO which was oversubscribed by 245%. 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) disclosed on note note 21, pg 97 of the financial statements.

# Business Review

## REAL ESTATE & INFRASTRUCTURE

### 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, the business line has grown from less than 1% to 25% 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.

Our strategy in real estate is to participate in the entire development process beginning with land development, moving on to the property development and finally to property and portfolio management process. Our real estate management process is hinged on developing a real estate solution that addresses a compelling market need. In our case we have identified an opportunity to develop quality environments for commercial activity and with an integrated blend of uses ranging from retail, entertainment, offices, hotel and serviced apartments.

The value of our investments in the REI business line has grown tremendously from Kshs 36 million in FY2009/2010 to Kshs 4.0 Billion at the end of FY2011/2012. The key driver of this growth in value is the successful completion of acquisition of two prime undeveloped properties in FY 2010/2011 followed by land development processes on the properties.

The first property measures 100 acres and is located in the Blue Diplomatic Zone in the Gigiri/Limuru Road area of Nairobi which provides a key target market close to the subject property. The site is only about 10 minutes drive from United Nations Complex; about 20 minutes drive from Nairobi Central Business District and 30 minutes to the Jomo Kenyatta International Airport. It is bordered



by key access roads (Northern By pass, Limuru road, the proposed North-South link road). These provide easy access to existing urban nodes (Westlands, Lavington, Loresho) and key points like the Airport and the growing residential areas e.g. Limuru, Kiambu, Ruiru, Thika. These factors render the site as very ideal location for the development of a mixed used commercial development. The property has two rivers traversing through it and that is the inspiration for the naming this development “Two Rivers”.

The second property measures 300 acres located in Garuga peninsula on the shores of Lake Victoria in Entebbe, Uganda. The site is situated between Entebbe International Airport and Kampala, about 22 kilometers from the Airport and about 32 kilometers from Kampala by road. This makes the site to be most ideal for a commercial/resort/residential water front development. The beauty of the site was the inspiration of its name “Pearl Marina.”.



We are in the process of creating world class mixed use master planned developments in these two properties. These developments (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 and Value Creation

Increased activity in our REI business line 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.

As part of the land development process, we began the process of master planning and rezoning. Our objective with rezoning is to obtain development rights that optimize the use that a site can be put into taking into account the market,

the location, the environment and the infrastructure. We engaged GAPP urban planners from South Africa who are some of the leading master planners in the continent to lead a team of consultants in the development of a master plan for the two sites.

Through the land development process we have created significant value in both assets. Based on conservative valuations that we have used for purposes of preparing the financial statements, the value uplift to-date of the two properties is about 60% of the cost price over a period of less than 24 months.

### 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, airports 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 densification 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.
- 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 is in view of the foregoing trends that Centum added the two real estate properties in its portfolio and has proceeded with an initiative to develop first world and prime integrated mixed use developments on the properties. Our vision is to develop premium world class master planned urban addresses in these two sites that will be number one regional destinations in East Africa and beyond for a long time to come with the aim of generating market beating returns for our investors.

### 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.

### Development Activity:

#### a) Two Rivers Project

During the FY 2011/2012, Centum, through its subsidiary, Two Rivers Development Ltd, completed masterplan design for the proposed mixed use integrated development along Limuru Road at Gigiri area. The design allocated land sizes to the various uses with an emphasis of maximizing density and value uplift.

#### • Development Vision

The Vision of Two Rivers Development is to develop a premium world class master planned urban address set within a controlled and secure development that will be a number one regional destination & address in East Africa and beyond for a long time to come.

The development will create value by optimizing on the uniqueness of the site that has undulating terrain covered by a blend of indigenous trees and is traversed by two rivers. This not only provides key attraction for visitors and residents but also offers exceptional scenery for recreational space, entertainment, leisure and lifestyle facilities.

# Business Review

## REAL ESTATE & INFRASTRUCTURE

With Kenya known internationally for its natural sports heritage, Two Rivers development will provide a state of the art indoor and outdoor sport facilities and an event area to facilitate advancement of sporting culture and promote a healthy lifestyle.

The site will be developed in an environmentally sustainable manner that will seek to protect and preserve the flora and fauna, the unique physical features including the water resources and the riparian reserve. To achieve this noble objective, the master plan has allocated about 30% of the total area to preservation of green areas.

The development will also make the most of the favourable climatic conditions resulting from the unique location of Nairobi within equatorial area to create destination that is naturally appealing in all seasons.

The proposed development is envisioned to integrate first world premium facilities comprising of: REL (Retail, Entertainment and Lifestyle facilities), modern office parks, residential apartments, hotels and public amenities (clinics, schools). These facilities will be supported by high quality centrally managed state of the art infrastructure. The development will be constructed in phases and when complete it will have a total build up area of about 830,000m<sup>2</sup>.

### • Development Phasing



The development will be actualized in five phases with precinct one being the initial phase and will be governed by a development control code.

### • Precinct 1



Precinct 1 is the initial development phase of Two Rivers Development. It is approximately 29 Acres, which is 29% of the whole development, with 9 acres set aside for the green open spaces. This Phase will deliver approximately 157,000 m<sup>2</sup> Gross Buildable Area consisting of;

- i) Retail, Entertainment and Lifestyle- This will be a diverse and unique Retail, Entertainment and Lifestyle mix covering a broad mix of premium local and international brands and indoor/outdoor activities and offering a variety of entertainment venues and activities. This will include;
  - A diverse and unique retail mix of both local and international brands and an experience of high street shopping taking advantage of the natural breathtaking greenery, river fronts etc.
  - A complete mix of retail, entertainment and leisure activities to ensure different needs for diverse groups are catered for and create a diverse energy for activities to run day and night.
  - State of the art indoor and outdoor sport facilities and an event area to facilitate advancement of sporting culture
- ii) Residential- Two Rivers will provide most prestigious and most sort after mix of Medium and High density apartments defining a lifestyle product which will offer maximum convenience, luxury and a high quality of life. Phase One will comprise of about 350 residential units.
- iii) Office Parks-This component will place Two Rivers as the number one destination for corporate and create an aspirational address while maximizing on density and

value. The target being organizations that have a desire to be located in a premium address that has a diverse mix of amenities in a first world environment.

- iv) Hotel-A boutique hotel with 99+ hotel rooms with luxury and conference facilities and a mix of Short & long stay serviced apartments to supplement the hotel.
- v) School-A recognized international kindergarten which will offer a recognized curriculum and a day care center.
- vi) Medical & Emergency Services-This will provide health security by developing an executive medical facilities/clinics affiliated to a major recognized hospital, diagnostic clinics, pediatrics, a facility addressing lifestyle diseases and a 24-hour emergency response unit. A Fire Brigade for emergency fire response will also be provided.

### • Infrastructure Provision

The built up facilities will be supported by centrally managed state of the art infrastructure comprising of but not limited to;

- wide dual roads,
- ample visitor parking,
- jogging/walking paths,
- landscaped public realm,
- ICT Infrastructure
- potable water, reticulation and circulation
- fire fighting networks,
- street, landscape and security lighting,
- security,
- power & back up power,
- sewer reticulation, grey water reticulation and sewer treatment plants.
- metered gas

This development will offer investors a number of alternative exit options and realize the value created. These include:

- a) Exiting the completed developments once they become revenue generating to a REIT vehicle and subsequently selling the REIT interest to a range of investors.
- b) Selling our equity in the project companies.

### • Milestones on Two Rivers development:

#### 1. Statutory Approvals

- Master Plan – The master plan was approved on December 2011.
- Change of User – The change of user was granted by Nairobi City Council on December 2011 from agricultural to mixed use. Approval for change of use at commissioner of lands is in progress
- National Environmental Management Authority (NEMA) license was granted on May 2012.
- Water Resources Management Authority – approval for riparian reserve and drilling of the borehole for 280m<sup>3</sup> to supplement other sources of water for the development May 2012

#### 2. Infrastructure Provision

Preliminary designs and policy documents have been completed. We are currently in discussion with respective authorities on provision of water, power, and sanitation

#### 3. Financing

To secure financing, we are in negotiations with a number of debt and equity investors who have shown interest in financing the project.

#### 4. Project Implementation

- It is expected that gate 1 which is up to approvals of the business case and master plan will be complete by end of 3rd Quarter of this calendar year. Detail design, building approvals and Tender for the contractor will follow and will be completed by December 2012..
- Ground breaking for phase one is expected to be in the 1st Quarter of year 2013 and phase one is expected to have construction duration of two years.

#### b) Pearl Marina Project

In addition, during the year, Centum through its Ugandan subsidiary, Pearl Marina Estates Ltd (PMEL) initiated development of a master plan for the for the 300 acres of land located in Garuga on the Lake Victoria waterfront in Entebbe, Uganda.

#### • Development Vision

The vision of Pearl Marina development is to develop a premium world-class destination address recognized as the number one tourism destination in East Africa and beyond. The focus on integrated water front development is informed by the following observations:

- The development lies along a vast shoreline that will allow the establishment of unparalleled waterfront development that will incorporate a public marina, water related leisure activities such as water transport, sporting activities etc;
- The development has competitive advantage, as there is no other development of its kind planned in that area. There is therefore the opportunity to create a waterfront development that will be Uganda's tourist destination of choice on such a vast land;

We have recently concluded market survey for the proposed development to guide in revision of the master plan, definition of phase 1 and detailed design in readiness to implementation of the project. This is in line with Centum's land development approach, that is tailor made to suit a market driven / informed approach to secure business partners and potential tenants, avoid speculation and reduce risk.

The project will compare to some of the best mixed use water front developments in the continent and useful comparables include the V&A water front in South Africa.

## Business Review

### REAL ESTATE & INFRASTRUCTURE

#### • Development Phasing

The Intermediate goal of Centum is to open up the site and increase value of the residual land by providing the following facilities in the following order on Phase One;

- i) Resort-This will be an upmarket resort facility that will include but not limited to: Hotel with 60-80 rooms, Conference facilities, Swimming pool, Bars, Kids play area and day care.
- ii) Serviced Holiday Apartments-These will be available for short and extended stays at Pearl Marina.
- iii) Shopping Arcade and Event Square -The shopping arcade that will include the following: Convenient store, Clinic & Emergency services, variety of Restaurants offering local & international cuisines, Bank, Pub, Night Club, Sports shops, Gymnasium, Fish market.
- iv) Marina-This will have with ferries, yacht club, jetty for fishing, jet skiing, fish market, boat launching and berthing facilities.
- v) Public Square-This will host outdoor activities like concerts, weddings, picnic areas, outdoor sports.
- vi) Luxury Villas-Plots will be sold for development of holiday villas which will be governed by a development control code.
- vii) State of the art infrastructure

#### • Milestones on Pearl Marina Development

1. Market survey has been undertaken and completed.
2. Generation of the master plan is ongoing.
3. Preparation of information memorandums and discussions with potential investors is ongoing.
4. Preparation of a business case is ongoing.

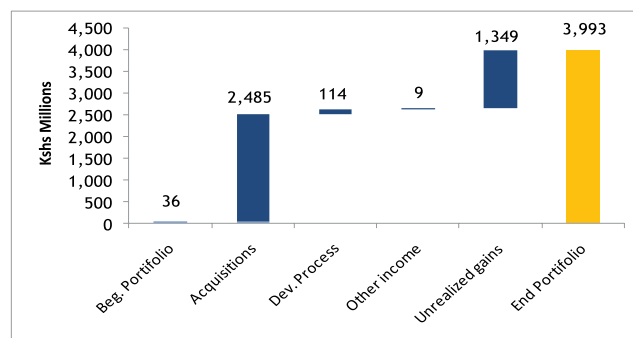
We expect to obtain all the necessary approvals for this project in this financial year and also sign on some of the key partners.

#### Development and Financing Strategy

Our Financing strategy on real estate is consistent with our vision to be Africa's foremost investment channel. Both the Two Rivers project and Pearl Marina present an opportunity for local and international investors to partner with us in the creation of world-class destinations. The financing strategy is to partner with investors at an individual project level. We shall for instance develop the business case for the office park and secure debt and equity capital from investors that are interested in participating in that specific opportunity.

The entire project shall therefore have different sub-projects with different investors. The different sub-projects will be ring fenced by creating sub-leases, which will then be held

by the different project companies. The leases will have attached to them a development code that will regulate the construction and post construction management protocols. Our objective is to convert the land into viable investment



projects and swap interest in the land, infrastructure and all the value created so far into an equity participation in the individual projects.

#### Performance

Since completion of acquisition process in 2010/2011, the value of our real estate properties has risen by over Kshs 1.5 billion as at end of FY 2011/2012. The value uplift is attributable to rise in property values given that the acquisitions were made at very attractive prices and further value was added by the development process undertaken so far.

Kshs. m	2012	2011	2010
Portfolio Income	9	5	4
Unrealised Value Movements	20	999	-
<b>Gross Return</b>	<b>29</b>	<b>1,004</b>	<b>4</b>
Finance Costs	0	(155)	1
Portfolio Costs	(75)	(42)	(15)
<b>Total Return</b>	<b>(46)</b>	<b>807</b>	<b>(11)</b>
<b>Gross Return</b>	<b>3.1%</b>	<b>2,777%</b>	<b>11.90%</b>
<b>Total Return</b>	<b>(4.90%)</b>	<b>2,234%</b>	<b>(31.90%)</b>
Closing Portfolio Value	3,993	2,951	36

We believe that there is considerable value to be unlocked by moving into the next stage of property development of commercial real estate. This view is informed by the following factors:

- a) the significant demand by local and international businesses for commercial real estate in East African region for rental purposes;
- b) the high demand by portfolio managers for high quality investment grade assets yielding a return;
- c) the high prices of land with comparable development rights imply that we have a competitive advantage. An acre of comparable land is at least 5x- 10x more than our current carrying value;
- d) the location and beauty of both sites suggest that it



is possible to create an urban environment that is of a significantly higher quality, which will allow our developments to sustain a competitive advantage for a long period to come.

### 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.

As at 31st March 2012, Centum's REI portfolio was valued by Knight Frank Kenya & Knight Frank Uganda based on direct market comparables.

### Our Real Estate Development Approach

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

- (i) For investors we are creating an investment grade vehicle for real estate investments that will generate income

and capital appreciation over the long term. To match our investment horizon, therefore, we are focusing on sustainable developments that will still be relevant for a long time after completion. 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.

- (ii) 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.

In summary, then, our key business focus in FY2012/2013 for the two projects will be to:

- (i) Establish the best corporate structures to enable investors participation in the real estate projects;
- (ii) Establish the best ownership structures to enable potential tenants to take up space participation in the projects;
- (iii) Secure funding (debt and equity) for Phase 1;
- (iv) Complete detailed designs for infrastructure and buildings for phase 1;
- (v) Tender for construction
- (vi) Commence Phase one development;

# Risk Management and Internal Controls

## Introduction

Centum Investment Company has a risk management framework which provides a structured and consistent process for identifying, assessing and responding to risks in relation to the company's strategy and business objectives. Our investing activities expose us to a variety of risks. Investment and operational risks are an inevitable consequence of being in business.

Risk management operates at all levels across the different business lines in the company. The Board is ultimately responsible for risk management, which includes the risk governance structure and maintaining an internal control framework. The management team is responsible for implementing risk management policies and internal controls. The internal audit function which reports regularly to the Audit and Risk Committee, provides support to the board in maintaining effective risk management.

This is designed to provide reasonable but not absolute assurance of achieving our business objectives. Our risk management policies are set out in the Corporate Risk Management Manual which describes the methodology to be followed to manage all enterprise risks.











The risk governance framework and the responsibilities of the main committees involved are shown below.

## RISK GOVERNANCE


Organ	Responsibility
<b>Board of Directors:</b>	<ul style="list-style-type: none"><li>• Approves company policies and procedures;</li><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 or exposure.</li></ul>
<b>The Audit and Risk Committee</b>	<ul style="list-style-type: none"><li>• Advises the Board on the effectiveness of policies and procedures for risk assessment and risk management;</li><li>• Reviews the Company's approach to risk management and recommends changes or improvements to key elements of its processes and procedures;</li><li>• Provides a statement to the Board annually indicating how the company has complied with good corporate governance and laid down risk management policies.</li></ul>
<b>Investment Committee</b>	<ul style="list-style-type: none"><li>• Oversight over the implementation of the investment strategy.</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><li>• Ensures that the major risks associated with significant proposals/prospects have been properly considered and can be appropriately managed within the policy framework set by the Board;</li><li>• Identifies and evaluates key risks that threaten achievement of the company's objectives;</li><li>• Assists the audit and risk committee in ensuring that internal processes and procedures are adequate and complied with.</li><li>• Identifies strategies to manage such risks, including identification of appropriate risk owners, and monitors the satisfactory operation of the risk management strategy;</li><li>• Communicates the company risk management policy and risk related information to all staff, subsidiary organizations and external partners.</li></ul>

# Risk Management and Internal Controls

## RISK CATEGORIES

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 across business line portfolios;</li> <li>• Valuations and exits.</li> </ul>	<p>CEO's statement  Page 20-27</p> <p>Financial statements  Page 51-103</p> <p>Financial Risk disclosures Risks  Page 71-78</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>	<p>Risks that relate to:</p> <ul style="list-style-type: none"> <li>• The company will miss out on attractive investment opportunities due to lack of funding;</li> <li>• The company will experience difficulties in meeting its financial commitments.</li> </ul>	<p>Financial risk disclosures  Page 71-78</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>Treasury and Funding risk.</b>	<p>Risks arising from</p> <ul style="list-style-type: none"> <li>• Uncertainty in market prices and rates;</li> <li>• An inability to raise adequate funds to meet investment needs or meet obligations as they fall due, or;</li> <li>• Inappropriate capital structure</li> </ul>	<p>Financial review (Statement of Financial Position)  Page 56</p> <p>Notes  Page 63-103</p>	<ul style="list-style-type: none"> <li>• Credit risk exposure is managed on an asset-specific basis by individual investment managers</li> <li>• Regular Board reviews of the company's financial resources</li> <li>• Regular reviews of liquidity, gearing, net debt and large currency exposures</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 44-48</p> <p>Financial risk disclosures  Page 71-78</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 e.t.c;</li> <li>• Competitive rivalry;</li> <li>• Natural Disasters.</li> </ul>	<p>Chairman's Statement &amp; CEO's Review  Page 10-27</p>	<ul style="list-style-type: none"> <li>• Diversified investment portfolio;</li> <li>• Tested investment approach;</li> <li>• Insurance;</li> <li>• Due diligence when entering new markets or business areas.</li> <li>• Business continuity planning;</li> <li>• Best practice business operations.</li> </ul>
<b>Strategic risks</b>	<p>Risks arising from the analysis, design and implementation of the Company's business model, and key decisions on the investment levels and capital allocations</p>	<p>Chairman's Statement, CEO's Review &amp; Business Review  Page 10-41</p>	<ul style="list-style-type: none"> <li>• Periodic strategic reviews</li> <li>• Regular monitoring of key risks by Group Risk Committee and the Board</li> <li>• Monitoring of a range of key performance indicators, forecasts and periodic updates of plans and underlying assumptions</li> <li>• Disciplined management of key strategic projects</li> </ul>

Board of Directors & Committee Members	43
Corporate Governance Statement	44-48
Corporate Social Responsibility	49



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.





## 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)  
P M Kimurwa (Alternate to ICDC)  
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  
P M Kimurwa  
M Mwangi  
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  
M Mwangi

### BRANDING COMMITTEE

H C Njoroge - Chairman  
C J Kirubi  
J M Mworia  
M Mwangi

# Corporate Governance

The Board and Management of Centum Investment Company Limited (Centum) aims to comply with established best practice in the field of corporate governance. At the heart of Centum's core values is integrity which dictates the adherence to a strict ethical code in how we approach our work, business relationships, decisions and actions.

## 1. Principal Activity

Centum is the largest listed investment company in the East African region and together with its subsidiaries is engaged in the business of investment across private equity, real estate and infrastructure and quoted private equity asset classes. Centum is listed on both the Nairobi Securities Exchange (NSE) and Uganda Securities Exchange (USE).

## 2. Group Structure

The holding company is Centum which is listed on the NSE and USE. The use of subsidiaries (special purposes vehicles) is necessary to allow for flexibility in structuring of transactions, financing and risk management particularly of contagion. The subsidiaries are disclosed in note 18, page 93 and 94 to the financial statements.

## 3. Going Concern

The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future and for this reason continue to adopt the going concern basis when preparing the financial statements.

## 4. Board Responsibilities

### • Business Conduct

The business of the Group is conducted within a developed control framework underpinned by policy statements, written procedures and control manuals. The Board has established a management structure which clearly defines roles responsibilities. Any delegated authority is documented and communicated.

### • Internal Controls

The Board is responsible for the Groups risk management and internal controls and regularly reviews the effectiveness regularly. The internal audit role has been outsourced to KPMG Kenya who provide regular reports recommending improvements in risk management and controls. In addition, the external auditors independently and objectively review the approach of management to financial reporting.

### • Statutory Accountability

The Group adheres to the Corporate Governance Guidelines issued by the Capital Markets Authority in Kenya to ensure compliance of the principles of corporate governance. The Group's Code of Ethics and Business

Standards together with the Policy on Insider Trading have been developed with reference with reference to this compliance regulatory framework.

The Group through the guidance of its legal advisors and the Company Secretary continuously reviews the relevant legislative framework to assess the impact on the principal activity. In particular, the Group observes the compliance obligations outlined in the Companies Act (Cap 486) and the Capital Markets Act (Cap 485A) including all the other obligations with respect to the Group's operations and listing regulations of the Nairobi Securities Exchange together with the Uganda Securities Exchange. The Company Secretary is a member of the Institute of Certified Public Secretaries Kenya (ICPSK).

### • Preparation of Financial Statements

The Board are responsible for the preparation of the financial statements. The Board confirms that all subsidiaries and affiliated entities including special purpose vehicles are subject of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

### • Internal Controls

The Board is responsible for the Group's system of internal controls and regularly receives a report on the effectiveness of the internal controls from the Audit and Risk Committee.

## 5. Governance Principles

### • Conflict of Interest

The directors and employees have a fiduciary duty to make a full and fair disclosure disclose all matters that could reasonably be expected to impair the objectivity or interfere with the execution of their duties to the Group. Centum's Articles allows directors to approve conflicts of interests subject to appropriate conditions and has implemented processes to identify actual and potential conflict of interest. The Group maintains a register of interests for its Board of Directors.

### • Related Party Transactions

The Group defines a related party transaction broadly and includes where there is a relationship either by shareholding or directorship that can result in the exercise of control. The table below discloses Centum's common shareholding with its directors: All transactions with related parties by virtue of common shareholding, directorships and employment are carried out at arm's length and are disclosed on note 32. The directors do not own any shares in subsidiaries.

### • Insider Trading Policy

The Group's policy on insider trading identifies securities and conduct of persons who should exercise caution when dealing with information with respect to the Group

Centum Directors	Aon Kenya Insurance Brokers Ltd.	General Motors EA Ltd.	Kenya Wine Agencies Ltd.	Kisii Bottlers Ltd.	Mount Kenya Bottlers Ltd.	Rift Valley Bottlers Ltd.	UAP Holdings Ltd.
Centum	21.5%	17.8%	26.4%	23.9%	27.8%	44.0%	24.2%
ICDC	20.0%	20.0%	72.7%	45.1%	19.0%	29.3%	-
C. J. Kirubi	-	-	-	-	-	-	16.8%
J N Muguayi	-	-	-	-	-	-	10.5%

or its investment activities. The policy recommends that trading should be restricted to only thirty days following a public announcement by the Group.

## 6. Board Structure

### • Composition of the Board

The Group maintains a unitary Board structure. The current Board of Centum 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. Centum has a policy to replicate the Board Composition on the subsidiaries with the discretion to invite additional directors to provide the required expertise depending on the subsidiary.

### • Chairman's Role & Chief Executive (CEO's) Role

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

On the other hand, 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.

### • Appointment of Director

All Directors are appointed by ordinary resolution of the shareholders of Centum in a general meeting. The skills and competencies of the Board are disclosed on page 6-7. 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.

### • Rotation of Directors

Centum Articles 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. There are no conflicts of interest that would undermine the position of the directors seeking re-election.

### • Induction and Development

The Company Secretary facilitates the induction of new directors on their responsibilities to various stakeholders, meetings procedures and corporate governance processes. In addition to the induction program, all directors are required to update their skills and maintain familiarity with the Company and its business through the directors training program. The Board is in the process of formulating the process that will guide the Board Evaluation which will appraise the individual directors, Committees and the Board.

### • Information to the Directors

The non executive directors receive regular reports and information which enables them scrutinise the Group's performance on at least a quarterly basis. 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 advice with respect to performance of their duties at the Group's expense. All directors have access to the services of the Company Secretary.

### • Directors Remuneration

The remuneration for non-executive directors consists of fees for their services in connection with board and committee meetings and is disclosed on note 7a, page 87 to the financial statements. The director's remuneration is tabled for approval at every annual general meeting and this is brought to the attention to the shareholders through the notice convening the annual general meeting. The directors are not eligible for pension scheme membership and do not participate in any of the Group's bonus or other incentive schemes. There were no loans advanced to directors at any time during the year.

## 7. Committees of the Board

Though the Board is responsible for strategy formulation, risk identification, senior management selection and compensation, integrity of financial controls and general compliance the Board has approved and delegated certain authorities to the Board sub-committees.

The Committees have specific mandates that are documented in the respective Terms of Reference to ensure accountability. The Board is fully aware of its collective and ultimate responsibility to stakeholders for the performance and affairs of the Group.

# Corporate Governance

The membership and Chairman 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.

## 8. Audit and Risk Committee

- **Membership**

The Audit and Risk Committee (ARC) consists of non-executive directors, the majority of whom qualify as independent non-executive directors in compliance with the Corporate Governance Guidelines issued by the Capital Markets Authority. The Managing Director, the Finance Manager and the lead audit partner in charge of the internal and external audit are in attendance at meetings.

- **Mandate**

The role of the ARC is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparations of accurate financial statements in compliance with all applicable legal requirements and accounting standards.

- **Activity**

During the year the ARC reviewed the integrity of the risk control systems to ensure effective management of the risk policies and strategies. The ARC provided a forum for the discussion of business risk and control issues resulting in recommendations towards improvement of internal controls for consideration by the Board. The ARC also reviewed the external audit plan and report, the internal auditors and risk reports from the Risk Officer.

## 9. Nomination and Governance Committee

- **Membership**

The Nomination and Governance Committee (NGC) consists of five directors who are all non-executive directors.

- **Mandate**

The role of the NGC is to develop and implement policies with respect to both the strategic priorities of the Board and human resources on matters of governance.

- **Activity**

During the year the NGC considered the human resource strategic priorities to ensure the Group delivers to promise. The NGC also approved the recruitment of new members to the team and made recommendations on review of the performance management system.

## 10. Investment Committee

- **Membership**

The Investment Committee (IC) is made up of six directors and includes the executive director in addition to and non-executive directors.

- **Mandate**

The key role of the IC is to provide leadership in the achievement of attractive returns on the Group's investment and clear guidelines on investment policies that a consistent and structured, research-based and risk sensitive approach to value investing. The IC exercises oversight on the implementation of the investment strategy and policy of the Group.

- **Activity**

During the year the IC regularly monitored the Group's performance of recent investments against budget and strategic objectives. This included the review of the overall portfolio to monitor exposure on sectors, asset class and geography.

## 11. Branding Committee

- **Membership**

The Branding Committee (BC) comprises of a four members being a mix of the executive and non-executive directors.

- **Mandate**

The role of the BC is to oversee the development of the brand of the Group ensuring consistency with the group's strategic direction necessary for creating tangible wealth.

- **Activity**

During the year the BC reviewed the alignment of the brand with the group's strategic direction and values.



Centum CEO, James Mworio receives All Africa Business Leader Award for Africa Young Business Leader of the Year 2011 Award held in South Africa.



12. Directors Participation in Meetings

The table below shows the attendance at meetings during the year ended 31 March 2012:

Name	Role	Board of Directors (BOD)	Audit and Risk Committee (ARC)	Nomination & Governance Committee (NGC)	Investment Committee (IC)	Branding Committee (BC)
1. James Ngatia Muguiyi	Chairman of the BOD	6/6	-	-	-	-
2. James Mwirigi Mworio	CEO	6/6	-	-	5/5	2/2
3. Peter Kimurwa	Chairman of NGC	4/6	-	-	4/5	-
4. Margaret Martha Byama	Member	4/6	3/5	1/1	-	-
5. Christopher John Kirubi	Chairman of IC	5/6	-	1/1	5/5	2/2
6. Henry Chege Njoroge	Chairman of BC	6/6	5/5	-	-	2/2
7. Imtiaz Khan	Chairman of ARC	5/6	4/5	-	5/5	-
8. Robert Kenneth Bunyi	Member	6/6	5/5	-	5/5	-
9. Maina Mwangi	Member	6/6	-	1/1	4/5	2/2

13. Capital Structure

• Share Capital

The authorized and issued share capital of Centum consists of only ordinary shares as disclosed on note 27, page 99 to the financial statements.

• Top Ten Shareholders as at 31 March 2012

No.	Name	fy2011/2012		fy 2010/2011	
		No. of Shares	% Holding	No. of Shares	% Holding
1.	Industrial and Commercial Corporation Development (ICDC)*	156,457,997	23.51%	142,234,543	23.51%
2.	Christopher John Kirubi*	115,507,826	17.36%	103,979,137	17.19%
3.	Kiruma International Ltd **	32,102,282	4.82%	29,183,894	4.82%
4.	CFC Stanbic Nominees Ltd A/C R 48701 and 48703 ** ‡	36,737,182	5.52%	31,950,059	5.28%
5.	International House Ltd A/C 275204 & 14577 **	11,135,313	1.67%	20,356,155	3.36%
6.	USE Shareholders ^	9,900,000	1.49%	9,000,000	1.49%
7.	Jubilee Insurance Company of Kenya Limited	5,222,190	0.78%	4,838,355	0.80%
8.	CFC Stanbic Nominees Kenya Ltd A/C NR1030624	4,942,945	0.74%	2,129,950	0.35%
9.	John Kibunga Kimani	4,472,521	0.67%	3,463,993	0.57%
10.	Standard Chartered Nominees Limited A/C 9897	2,750,000	0.41%	2,500,000	0.41%
<b>Top Ten Shareholders</b>		<b>379,228,256</b>	<b>56.99%</b>	<b>349,980,625</b>	<b>57.85%</b>
Other 37,444 Shareholders		286,213,458	43.01%	254,966,388	42.15%
<b>Total Issued Shares</b>		<b>665,441,714</b>	<b>100.00%</b>	<b>604,947,013</b>	<b>100.00%</b>

Source - Custody and Registrars Limited, Company's Registrar

\* Director of Centum

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

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

^ A nominee account for shareholders on the Uganda Securities Exchange

## Corporate Governance

### • Directors Shareholding

No.	Name	Role	fy 2011/2012		fy 2010/2011	
			No of Shares	% Holding	No of Shares	% Holding
1.	James Ngatia Muguiyi	Chairman	346,096	0.05%	316,833	0.05%
2.	James Mwirigi Mworira	CEO	124,294	0.02%	312,268	0.05%
3.	Industrial and Commercial Development Corporation (ICDC)	Director	156,457,997	23.51%	142,234,543	23.51%
4.	Peter Mwandani Kimurwa	Alternate to ICDC	-	-	-	-
5.	Permanent Secretary Ministry of Trade (PS)	Director	-	-	-	-
6.	Margaret Martha Byama	Alternate to the PS	-	-	-	-
7.	Christopher John Kirubi	Director	115,507,826	17.36%	103,979,137	17.19%
8.	Henry Chege Njoroge	Director	110,028	0.02%	110,466	0.02%
9.	Imtiaz Khan	Director	-	-	-	-
10.	Robert Kenneth Bunyi	Director	242	0.00%	220	-
11.	Maina Mwangi	Director	-	-	-	-
	Shares held by Directors		272,546,483	40.96%	246,953,467	40.82%
	Other Shareholders		392,895,231	59.04%	357,993,546	59.18%
	<b>Total Issued Shares</b>		<b>665,441,714</b>	<b>100.00%</b>	<b>604,947,013</b>	<b>100.00%</b>

### • Shareholding Spread

VOLUME	fy 2011/2012				fy 2010/2011			
	No of Shares	%	No Shares	%	No of Shares	%	No Shares	%
1-500	2,325,090	0.35%	11,103	29.64%	2,165,313	0.36%	10,556	28.25%
501-5,000	38,441,020	5.78%	18,860	50.36%	37,516,876	6.20%	19,521	52.24%
5,001- 10,000	24,237,841	3.64%	3,402	9.08%	23,339,521	3.86%	3,388	9.07%
10,001 - 100,000	91,504,172	13.75%	3,708	9.90%	85,386,720	14.11%	3,582	9.59%
100,001 - 1,000,000	88,730,145	13.33%	342	0.91%	72,934,733	12.06%	287	0.77%
>1,000,000	420,203,446	63.15%	39	0.10%	383,603,850	63.41%	36	0.10%
<b>TOTALS</b>	<b>665,441,714</b>	<b>100%</b>	<b>37,454</b>	<b>100%</b>	<b>604,947,013</b>	<b>100%</b>	<b>37,370</b>	<b>100%</b>

### 14. Communication to Stakeholders

The Group is also cognisant of the interests of a range of stakeholders that is important to promote the long term sustainability. The main avenue for our communication to stakeholders is through the circulation lists of the Nairobi Securities Exchange and Uganda Securities Exchange. This is supplemented by Custody and Registrar's who are the Centum's share registrar and various information communication technologies like Centum's website ([www.centum.co.ke](http://www.centum.co.ke)), twitter and other blogs.

The Group has placed great importance to the provision of information through enhancement of the disclosure in the financial statements through the Chairman, CEO and Business Line Reviews.

The Annual General Meeting provides the Board an opportunity for the Board and Management to communicate with its shareholders. The holders of the ordinary shares are entitled to attend in person or through their proxy at the Annual General Meeting.

### 15. Accolades

Financial Year	Award	Awarding Organization
October 2011	Africa Young Business Leader of the Year 2011	All Africa Business Leader Award
March 2011	Overall Champions of Governance, 1st Runners Up – COG Awards	Institute of Certified Public Secretaries Kenya (ICPSK)
	Finance and Investment Category, 2nd Runners Up – COG Awards	Institute of Certified Public Secretaries Kenya (ICPSK)
March 2010	Industrial, Commercial and Services, 1st Runners Up – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)
	Overall Champions of Governance, 2nd Runners Up – COG Awards	Institute of Certified Public Secretaries Kenya (ICPSK)
	Finance and Investment Category, 1st Runners Up – COG Awards	Institute of Certified Public Secretaries Kenya (ICPSK)
March 2009	Industrial, Commercial and Services, Winner – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)
March 2008	Corporate Governance, 1st Runners Up – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)
June 2007	Industrial, Commercial and Services, 1st Runners Up – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)
June 2006	Listed Category, Winner – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)
June 2005	Overall Winner, 1st Runners Up – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)
	Listed Category, 1st Runners Up – FiRE Awards	Institute of Certified Public Accountants Kenya (ICPAK)

## CSR Mission

Centum's CSR mission is 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. They include employees, investors, the community and the environment.
- We acknowledge all the feedback that we receive from our stakeholders and, where possible, maintain open dialogue to ensure that we listen to them and support them where we can.
- We are open and honest in communicating our strategies, targets, and performance and governance pillars to our stakeholders in our continual commitment to sustainable support and development of various initiatives we get involved in.
- We ensure that the entire team participates actively in these initiatives.

## Our Focus

Centum will continuously partner with its stakeholders to support events aligned to the corporate strategy. Centum selects sponsorship programs that are guided by the key pillar- promoting investment education and financial literacy.

## Corporate Sponsorship

Our corporate sponsorship is driven by a clearly defined vision that merges with the values, principles and aspiration of the communities we interact with and support.

Previously we have engaged in a number of activities enhance investment education to the wider community. These include initiatives such as part ne ring 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.

## Our Initiatives:

- **KAIG & BAO Partnerships**  
Centum cemented partnerships with Kenya Association of Investment Groups (KAIG) in June last year and with Bank of Africa early this year.  
  
We plan to tap into the investment groups in these associations to provide prudent and ethical management practices that are imperative to their success and survival. We acknowledge that good corporate governance is pre-requisite to sound and successful investments.

- **The Super Return Conference**

The Super Return conference is organized by the International Centre for Business Information (ICBI). ICBI organizes large scale annual events on topics ranging from investment management, private equity, energy to alternative investments, infrastructure finance and risk management. Centum was the lead sponsorship in the 1st ever conference to be held in Africa and Kenya in particular In November last year. The conference created an opportunity to profile the company as a regional investor and to interact with renowned investors in Africa, Europe and Latin America.

The key theme for the conference was, defining key strategies for value creation, maximizing returns and expanding the investor base for African private equity

- **The Greenhorn Mentorship Program**

This is an initiative by the University of Nairobi to provide a networking opportunity and active interaction with the mentees.

We have recruited 6 mentors into the program with the aim of advancing and sharing knowledge and skills acquired within the company to the young generation that is currently steering the Kenyan economy to greater heights.

- **Kenyans for Kenya Campaign**

In recognition of the prevailing drought situation in Northern Kenya in July last year, Centum Investment Company Limited participated in the food provision programme by donating funds towards the initiative spearheaded by goodwill ambassadors in the corporate sector.

- **Little Rock Foundation**

As part of the company's effort to enhance literacy we have continuously supported a reading Culture at Little Rock Inclusive ECD Centre by developing the school library.

The Library at Little Rock is helping its graduates to bridge the gap that exists between Poverty and literacy. Its interventions have a particularly profound effect on those children who have dealt a less privileged hand. We address one of the most important factors affecting literacy - access to books and informative literature. Centum's CSR Initiative has in the past donated course books for Little Rock's graduates and story books for Little Rock's children and has also provided computers and workstation for the school.

<a href="#">Directors Responsibilities</a>	51
<a href="#">Report of the Directors /Ripoti Ya Wakurugenzi</a>	52
<a href="#">Report of the Auditors</a>	53
<a href="#">Consolidated Statement of Comprehensive Income</a>	54
<a href="#">Company Statement of Comprehensive Income</a>	55
<a href="#">Consolidated Statement of Financial Position</a>	56
<a href="#">Company Statement of Financial Position</a>	57
<a href="#">Consolidated Statement of Changes in Equity</a>	58-59
<a href="#">Company Statement of Changes in Equity</a>	60-61
<a href="#">Consolidated Statement of Cash Flows</a>	62
<a href="#">Notes to the Financial Statements</a>	63-103



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.



## Statement of Director's Responsibilities

The Kenyan 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 Kenyan 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. Mugiyi**  
Chairman



**James M Mworira**  
Managing Director

The directors submit their report together with the audited financial statements for the year ended 31 March 2012, in accordance with Section 157 of the Kenyan Companies Act, which discloses the state of affairs of Centum Investment Company Limited (the Company) and its subsidiaries (together, the Group).

## PRINCIPAL ACTIVITIES

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

## RESULTS

For year ended 31 March	2012 Kshs'000	2011 Kshs'000
Profit before taxation	1,366,675	2,294,429
Taxation	(177,270)	(2,046)
<b>Profit for the year transferred to retained earnings</b>	<b>1,189,405</b>	<b>2,292,383</b>

The results for the year are set out fully on pages 54 to 103 in the attached financial statements.

## DIVIDEND

Directors do not recommend the payment of a dividend (2011: Nil).

## DIRECTORS

Current members of the board are shown on page 43.

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.

In Accordance with section 186(5) of the Companies Act (Cap 486) Dr. C. J. Kirubi who is over the age of 70 years and being eligible offers himself 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 18 June 2012.

By Order of the Board



Naomi E. Nyamongo  
Secretary  
Nairobi

18 June 2012.

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa ya kifedha iliyokaguliwa kwa mwaka uliokwisha 31 Machi 2012 kwa mujibu wa sehemu ya 157 ya Sheria za Kampuni, ambayo inabainisha hali ya kifedha ya kampuni ya Centum Investment pamoja na mashirika yake (Kwa pamoja yakiitwa Kundi la Mashirika).

## SHUGHULI

Shughuli maalum ya kampuni inabaki kuwa ile ya uwekezaji wa rasilimali.

## MATOKEO

Mwaka uliokwisha 31 Machi	2012 Kshs'000	2011 Kshs'000
Faida kabla ya kutozwa ushuru	1,358,734	2,294,429
Ushuru	(179,777)	(2,046)
<b>Faida iliyowekwa kama akiba</b>	<b>1,178,957</b>	<b>2,292,383</b>

Maelezo kamili kuhusu matokeo yanapatikana ukurasa wa 54 hadi 103.

## MGAWO WA FAIDA

Wakurugenzi wanapendekeza mgawo wa faida usilipwe (Mwaka 2011 mgao haukulipwa).

## WAKURUGENZI

Wanachama wa halmashauri ya wakurugenzi waliohudumu wameorodheshwa ukurasa wa 43.

Kwa mujibu wa kifungu cha 86 cha Kanuni za Kampuni, Bwana J. N. Muguyi na shirika la Industrial and Commercial Development Corporation, wanastaafu kwa zamu, lakini kwa kuwa wanahitimu wanajitolea ili kuchaguliwa tena.

Kwa mujibu wa sehemu ya 186(5) ya Sheria za Kampuni (fungu la 486 ya Sheria za Kenya), Dr. C. J. Kirubi ambaye umri wake unapita mika 70 anateuliwa tena kuwa Mkurugenzi wa Kampuni.

## WAKAGUZI WA HESABU

PricewaterhouseCoopers, kwa kuonyesha nia yao ya kuendelea, wanaendelea kuwa ofisini kulingana na kanuni ya kifungu cha 159(2) ya Sheria za Kampuni (fungu la 486 ya Sheria za Kenya).

## IDHINISHO KWA TAARIFA YA KIFEDHA

Taarifa za kifedha ziliidhinishwa na halmashauri ya wakurugenzi mnamo 2012.

Kwa Amri ya Halmashauri ya Wakurugenzi



Naomi E. Nyamongo  
Katibu, Nairobi, 18 June 2012



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

## Report on the financial statements

We have audited the accompanying financial statements of Centum Investment Company Limited (the Company) and its subsidiaries (together, the Group) set out on pages 54 to 103. These financial statements comprise the consolidated statement of financial position at 31 March 2012, 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 2012, the statements of comprehensive income and 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 Kenyan 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 2012 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

18 June 2012

PricewaterhouseCoopers, Certified Public Accountants, The Rahimtulla Tower, Upper Hill Road, P O Box 43963 00100 Nairobi, Kenya  
T: +254 (20) 285 5000, F: +254 (20) 285 5001, [www.pwc.com/ke](http://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 2012

	Notes	2012 Kshs'000	2011 Kshs'000
<b>Income</b>	6	1,272,313	2,261,431
<b>Expenses</b>			
Administrative expenses	7(a)	(148,094)	(205,980)
Operating expenses	7(b)	(121,709)	(93,259)
Finance costs	8	(229,872)	(154,697)
		(499,675)	(453,936)
<b>Share of profits of associate companies</b>	19	594,037	486,934
<b>Profit before tax</b>		1,366,675	2,294,429
<b>Income tax expense</b>	10	(177,270)	(2,046)
<b>Profit for the year</b>		1,189,405	2,292,383
<b>Other comprehensive income for the year</b>			
Reserves released on disposal of investments	11	(562,349)	(964,613)
Share of other comprehensive (loss)/income of associates	19	(91,117)	165,053
Fair value gain in unquoted investments	20	114,597	12,165
Fair value (loss)/gain in quoted investments	21	(166,121)	199,577
Currency translation differences		(2,550)	(1,355)
<b>Total other comprehensive loss</b>		(707,540)	(589,173)
<b>Total comprehensive income</b>		481,865	1,703,210
<b>Earnings per share for profit attributable to the equity holders of the Company</b>	12	Kshs 1.79	Kshs 3.44



# Company Statement of Comprehensive Income

For the year ended 31 March 2012

		2012 Kshs'000	2011 Kshs'000
<b>Income</b>	6	764,460	1,684,796
<b>Expenses</b>			
Administrative expenses	7(a)	(136,368)	(201,853)
Operating expenses	7(b)	(90,707)	(89,113)
Finance costs	8	(49,979)	(154,697)
		(277,054)	(445,663)
<b>Profit before income tax</b>		487,406	1,239,133
Income tax expense	10	(41,264)	(1,950)
<b>Profit for the year</b>		446,142	1,237,183
<b>Other comprehensive income for the year</b>			
Reserves released on disposal of investments	11	(127,243)	(833,339)
Fair value gain in subsidiaries	18	13,619	902,681
Fair value gain in associates	19	882,934	1,990,419
Fair value gain in unquoted investments	20	114,597	12,165
Fair value (loss)/gain in quoted investments	21	(196,952)	86,192
<b>Total other comprehensive income</b>		686,955	2,158,118
<b>Total comprehensive income</b>		1,133,097	3,395,301

# Consolidated Statement of Financial Position

For the year ended 31 March 2012

	Notes	2012 Kshs'000	2011 Kshs'000
<b>Assets</b>			
Deferred income tax	13	-	30,443
Current income tax	10(c)	-	2,654
Investment property	15	3,992,754	3,525,578
Motor vehicle and equipment	16	26,467	26,813
Intangible assets	17	1,926	5,404
Investment in associates	19	3,614,550	3,377,305
Unquoted investments	20	1,427,206	1,338,664
Quoted investments	21	1,666,309	3,208,611
Corporate bonds at fair value through profit or loss	22	480,000	539,188
Receivables and prepayments	24	36,079	240,140
Cash and cash equivalents	25	322,410	6,776
		11,567,701	12,301,576
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	27	332,721	302,474
Share premium	27	589,753	589,753
Investment revaluation reserve	28	1,736,198	2,443,738
Retained earnings		7,382,570	6,223,412
<b>Total equity</b>		<b>10,041,242</b>	<b>9,559,377</b>
<b>Liabilities</b>			
Borrowings	26	1,000,000	1,987,980
Payables and accrued expenses	29	355,956	719,170
Unclaimed dividends	30	34,437	35,049
Current income tax	10(c)	5,114	-
Deferred income tax	13	130,952	-
		1,526,459	2,742,199
		11,567,701	12,301,576

The financial statements on pages 54 to 103 were approved for issue by the board of directors on 18 June 2012 and signed on its behalf by:



**James N. Muguiyi**  
Chairman



**James M Mworia**  
Managing Director

# Company Statement of Financial Position

For the year ended 31 March 2012

	Notes	2012 Kshs'000	2011 Kshs'000
<b>Assets</b>			
Deferred income tax	13	5,150	30,539
Current income tax	10(c)	-	832
Investment property	15	-	265,000
Motor vehicle and equipment	16	26,467	26,754
Intangible assets	17	1,926	3,052
Investment in subsidiaries	18	1,784,954	1,753,506
Investment in associates	19	7,128,721	6,230,521
Unquoted investments	20	1,427,206	1,338,664
Quoted investments	21	1,289,540	2,422,116
Corporate bonds at fair value through profit or loss	22	480,000	539,188
Due from subsidiary companies	23	3,104,780	2,221,780
Receivables and prepayments	24	155,344	165,745
Cash and cash equivalents	25	317,340	5,903
		<b>15,721,428</b>	<b>15,003,600</b>
<b>Capital and reserves</b>			
Share capital	27	332,721	302,474
Share premium	27	589,753	589,753
Investment revaluation reserve	28	8,792,989	8,106,034
Retained earnings		3,970,001	3,554,106
<b>Total equity</b>		<b>13,685,464</b>	<b>12,552,367</b>
<b>Liabilities</b>			
Borrowings	26	1,000,000	1,987,980
Payables and accrued expenses	29	134,078	144,332
Due to subsidiary companies	23	862,303	283,872
Unclaimed dividends	30	34,437	35,049
Current income tax	10(c)	5,146	-
		<b>2,035,964</b>	<b>2,451,233</b>
		<b>15,721,428</b>	<b>15,003,600</b>

The financial statements on pages 54 to 103 were approved for issue by the board of directors on 18 June 2012 and signed on its behalf by:



**James N. Muguiyi**  
Chairman



**James M Mworia**  
Managing Director

# Consolidated Statement of Changes In Equity

For the year ended 31 March 2012

	Notes	Share capital Kshs'000	Share premium Kshs'000	Investment revaluation reserve Kshs'000	Retained earnings Kshs'000	Total equity Kshs'000
<b>Year ended 31 March 2012</b>						
At start of year		302,474	589,753	2,443,738	6,223,412	9,559,377
<b>Comprehensive income</b>						
Profit for the year		-	-	-	1,189,405	1,189,405
<b>Other comprehensive income:</b>						
Reserves released on disposal of investments	11	-	-	(562,349)	-	(562,349)
Share of other comprehensive loss of associates	19	-	-	(91,117)	-	(91,117)
Fair value gain in unquoted investments	20	-	-	114,597	-	114,597
Fair value loss in quoted investments	21	-	-	(166,121)	-	(166,121)
Currency translation differences		-	-	(2,550)	-	(2,550)
<b>Total other comprehensive income</b>		-	-	(707,540)	-	(707,540)
<b>Total comprehensive income</b>		-	-	(707,540)	1,189,405	481,865
<b>Transactions with owners</b>						
Issue of bonus shares	27	30,247	-	-	(30,247)	-
<b>Total transactions with owners</b>		30,247	-	-	(30,247)	-
At end of year		332,721	589,753	1,736,198	7,382,570	10,041,242

# Consolidated Statement of Changes In Equity Continued

For the year ended 31 March 2012

	Notes	Share capital Kshs'000	Share premium Kshs'000	Investment revaluation reserve 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>						
<b>Reserves released on disposal of investments</b>						
	11	-	-	(964,613)	-	(964,613)
<b>Share of other comprehensive income of associates</b>						
	19	-	-	165,053	-	165,053
<b>Fair value gain in unquoted investments</b>						
	20	-	-	12,165	-	12,165
<b>Fair value gain in quoted investments</b>						
	21	-	-	199,577	-	199,577
<b>Currency translation differences</b>						
		-	-	(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>						
<b>Issue of bonus shares</b>						
	27	27,498	-	-	(27,498)	-
<b>Total transactions with owners</b>		27,498	-	-	(27,498)	-
At end of year		302,474	589,753	2,443,738	6,223,412	9,559,377

# Company Statement of Changes In Equity

For the year ended 31 March 2012

	Notes	Share capital Kshs'000	Share premium Kshs'000	Investment revaluation reserve Kshs'000	Retained earnings Kshs'000	Total equity Kshs'000
<b>Year ended 31 March 2012</b>						
At start of year		302,474	589,753	8,106,034	3,554,106	12,552,367
<b>Comprehensive income</b>						
Profit for the year		-	-	-	446,142	446,142
<b>Other comprehensive income:</b>						
Reserves released on disposal of investments	11	-	-	(127,243)	-	(127,243)
Fair value gain in subsidiaries	18	-	-	13,619	-	13,619
Fair value gain in associates	19	-	-	882,934	-	882,934
Fair value gain in unquoted investments	20	-	-	114,597	-	114,597
Fair value gain loss in quoted investments	21	-	-	(196,952)	-	(196,952)
<b>Total other comprehensive income</b>		-	-	686,955	-	686,955
<b>Total comprehensive income</b>		-	-	686,955	446,142	1,133,097
<b>Transactions with owners</b>						
Issue of bonus shares	27	30,247	-	-	(30,247)	-
<b>Total transactions with owners</b>		30,247	-	-	(30,247)	-
<b>At end of year</b>		332,721	589,753	8,792,989	3,970,001	13,685,464

## Company Statement of Changes In Equity Continued

For the year ended 31 March 2012

	Notes	Share capital Kshs'000	Share premium Kshs'000	Investment revaluation reserve 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 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 in unquoted investments	20	-	-	12,165	-	12,165
Fair value gain in quoted investments	21	-	-	86,192	-	86,192
<b>Total other comprehensive income</b>		-	-	2,158,118	-	2,158,118
<b>Total comprehensive income</b>		-	-	2,158,118	1,237,183	3,395,301
<b>Transactions with owners</b>						
Issue of bonus shares	27	27,498	-	-	(27,498)	-
<b>Total transactions with owners</b>		27,498	-	-	(27,498)	-
At end of year		302,474	589,753	8,106,034	3,554,106	12,552,367

# Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 Kshs'000	2011 Kshs'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	31	(216,890)	183,949
Interest paid	8	(179,243)	(147,914)
Income tax paid	10(c)	(9,897)	(2,591)
Dividends received from associates	19	280,941	223,267
<b>Net cash (used in)/generated from operating activities</b>		<b>(125,089)</b>	<b>256,711</b>
<b>Cash flows from investing activities</b>			
Purchase of investment property	15	(111,016)	(2,485,417)
Purchases of motor vehicles and equipment	16	(4,156)	(21,330)
Proceeds from disposal of motor vehicle and equipment		112	257
Purchases of intangible assets	17	(259)	(5,871)
Purchase of shares in associates	19	(15,266)	-
Purchase of unquoted equity investments	20	(85,240)	(382,433)
Purchase of quoted equity investments	21	(364,097)	(1,670,399)
Purchase of corporate bonds	22	(3,879,824)	-
Proceeds from disposal of unquoted investments	11	111,295	307,143
Proceeds from disposal of quoted investments	11	1,691,927	1,629,241
Proceeds on disposal of treasury and corporate bonds	11	4,088,389	-
<b>Net cash generated from/(used in) investing activities</b>		<b>1,431,865</b>	<b>(2,628,809)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings		-	1,000,000
Dividends paid to Company's shareholders	30	(612)	(1,392)
<b>Net cash (used in)/generated from financing activities</b>		<b>(612)</b>	<b>998,608</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,306,164</b>	<b>(1,373,490)</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		(981,204)	393,641
Increase/ (decrease)		1,306,164	(1,373,490)
Exchange losses on cash and cash equivalents		(2,550)	(1,355)
<b>At end of year</b>	25	<b>322,410</b>	<b>(981,204)</b>



## 1 GENERAL INFORMATION

Centum Investment Company Limited is incorporated in Kenya under the Kenyan Companies Act as a public limited liability Company and is domiciled in Kenya. The Company's shares are listed on the Nairobi Securities Exchange. The address of its registered office is:

International House  
5th Floor, Mama Ngina Street  
P.O Box 10518 – 00100  
Nairobi.

The Company has ten 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 consolidated 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 compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available for sale financial assets and assets at fair value through profit or loss. 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 management to exercise its 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.

### Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Group*

The following new standards and amendments

to standards are mandatory for the first time for the financial period beginning 1 April 2011.

Standard	Title
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments: Disclosures

- The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Group and Company was already disclosing the analysis of other comprehensive income on its statement of changes in equity.
- The amendment to IAS 24, 'Related party disclosures' 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 amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. Related party disclosures have increased following adoption of this amendment.
- The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following:
  - Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
  - Fair value of collaterals; and
  - Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Group and Company.

Other amendments and interpretations to standards became mandatory for the year beginning 1 April 2011 but had no significant effect on the Group's financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2012

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

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

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Group and Company.

Standard	Title	Applicable for financial years beginning on/after
IAS 1	Presentation of financial statements	1 July 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IFRS 9	Financial instruments	1 January 2015

- **IAS 1, Presentation of financial statements**  
The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two Groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two Groups separately.

The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income', though IAS 1 still permits entities to use other titles.

- **IFRS 9, 'Financial instruments'**  
IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that,

in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Group and Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- **IFRS 10, 'Consolidated financial statements'**  
This is a new standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company and provides additional guidance to assist in the determination of control where this is difficult to assess.

The revised definition of control focuses on the need to have both power and variable returns before control is present. The Group will need to consider the new guidance.

- **IFRS 12, 'Disclosure of Interests in other entities'**  
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including interests in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles. The Group is yet to assess IFRS 12s full impact.
- **IFRS 12, 'Disclosure of Interests in other entities'**  
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including interests in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles. The Group is yet to assess IFRS 12s full impact.
- **IFRS 13, 'Fair value measurement'**  
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is yet to assess IFRS 13s full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company.

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

### (b) Consolidation

#### (i) Subsidiaries

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies etc.

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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity

is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

#### (ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (iii) *Disposal of subsidiaries*

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

# Notes to the Financial Statements

For the year ended 31 March 2012

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

income are reclassified to profit or loss.

### *iv) 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.

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 Group's presentation 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 profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

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*

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

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:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each income statement 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
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in equity.

### (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 installments 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

# Notes to the Financial Statements

For the year ended 31 March 2012

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

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.

### *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.

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

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

- 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. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### (m) Payables

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

### (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.

### (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.

# Notes to the Financial Statements

For the year ended 31 March 2012

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

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.

### (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



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

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. 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.

### Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 4 FINANCIAL RISK MANAGEMENT

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

# Notes to the Financial Statements

For the year ended 31 March 2012

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

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.

### 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 2012, both Group and Company held deposits of Kshs 310,000,000 (2011: Kshs: Nil) and had unutilised bank credit facilities of Kshs 1,200,000,000 (2011: Kshs 212,020,000).

As at 31 March 2012, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Kshs 8,572,000 (2011: Kshs 7,323,000) 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 equity are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by choice of defensive stocks with low price volatility, and weekly monitoring of the value changes.

At 31 March 2012, if the prices at the Nairobi Securities 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 107,315,000 (2011: Kshs 527,602,000) higher/lower.

At 31 March 2012, if the prices at the Nairobi Securities Exchange had appreciated/depreciated by 5% with all other variables held constant, the impact on the Company comprehensive income and equity

**4 FINANCIAL RISK MANAGEMENT** *(continued)*

would have been Kshs 88,477,000 (2011: Kshs 488,277,000) higher/lower.

**(iii) Investment holding period risk**

60% (2011: 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 and Company have no fixed time horizon for its investments, and does not enforce exit options on investments as it believes current practice makes it easier to acquire attractive investments.

**(iv) Concentration risk**

86% (2011: 87%) of the Group's assets are located in Kenya with over 13% (2011: 12%) in the wider East African Region and 1% (2011: 1%) outside East Africa.

**Investment portfolio sectoral allocation**

Sector	GROUP Allocation		COMPANY Allocation	
	2012	2011	2012	2011
Real Estate	35%	30%	-	23%
Financial Services	25%	23%	35%	25%
Industrial and Allied	6%	17%	5%	14%
Alcoholic and Carbonated beverages	21%	17%	45%	26%
Automotive	8%	6%	9%	6%
Services	2%	5%	3%	4%
Publishing	3%	2%	3%	2%
Agriculture	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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.

**(iv) 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.

The mean exchange rates ruling at 31 March 2012 and 31 March 2011 were:

	2012 Kshs'000	2011 Kshs'000
1 US Dollar (Usd)	83.06	82.99
1 Ugandan Shilling (UgX)	0.033	0.035
1 Rwandese Franc (RwF)	0.138	0.014
1 Tanzania Shilling (Tshs)	0.052	-

# Notes to the Financial Statements

For the year ended 31 March 2012

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

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

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Quoted investments (UgX)	10,048	5,158	10,048	5,158
Quoted investments (RwF)	87,506	47,516	87,506	47,516
Quoted investments (Tzs)	99,074	-	-	-
Investment in Funds (Usd)	227,555	264,754	227,555	264,754
Investment property (Usd)	1,672,146	1,690,481	-	-
Prepayments	-	9,966	-	9,966
Cash and equivalents	146	3,259	129	3,060
	<b>2,096,475</b>	<b>2,021,134</b>	<b>325,238</b>	<b>330,454</b>

If all other variables were held constant, at 31 March 2012, the impact on values and reserves of the Shilling weakening or strengthening by 5% against the above currencies would have been as below;

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
1 US Dollar (Usd)	94,992	96,889	11,384	13,889
1 Ugandan Shilling (UgX)	502	258	502	258
1 Rwandese Franc (RwF)	4,375	2,376	4,375	2,376
1 Tanzanian Shilling (Tshs)	4,954	-	-	-
	<b>104,823</b>	<b>99,523</b>	<b>16,261</b>	<b>16,523</b>

### (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 its obligations. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate 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 2012, over 17% (2011: over 30%) of the Groups assets were held in assets that are quickly convertible to cash. The Group also had Kshs 1,200,000,000 (2011: Kshs 212,020,000) unutilised credit facility (See note 26).

## 4 FINANCIAL RISK MANAGEMENT (continued)

The net liquid assets of the Group and Company as at 31 March 2012 as highlighted below.

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
<b>Assets</b>				
Quoted investments	1,666,309	3,208,611	1,289,540	2,422,116
Corporate bonds	480,000	539,188	480,000	539,188
Due from subsidiary companies	-	-	3,104,780	2,221,780
Receivables	19,565	230,174	152,360	155,779
Deposits	310,000	-	310,000	-
Cash and cash equivalents	12,410	6,776	7,340	5,903
	2,488,284	3,984,749	5,344,020	5,344,766
<b>Liabilities</b>				
Payables and accruals	355,956	719,170	134,078	144,332
Due to subsidiary companies	-	-	862,303	283,872
Unclaimed dividends	34,437	35,049	34,437	35,049
Borrowings	1,000,000	1,987,980	1,000,000	1,987,980
	1,390,393	2,742,199	2,030,818	2,451,233
<b>Net liquid assets</b>	<b>1,097,891</b>	<b>1,242,550</b>	<b>3,313,202</b>	<b>2,893,533</b>

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;

GROUP AND COMPANY	Less than 1 years Kshs'000	Between 1 and 2 years Kshs'000	Between 2 and 5 years Kshs'000
At 31 March 2012			
Borrowings	533,333	466,000	400,000
<b>GROUP AND COMPANY</b>	<b>Less than 1 years Kshs'000</b>	<b>Between 1 and 2 years Kshs'000</b>	<b>Between 2 and 5 years Kshs'000</b>
At 31 March 2012			
Overdrafts	987,980	-	-
Borrowings	-	389,993	781,008

## (c) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have 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.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 4 FINANCIAL RISK MANAGEMENT (continued)

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.

None of the assets subject to credit risk are past due or impaired.

### (d) Fair value hierarchy

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

- **Level 1**  
Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.
- **Level 2**  
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- **Level 3**  
Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments reflected at fair value by level of the fair value hierarchy.

<b>GROUP</b>		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2012</b>	<b>Note</b>	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
<b>Financial assets:</b>					
Unquoted equity instruments	20	-	-	1,427,206	1,427,206
Quoted equity instruments	21	1,666,309	-	-	1,666,309
Corporate bonds	22	480,000	-	-	480,000
<b>31 March 2011</b>					
<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>COMPANY</b>					
<b>31 March 2012</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
<b>Financial assets:</b>					
Investment in subsidiaries	18	-	-	1,784,954	1,784,954
Investment in associates	19	-	-	7,128,721	7,128,721
Unquoted equity instruments	20	-	-	1,427,206	1,427,206
Quoted equity instruments	21	1,289,540	-	-	1,289,540
Corporate bonds	22	480,000	-	-	480,000
<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

**4 FINANCIAL RISK MANAGEMENT** *(continued)*

There were no transfers into or out of level 3 in 2012 and 2011.

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

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At start of year	1,338,664	1,251,209	9,322,691	6,341,474
Additions	85,240	382,433	118,697	383,095
Disposals	(111,295)	(186,142)	(111,657)	(186,142)
Fair value gains/(loss)	114,597	(108,836)	1,011,150	2,784,264
At end of year	1,427,206	1,338,664	10,340,881	9,322,691

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Total gains/(loss) on level 3 financial assets held at the end of the year as recognised in other comprehensive income	114,597	(108,836)	1,011,150	2,784,264

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

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
5% change market value	49,533	42,474	356,436	341,113

**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.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 4 FINANCIAL RISK MANAGEMENT *(continued)*

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.

The constitution of capital managed by the Company is as shown below:

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Share capital	332,721	302,474	332,721	302,474
Share premium	589,753	589,753	589,753	589,753
Investment revaluation reserve	1,736,198	2,443,738	8,792,989	8,106,034
Retained earnings	7,382,570	6,223,412	3,970,001	3,554,106
<b>Equity</b>	<b>10,041,242</b>	<b>9,559,377</b>	<b>13,685,464</b>	<b>12,552,367</b>
Total borrowings	1,000,000	1,987,980	1,000,000	1,987,980
Less: Bank balances	(12,410)	(6,776)	(7,340)	(5,903)
<b>Net borrowings</b>	<b>987,590</b>	<b>1,981,204</b>	<b>992,660</b>	<b>1,982,077</b>
Gearing (%)	9.84%	20.73%	7.25%	15.79%

## 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.



## 5 SEGMENT INFORMATION *(continued)*

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

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

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

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

### 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.

The segment information provided to the executive management committee for the reportable segments for the year ended 31 March 2012 is as below.

All revenue is from external sources.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 5 SEGMENT INFORMATION *(continued)*

### (a) Group

31 March 2012	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Dividend income	324,678	90,271	-	414,949
Interest income	-	52,143	-	52,143
Other income	50,774	-	6,135	56,909
Realized gains	-	56,389	-	56,389
Unrealised value movements	346,294	(121,484)	353,610	578,420
<b>Gross return</b>	<b>721,746</b>	<b>77,319</b>	<b>359,745</b>	<b>1,158,810</b>
Finance costs	-	(49,979)	(179,893)	(229,872)
Portfolio costs	(108,287)	(67,557)	(93,959)	(269,803)
	(108,287)	(117,536)	(273,852)	(499,675)
<b>Net return</b>	<b>613,459</b>	<b>(40,217)</b>	<b>85,893</b>	<b>659,135</b>
Tax	(18,340)	(12,937)	(145,993)	(177,270)
<b>Total return</b>	<b>595,119</b>	<b>(53,154)</b>	<b>(60,100)</b>	<b>481,865</b>
Gross return (%)	15.5%	2.0%	38.0%	12.1%
Total return (%)	12.7%	(1.3%)	(6.3%)	5.0%
<b>Opening net asset value:</b>				
Portfolio value	4,715,969	3,723,790	3,525,578	11,965,337
Other net assets/(liabilities)	(47,038)	219,996	(590,938)	(417,980)
Borrowings	-	-	(1,987,980)	(1,987,980)
	4,668,931	3,943,786	946,660	9,559,377
<b>Closing net asset value:</b>				
Portfolio value	5,041,756	2,146,309	3,992,754	11,180,819
Other net asset/(liabilities)	(76,965)	327,880	(390,492)	(139,577)
Borrowings	-	-	(1,000,000)	(1,000,000)
	4,964,791	2,474,189	2,602,262	10,041,242
<b>Value movement in the period/(total return)</b>				<b>481,865</b>

# Notes to the Financial Statements

For the year ended 31 March 2012

## 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	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 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>
Gross return (%)	17.4%	11.5%	2,757%	27.5%
Total return (%)	13.4%	9.0%	2,215%	21.7%
<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
	4,276,546	3,543,024	36,597	7,856,167
<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)
	4,668,931	3,943,786	946,660	9,559,377
<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 2012

## 5 SEGMENT INFORMATION *(continued)*

### (c) Company

31 March 2012	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
Dividend income	324,678	79,669	-	404,347
Interest income	-	44,740	7,403	52,143
Other income	50,179	-	1,998	52,177
Realized value movements	-	83,913	-	83,913
Unrealized value movements	992,246	(152,936)	19,525	858,835
<b>Gross return</b>	<b>1,367,103</b>	<b>55,386</b>	<b>28,926</b>	<b>1,451,415</b>
Finance costs	-	(49,979)	-	(49,979)
Portfolio costs	(103,907)	(53,026)	(70,142)	(227,075)
	(103,907)	(103,005)	(70,142)	(277,054)
<b>Net return</b>	<b>1,263,196</b>	<b>(47,619)</b>	<b>(41,216)</b>	<b>1,174,361</b>
Tax	(18,281)	(18,155)	(4,828)	(41,264)
<b>Total return</b>	<b>1,244,915</b>	<b>(65,774)</b>	<b>(46,044)</b>	<b>1,133,097</b>
Gross return (%)	17.8%	1.4%	3.1%	11.6%
Total return (%)	16.2%	(1.7%)	(4.9%)	9.0%
<b>Opening net asset value:</b>				
Portfolio value	7,571,499	3,939,975	2,951,418	14,462,892
Other net assets	90,419	4,039	(17,003)	77,455
Borrowings	-	-	(1,987,980)	(1,987,980)
	7,661,918	3,944,014	946,435	12,552,367
<b>Closing net asset value</b>				
Portfolio value	8,555,814	2,145,791	3,992,813	14,694,418
Other asset/(liabilities)	53,246	327,938	(390,138)	(8,954)
Borrowings	-	-	(1,000,000)	(1,000,000)
	8,609,060	2,473,729	2,602,675	13,685,464
<b>Value movement in the period/(total return)</b>				<b>1,133,097</b>

# Notes to the Financial Statements

For the year ended 31 March 2012

## 5 SEGMENT INFORMATION *(continued)*

### (d) 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 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>
Gross return (%)	43.4%	11.5%	2,777%	42.0%
Total return (%)	40.5%	9.1%	2,234%	37.1%
<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
	5,602,214	3,518,719	36,133	9,157,066
<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)
	7,661,918	3,944,014	946,435	12,552,367
<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 2012

## 5 SEGMENT INFORMATION *(continued)*

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

	GROUP	
	2012 Kshs'000	2011 Kshs'000
Total return as per internal reporting	481,865	1,703,210
<b>Adjustments for:</b>		
Share of associate earnings	594,037	486,934
Share of other comprehensive income of associates	(91,117)	165,053
Associate dividend income	(280,941)	(223,267)
Unrealised value movements net of dividend relating to associates	(206,713)	(428,720)
Additions in the year	(15,266)	-
Total comprehensive income	481,865	1,703,210
Other comprehensive income	707,540	589,173
Profit for the year	1,189,405	2,292,383

### (f) Reconciliation of gross return to total income

Gross return as per internal reporting	1,158,811	2,159,192
<b>Adjustments for:</b>		
Associate dividend income	(271,223)	(353,658)
Unrealised value movements net of dividend relating to associates	(216,432)	(298,330)
Additions in the year	(15,266)	-
<b>Items dealt with on other comprehensive income in the financial statements:</b>		
Reserves released on disposal of investments	562,349	964,613
Fair value gain in unquoted securities	(114,597)	(12,164)
Fair value gain in quoted securities	166,121	(199,577)
Currency translation differences	2,550	1,355
Total income for the year	1,272,313	2,261,431

### (g) Other segment reporting disclosures

	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
<b>Group 31 March 2012</b>				
Depreciation and amortisation	1,153	1,922	2,748	5,823
Motor vehicle and equipment	5,672	9,452	11,343	26,467
Intangible assets	413	688	825	1,926
Additions to motor vehicle and equipment	891	1,484	1,781	4,156
Additions to intangible assets	55	92	112	259

# Notes to the Financial Statements

For the year ended 31 March 2012

## 5 SEGMENT INFORMATION (continued)

### (g) Other segment reporting disclosures (continued)

	Private equity Kshs'000	Quoted equity Kshs'000	Real estate & infrastructure Kshs'000	Total Kshs'000
<b>Group 31 March 2011</b>				
Depreciation and amortisation	2,114	987	767	3,868
Motor vehicle and equipment	13,971	7,224	5,618	26,813
Intangible assets	3,939	824	641	5,404
Additions to motor vehicle and equipment	11,123	5,742	4,465	21,330
Additions to intangible assets	4,281	894	696	5,871
<b>Company 31 March 2012</b>				
Depreciation and amortisation	1,153	1,922	2,322	5,397
Motor vehicle and equipment	5,672	9,452	11,343	26,467
Intangible assets	413	688	825	1,926
Additions to motor vehicle and equipment	891	1,484	1,781	4,156
Additions to intangible assets	55	92	112	259
<b>Company 31 March 2011</b>				
Depreciation and amortisation	1,901	987	767	3,655
Motor vehicle and equipment	13,912	7,224	5,618	26,754
Intangible assets	1,587	824	641	3,052
Additions to motor vehicle and equipment	11,058	5,742	4,465	21,265
Additions to intangible assets	1,722	894	696	3,312

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

### (h) Analysis of income by geographical segments is as below

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Kenya	1,292,486	1,838,960	757,704	1,672,516
Uganda	(26,282)	421,676	647	-
Others	6,109	795	6,109	12,280
	1,272,313	2,261,431	764,460	1,684,796

# Notes to the Financial Statements

For the year ended 31 March 2012

## 5 SEGMENT INFORMATION *(continued)*

(h) *Analysis of income by geographical segments is as below (continued)*

Non-current assets by country

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
<b>Kenya</b>				
Investment property	2,307,581	1,865,800	-	265,000
Motor vehicles and equipment	26,467	26,813	26,467	26,754
Intangible assets	1,926	5,404	1,926	3,052
<b>Outside Kenya</b>				
Investment property	1,685,172	1,659,778	-	-
Motor vehicles and equipment	-	-	-	-
Intangible assets	-	-	-	-

## 6 INCOME

(a) **Total investment income**

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
<b>Kenya</b>				
Dividends receivable	143,725	175,768	404,347	509,797
Rent income	6,136	6,276	1,998	4,559
Interest receivable	52,143	77,950	52,143	77,950
Gain on disposal of investments	11 618,737	964,613	211,156	833,339
Unrealised gains on investment property	15 356,160	1,004,221	-	229,060
Unrealised gains on corporate bond	22 44,637	9,808	44,637	9,808
Write back of long outstanding dividends	30 -	6,209	-	6,209
Other income	50,775	16,586	50,179	14,074
	1,272,313	2,261,431	764,460	1,684,796
<b>Income from financial assets:</b>				
Available for sale financial assets	821,907	1,223,906	674,947	1,426,659
At fair value through profit & loss	400,797	9,808	44,637	9,808
	1,222,704	1,233,714	719,584	1,436,467
<b>Investment income earned on non-financial assets</b>	49,609	1,027,717	44,876	248,329
	1,272,313	2,261,431	764,460	1,684,796

(b) **Dividend income**

Associates	-	-	271,223	353,658
Subsidiary	-	-	-	1,676
Unquoted investments	53,454	65,772	53,455	65,772
Quoted investments	90,271	109,996	79,669	88,691
	143,725	175,768	404,347	509,797



# Notes to the Financial Statements

For the year ended 31 March 2012

## 7 EXPENSES BY NATURE

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
<b>(a) Administrative</b>				
Staff costs (Note 9)	104,393	177,521	102,548	177,206
Directors' fees and expenses	13,928	8,461	13,928	8,461
Audit fees	4,194	2,805	3,092	2,805
Office rent & service charge	4,077	4,322	4,070	4,322
Depreciation & amortisation	5,818	3,868	5,381	3,655
Other administrative costs	15,684	9,003	7,349	5,404
	148,094	205,980	136,368	201,853
<b>(b) Operating expenses</b>				
AGM & annual report printing	24,072	17,740	24,072	17,740
Business development costs	27,198	16,270	27,198	16,270
Capital raising costs	3,361	13,948	3,361	13,948
Advertising & PR costs	6,754	8,167	5,933	8,167
Share registration costs	3,391	5,886	3,391	5,886
Listing expenses	4,729	3,937	4,686	3,937
Other costs	52,204	27,311	22,066	23,165
	121,709	93,259	90,707	89,113

## 8 FINANCE COSTS

Interest on borrowings	179,243	147,914	-	147,914
Commitment fees	-	6,277	-	6,277
Forex loss	50,629	506	49,979	506
	229,872	154,697	49,979	154,697

## 9 EMPLOYEE BENEFITS EXPENSE

Salaries	72,234	68,056	70,389	67,741
Movement in performance bonus provision	14,249	92,842	14,249	92,842
Retirement benefit scheme contributions	4,947	4,579	4,947	4,579
National Social Security Fund contributions (NSSF)	105	91	105	91
Movement in leave pay provision	(789)	1,290	(789)	1,290
	90,746	166,858	88,901	166,543
Staff medical expenses	2,685	1,766	2,685	1,766
Other staff welfare costs	10,962	8,897	10,962	8,897
	104,393	177,521	102,548	177,206

# Notes to the Financial Statements

For the year ended 31 March 2012

## 10 (a) Income tax expense

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Current income tax	15,875	3,012	15,875	3,012
Deferred income tax (Note 13)	28,602	(3,188)	25,389	(3,284)
Under provision of deferred income tax liability in prior year	132,793	2,222	-	2,222
	177,270	2,046	41,264	1,950

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

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Accounting profit before taxation	1,366,675	2,294,429	487,406	1,239,133
Tax at the applicable rate of 30%	410,002	688,329	146,222	371,740
Tax effect of income not taxable	(461,020)	(816,061)	(200,453)	(499,568)
Tax effect of expenses not deductible for tax	95,495	127,556	95,495	127,556
Prior year deferred tax under provision	132,793	2,222	-	2,222
	177,270	2,046	41,264	1,950

## (c) Taxation payable/(recoverable)

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At start of year	(2,654)	(3,075)	(832)	(3,044)
Charge for the year	15,875	3,012	15,875	3,012
Current income tax receivable written off	1,790	-	-	-
Payments during the year	(9,897)	(2,591)	(9,897)	(800)
At end of year	5,114	(2,654)	5,146	(832)

## 11 GAINS ON DISPOSAL OF INVESTMENTS

	Cost	GROUP Proceeds	Gain on disposal	Cost	COMPANY Proceeds	Gain on disposal
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
<b>31 March 2012</b>						
Quoted investments	1,177,929	1,691,927	513,998	889,731	1,019,819	130,088
Unquoted investment	111,295	111,295	-	111,295	111,295	-
Treasury bonds	3,444,461	3,562,111	117,650	2,793,645	2,887,623	93,978
Corporate bonds	539,188	526,278	(12,910)	539,188	526,278	(12,910)
	5,272,873	5,891,611	618,738	4,333,859	4,545,015	211,156
Comprising:						
Reserves released on disposal	-	-	562,349	-	-	127,243
Gain during the year	-	-	56,389	-	-	83,913
	-	-	618,738	-	-	211,156
<b>31 March 2011</b>						
Quoted investments	942,346	1,629,241	686,895	859,453	1,415,074	555,621
Unquoted investments	29,425	307,143	277,718	29,425	307,143	277,718
	971,771	1,936,384	964,613	888,878	1,722,217	833,339

## 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.

	2012 Kshs'000	2011 Kshs'000
Profit attributable to equity holders of the Company	1,189,405	2,292,383
Weighted average number of ordinary shares in issue (thousands)	665,441	665,441
Basic earnings per share (Kshs)	1.79	3.44

At the Annual General Meeting held on 23 September 2011, the shareholders approved a bonus issue of one ordinary share for every ten shares held by utilisation of revenue reserves.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 13 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30%. The movement on the deferred income tax account is as follows:

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At start of year	30,443	29,477	30,539	29,477
(Charge)/ credit to statement of comprehensive income (Note 10)	(161,395)	966	(25,389)	1,062
Current year deferred tax	(28,602)	3,188	(25,389)	3,284
Under provision of deferred tax in prior year	(132,793)	(2,222)	-	(2,222)
At end of year	(130,952)	30,443	5,150	30,539

Deferred income tax assets and liabilities, and deferred income tax charge/(credit) in the statement of comprehensive income are attributable to the following items:

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/ (liability) is attributable to the following items:

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Performance bonus provision	5,037	27,852	5,037	27,852
Tax losses	-	2,256	-	2,256
Leave pay provision	89	387	89	387
Accelerated capital allowances	24	(52)	24	44
Fair value gain on investment property	(136,102)	-	-	-
	(130,952)	30,443	5,150	30,539

## 14 PREPAID OPERATING LEASE RENTALS

	GROUP & COMPANY	
	2012 Kshs'000	2011 Kshs'000
Cost		
At 1 April	-	59,487
Transfer to investment property	-	(59,487)
At 31 March	-	-
Amortisation		
Amortisation charge at 1 April	-	23,547
Transfer to investment property	-	(23,547)
Amortisation charge at 31 March	-	-
Net book value	-	-

In 2011, 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).

# Notes to the Financial Statements

For the year ended 31 March 2012

## 15 INVESTMENT PROPERTY

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At start of year				
Cost/valuation	3,525,578	-	265,000	-
Transfer from operating lease rentals (Note 14)	-	35,940	-	35,940
Additions	111,016	2,485,417	-	-
Transfer out	-	-	(265,000)	-
Fair value gains	356,160	1,004,221	-	229,060
At end of year	3,992,754	3,525,578	-	265,000

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 31 March 2012. The fair value was supported by market evidence.

## 16 MOTOR VEHICLE AND EQUIPMENT

	GROUP	COMPANY
	Kshs'000	Kshs'000
<b>At 1 April 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 (cost)	(5,933)	(5,933)
Depreciation charge	(2,800)	(2,794)
Disposals (accumulated depreciation)	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
<b>Year ended 31 March 2012</b>		
Opening net book amount	26,813	26,754
Additions	4,156	4,156
Disposals (cost)	(1,689)	(1,625)
Depreciation charge	(4,012)	(4,012)
Disposals (accumulated depreciation)	1,199	1,194
Closing net book amount	26,467	26,467
<b>At 31 March 2012</b>		
Cost	37,494	37,494
Accumulated depreciation	(11,027)	(11,027)
Net book amount	26,467	26,467

# Notes to the Financial Statements

For the year ended 31 March 2012

## 17 INTANGIBLE ASSETS

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
<b>Cost</b>				
At start of year	6,841	1,908	4,282	1,908
Additions	259	5,871	259	3,312
Disposal	(2,559)	(938)	-	(938)
At end of year	4,541	6,841	4,541	4,282
<b>Amortisation</b>				
At start of year	1,437	1,307	1,230	1,307
Charge for the year	1,811	1,068	1,385	861
Released on disposal	(633)	(938)	-	(938)
At end of year	2,615	1,437	2,615	1,230
Net book value	1,926	5,404	1,926	3,052

## 18 INVESTMENT IN SUBSIDIARIES (all 100% beneficiary owned)

Company	Share capital Kshs'000	01.04.11 Kshs'000	Additions Kshs'000	Disposals Kshs'000	Cost 31.03.12 Kshs'000	Fair Value	
						31.03.12 Kshs'000	31.03.11 Kshs'000
Kenya National Properties Limited	31,300	114,735	-	-	114,735	284,002	284,063
Rasimu Limited	100	100	-	-	100	613,271	700,746
Centum BVI Limited	8	8	-	-	8	(97)	8
Pearl Marina Estates Limited	362	362	-	(362)	-	-	417,839
Runda Closeburn Limited	100	100	-	-	100	576,196	352,663
Uhuru Heights Limited	100	100	-	-	100	1,960	27
eTransact Limited	100	100	-	-	100	(7,021)	(1,840)
Centum Exotics(Mauritius)	100	-	100	-	100	87,388	-
Centum Development(Mauritius)	91	-	91	-	91	211,690	-
Centum Asset Managers Limited	18,000	-	18,000	-	18,000	17,565	-
		115,505	18,191	(362)	133,334	1,784,954	1,753,506

Subsidiary	Country of Incorporation	Principal activity
Kenya National Properties Ltd	Kenya	The principal activity of Kenya National Properties Limited is the management, ownership and development of property for rental purposes. During the year, the Company had no property but was actively prospecting for opportunities.
Rasimu Limited	Kenya	Incorporated in July 2008 and principal activity is engagement in investment activities. The subsidiary has invested in Carbacid Investment Company Limited.
Centum BVI Limited	British Virgin Islands	Incorporated in October 2009 and principal activity is engagement in infrastructure investments.
Two Rivers Development Limited	Kenya	Formerly known as Runda Closeburn Estates Limited incorporated in September 2010 and principal activity is engagement in real estate investments.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 18 INVESTMENT IN SUBSIDIARIES (continued)

Subsidiary	Country of Incorporation	Principal activity
Pearl Marina Estates Ltd	Uganda	Incorporated in May 2010 and principal activity is engagement in real estate investments. The subsidiary has invested in 212 acres of land in Entebbe Uganda.
eTransact Ltd	Kenya	Incorporated in August 2010 and principal activity is engagement in mobile phone software advancement.
Centum Exotics Ltd	Mauritius	Incorporated in July 2011 and principal activity is engagement investment in quoted private equity investments.
Centum Development (Mu)	Mauritius	Incorporated in July 2011 and the principal activity is engagement in real estate. During the year the Company took over the holding of Centum Investment in Pearl Marina Estates Limited
Centum Asset Managers	Kenya	Incorporated in February 2012 and the principal activity is engagement in fund management.
Uhuru Heights Limited	Kenya	Incorporated in September 2009 and the principal activity is engagement in the management, ownership and development of property for rental purposes.



## 18 INVESTMENT IN SUBSIDIARIES (continued)

Fair value movement – Company	2012 Kshs'000	2011 Kshs'000
Opening valuation of subsidiaries	1,753,506	850,163
Additions	18,191	662
Disposals*	(362)	-
Fair value gain in subsidiaries	13,619	902,681
Closing valuation of subsidiaries	1,784,954	1,753,506

Investments in Subsidiaries are classified as non-current assets.

\*During the period, Centum's investment in Pearl Marina Estates Limited was transferred to its subsidiary Company; Centum Development Limited.

## 19 INVESTMENT IN ASSOCIATES

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At start of year	3,377,305	2,948,585	6,230,521	4,240,102
Share of profits after taxation	594,037	486,934	-	-
Share of other comprehensive income	(91,117)	165,053	-	-
Fair value gain	-	-	882,934	1,990,419
Dividends received	(280,941)	(223,267)	-	-
Acquisitions during the year	15,266	-	15,266	-
	237,245	428,720	898,200	1,990,419
At end of year	3,614,550	3,377,305	7,128,721	6,230,521

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 are set out overleaf.

# Notes to the Financial Statements

For the year ended 31 March 2012

## 19 INVESTMENT IN ASSOCIATES (continued)

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets (including goodwill) and liabilities are as follows:

	Country	2012 % interest held	2011 % interest held
AON Minet Insurance Brokers Limited	Kenya	21.50	21.50
KWA Holdings Limited	Kenya	26.43	26.43
Mount Kenya Bottlers Limited	Kenya	27.80	27.80
Nairobi Bottlers Limited	Kenya	27.62	27.62
Rift Valley Bottlers Limited	Kenya	43.99	43.99
UAP Holdings Limited	Kenya	24.23	24.23
Kisii Bottlers Limited	Kenya	23.89	23.89
Longhorn Publishers Limited	Kenya	35.00	35.00
UAP Financial Services Limited	Uganda	29.00	-

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets (including goodwill) and liabilities are as follows:

	2012 Kshs'000	2011 Kshs'000
Total assets	30,709,119	27,041,191
Total liabilities	(17,276,117)	(14,598,074)
Net assets	13,433,002	12,443,117
Total revenue	26,565,307	22,426,120
Total profit for the year	1,633,250	2,582,613
Group's share of associate's contingent liabilities	765,187	765,954

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.

## 20 UNQUOTED INVESTMENTS

	GROUP & COMPANY	
	2012 Kshs'000	2011 Kshs'000
Opening valuation	1,338,664	1,251,209
Movements in the year:		
Additions	85,240	382,433
Disposals	(111,295)	(29,425)
Released on disposal	-	(277,718)
Fair value gain	114,597	12,165
	88,542	87,455
Closing valuation	1,427,206	1,338,664

Unquoted investments are classified as non current assets

# Notes to the Financial Statements

For the year ended 31 March 2012

## 21 QUOTED INVESTMENTS

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Opening valuation	3,208,611	2,967,876	2,422,116	2,080,599
Movements in the period:				
Additions	364,097	1,670,399	81,350	1,670,399
Disposals	(1,177,929)	(942,346)	(889,731)	(859,453)
Released on disposal (Note 11)	(562,349)	(686,895)	(127,243)	(555,621)
Fair value gain	(166,121)	199,577	(196,952)	86,192
	(1,542,302)	240,735	(1,132,576)	341,517
Closing valuation	1,666,309	3,208,611	1,289,540	2,422,116

Quoted investments are classified as non current assets.

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

	GROUP & COMPANY	
	2012 Kshs'000	2011 Kshs'000
Opening valuation	539,188	505,371
Movements in the period:		
Additions	3,879,824	-
Disposals	(3,983,649)	-
Interest receivable	-	24,009
Fair value gain through profit and loss	44,637	9,808
	(59,188)	33,817
Closing valuation	480,000	539,188

Corporate bonds are classified as non current assets

# Notes to the Financial Statements

For the year ended 31 March 2012

## 23 SUBSIDIARY BALANCES

		COMPANY	
		2012	2011
		Kshs'000	Kshs'000
(a)	<b>Due from Subsidiaries</b>		
	Rasimu Limited	-	301,708
	Centum BVI Limited	97	-
	Pearl Marina Estates Limited	1,115,998	667,883
	Runda Closeburn Limited	1,461,139	1,248,033
	eTransact Limited	6,909	4,156
	Uhuru Heights Limited	269,662	-
	Centum Exotics Limited	250,613	-
	Centum Development Limited	362	-
		3,104,780	2,221,780
(b)	<b>Due to Subsidiaries</b>		
	Kenya National Properties Limited	284,417	283,837
	Centum BVI Limited	-	8
	Uhuru Heights Limited	-	27
	Centum Asset Managers Limited	17,623	-
	Centum Development Limited	91	-
	Rasimu Limited	560,172	-
		862,303	283,872
		2,242,477	1,937,908

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

## 24 RECEIVABLES & PREPAYMENTS

	GROUP		COMPANY	
	2012	2011	2012	2011
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Dividends receivable	6,086	12,312	136,141	152,084
Land investment prepayments	-	9,966	15	9,966
Disposal proceeds receivable	-	214,168	-	-
Other receivables & prepayments	23,296	3,694	12,491	3,695
Interest receivable	6,697	-	6,697	-
	36,079	240,140	155,344	165,745

The carrying amounts of the receivable and prepayments approximate to their fair values.

## 25 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows cash and cash equivalents comprise;

	GROUP		COMPANY	
	2012	2011	2012	2011
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Call deposits (maturing within 90 days)	310,000	-	310,000	-
Bank balances	12,410	6,776	7,340	5,903
Overdraft balances	-	(987,980)	-	(987,980)
	322,410	(981,204)	317,340	(982,077)

## 26 BORROWINGS

	GROUP & COMPANY	
	2012 Kshs'000	2011 Kshs'000
The borrowings are made up as follows:		
<b>Non-current</b>		
Bank borrowings	666,667	1,000,000
<b>Current</b>		
Bank borrowings	333,333	-
Bank overdraft	-	987,980
<b>Total borrowings</b>	<b>1,000,000</b>	<b>1,987,980</b>

At 31 March 2012 the Group had undrawn committed borrowing facilities amounting to Kshs 1,200,000,000 (2011: Kshs 212,020,000). The effective interest rate for bank overdraft was 22% (2011: 9.5%) and 20.00% (2011: 10.00%) for long term loan.

The long term loan facility is secured by a floating charge over all the listed securities .

## 27

SHARE CAPITAL & PREMIUM	Year ended 31 March 2012			Year ended 31 March 2011		
	Number of shares Ksh'000	Ordinary Shares Ksh'000	Share Premium Ksh'000	Number of shares Ksh'000	Ordinary shares Ksh'000	Share Premium Ksh'000
<b>Group and Company</b>						
At start of year	604,947	302,474	589,753	549,952	274,976	589,753
Issue of shares – bonus	60,494	30,247	-	54,995	27,498	-
At end of year	665,441	332,721	589,753	604,947	302,474	589,753

The total authorised number of ordinary shares is 800,000,000 with a par value of Kshs 0.50 per share. 665,441,714 shares (2011:604,947,013 shares) are issued and fully paid up.

At the Annual General Meeting held on 23 September 2011, the shareholders approved a bonus issue of one ordinary share for every ten shares held by utilisation of revenue reserves. As a result, 60,494,701 bonus shares were issued during the year (2011: 54,995,183 shares)

## 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

For the year ended 31 March 2012

## 29 PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Sundry payables and accruals	13,398	13,935	12,296	13,644
Settlements in respect of investments	284,280	608,199	63,504	33,652
Leave pay provision	2,173	4,194	2,173	4,194
Performance bonus provision	56,105	92,842	56,105	92,842
	355,956	719,170	134,078	144,332

## 30 UNCLAIMED DIVIDENDS

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At the beginning of the year	35,049	42,650	35,049	42,650
Dividend paid	(612)	(1,392)	(612)	(1,392)
Write back of long outstanding dividends -	-	(6,209)	-	(6,209)
At the end of the year	34,437	35,049	34,437	35,049

## 31 CASH GENERATED FROM OPERATIONS

	Note	GROUP	
		2012 Kshs'000	2011 Kshs'000
Reconciliation of profit before income tax to cash generated from operations			
Profit before income tax		1,366,675	2,294,429
Adjustments for:			
Interest expense	8	179,243	147,914
Depreciation on motor vehicle and equipment	16	4,012	2,800
Amortisation of intangible assets	17	1,811	1,068
Fair value gains on corporate bonds	22	(44,637)	(33,817)
Fair value gains on investment property	15	(356,160)	(1,004,221)
Loss on disposal of intangible asset		1,926	2,807
Loss on disposal of motor vehicles and equipment		377	-
Gains on disposal of quoted investments	11	(618,737)	(686,895)
Gains on disposal of unquoted investments	11	-	(277,718)
Share of profit from associates	19	(594,037)	(486,934)
Write back of long outstanding dividends	30	-	(6,209)
Write-off of tax receivable	10(c)	1,790	-
Changes in working capital			
- receivables and prepayments		204,061	(208,622)
- payables and accrued expenses		(363,214)	439,347
Cash (used in)/generated from operations		(216,890)	183,949

## 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:

		GROUP & COMPANY	
		2012	2011
		Kshs'000	Kshs'000
<b>(i)</b>	<b>Purchases of services</b>		
	Office rent (paid to entity controlled by a director)	3,648	3,945
	Insurance premiums (paid to an associate)	2,435	2,804
		6,083	6,749
<b>(ii)</b>	<b>Key management compensation</b>		
	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	
		2012	2011
		Kshs'000	Kshs'000
	Salaries	45,301	41,227
	Performance bonus	14,932	65,625
	Retirement benefit scheme contribution	3,196	3,092
		63,429	109,944
<b>(iii)</b>	<b>Directors' remuneration</b>		
	Fees for services as a non executive director	13,928	8,461
	Other included in key management compensation above	37,985	36,701
		51,913	45,162
<b>(iv)</b>	<b>Outstanding related party balances</b>		
	Performance bonus	14,932	65,625
	Transaction fees (due to an associate)	-	5,717
		14,932	71,342

# Notes to the Financial Statements

For the year ended 31 March 2012

## 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	
	2012 Kshs'000	2011 Kshs'000
Equipment	-	823

### (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	
	2012 Kshs'000	2011 Kshs'000
Within one year	3,648	3,648
Within the second to fourth years inclusive	5,319	8,967
	8,967	12,615

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

### (a) Financial assets

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
At fair value through profit or loss	480,000	539,188	480,000	539,188
Loans and receivables	358,489	246,916	3,577,464	2,393,428
Available for sale	3,093,515	4,547,275	11,633,647	11,744,807
	3,932,004	5,333,379	15,691,111	14,677,423
Fair value through profit or loss				
Corporate bonds	480,000	539,188	480,000	539,188
Loans and receivables:				
Receivables	36,079	240,140	155,344	165,745
Deposits	310,000	-	310,000	-
Cash and cash equivalents	12,710	6,776	7,340	5,903
Due from subsidiary Companies	-	-	3,104,780	2,221,780
	358,789	246,916	3,577,464	2,393,428



# Notes to the Financial Statements

For the year ended 31 March 2012

## 34 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

### (a) Financial assets (continued)

	GROUP		COMPANY	
	2012 Kshs'000	2011 Kshs'000	2012 Kshs'000	2011 Kshs'000
Available for sale:				
Investment in subsidiaries	-	-	1,784,954	1,753,506
Investment in associates	-	-	7,128,721	6,230,521
Unquoted investments	1,427,206	1,338,664	1,427,206	1,338,664
Quoted investments	1,666,309	3,208,611	1,289,540	2,422,116
	3,093,515	4,547,275	11,630,421	11,744,807

### (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 2012 and 2011 is shown on note 4(b).

## Additional Disclosures

Portfolio Statistics	105
Historical Performance	106 -108
Information for Shareholders	109

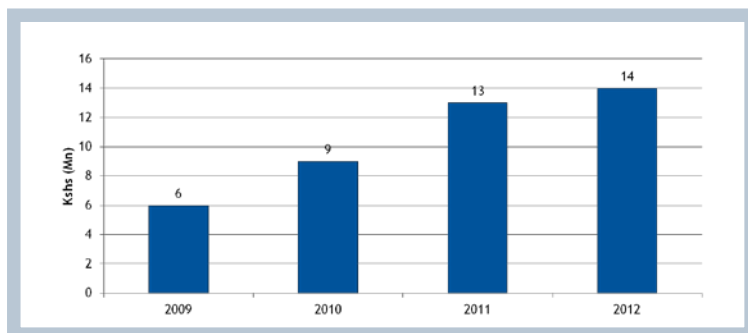
Kenya Wine Agencies is a leading manufacturer and distributor of wines and spirits in East Africa with operations in Kenya, Uganda and Rwanda.



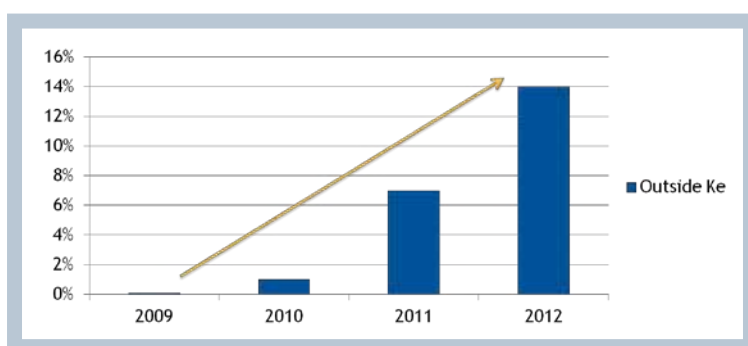
Note 19, Pg 96

## Portfolio Statistics

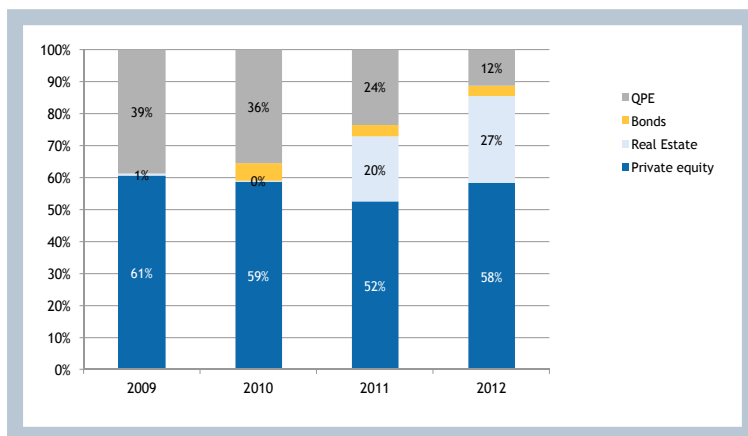
1. We have grown shareholder wealth by Kshs 7.8 billion in 36 months



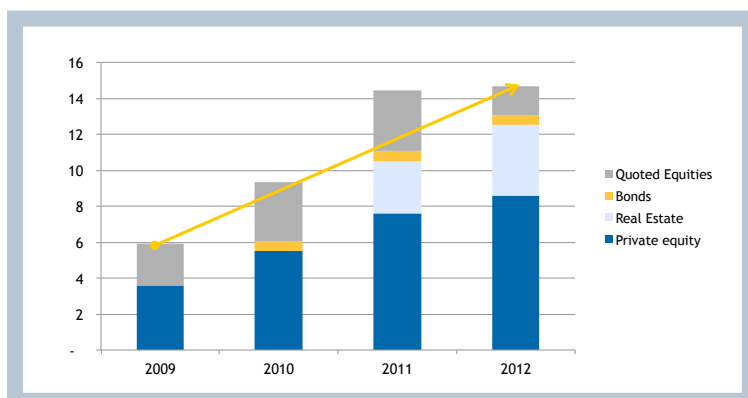
2. Our portfolio outside Kenya increased from less than 2% in 2010 to 14% in 2012



3. We continue to provide access to an otherwise inaccessible portfolio



4. We have grown assets under management to 14.6 billion from 6 billion in 2009



## Historical Performance

### COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2012	2011	2010	2009	2008
Investment Income	764,460	1,684,796	1,121,464	505,944	761,004
Administration and operating costs	(227,074)	(290,966)	(199,051)	(123,017)	(102,003)
Finance costs	(49,979)	(154,697)	(46,940)	(12,983)	(18,381)
Provision for impairment	-	-	-	(271,239)	(54)
<b>Profit before taxation</b>	<b>487,406</b>	<b>1,239,133</b>	<b>875,473</b>	<b>98,705</b>	<b>640,566</b>
Taxation	(41,264)	(1,950)	12,967	(10,824)	1,586
<b>Profit after taxation</b>	<b>446,142</b>	<b>1,237,183</b>	<b>888,440</b>	<b>87,881</b>	<b>642,152</b>
Other comprehensive income/(loss)	686,955	2,158,118	2,409,234	(2,775,002)	(2,037,860)
<b>Total comprehensive income</b>	<b>1,133,097</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

	2012	2011	2010	2009	2008
<b>Assets</b>					
Deferred income tax asset	5,150	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	26,467	26,754	11,347	3,428	4,150
Intangible assets	1,926	3,052	601	446	699
Investment in subsidiaries	1,784,954	1,753,506	850,163	284,063	284,120
Investment in associates	7,128,721	6,230,521	4,240,102	2,372,787	3,489,484
Unquoted investments	1,427,206	1,338,664	1,251,209	1,212,828	1,842,945
Quoted investments	1,289,540	2,422,116	2,080,599	2,305,043	2,832,079
Corporate bonds	480,000	539,188	505,371	-	-
Term deposits	-	-	-	-	146,219
Due from related parties	3,104,780	2,221,780	412,623	2,825	72,380
Receivables and prepayments	155,344	165,745	26,658	150,266	283,428
Deposits	310,000	-	345,000	-	79,452
Cash and cash equivalents	7,340	5,903	48,168	10,101	48,267
<b>Total assets</b>	<b>15,721,428</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	332,721	302,474	274,976	274,976	274,976
Share premium and reserves	13,352,743	12,249,893	8,882,090	5,584,416	8,519,012
	13,685,464	12,552,367	9,157,066	5,859,392	8,793,988
<b>Liabilities</b>					
Borrowings	1,000,000	1,987,980	-	169,981	-
Due to related parties	862,303	283,872	283,680	284,061	284,603
Other current liabilities	173,661	179,381	399,556	83,864	67,171
	2,035,966	2,451,233	683,236	537,906	351,774
<b>Total equity and liabilities</b>	<b>15,721,428</b>	<b>15,003,600</b>	<b>9,840,302</b>	<b>6,397,298</b>	<b>9,145,762</b>

## Historical Performance

### COMPANY STATEMENT OF CASHFLOWS

	2012	2011	2010	2009	2008
<b>Operating activities</b>					
Cash generated from operations	(396,133)	36,035	245,430	124,671	72,464
Taxation paid	(9,897)	(2,591)	(603)	(4,416)	(5,191)
Dividends received from associated companies	280,941	223,267	197,214	229,697	47,101
<b>Net cash generated from/(used in) the period</b>	<b>(125,089)</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	(111,016)	(2,485,417)			
Purchase of equipment	(4,156)	(21,330)	(9,403)	(1,559)	(270)
Purchase of intangible assets	(259)	(5,871)	(597)	(165)	(367)
Purchase of shares in associates	(15,266)	-	(45)	-	(244,662)
Purchase of other equity investments	(85,240)	(382,433)	(79,743)	-	-
Purchase of quoted equity investments	(364,097)	(1,670,399)	(636,416)	(625,373)	(166,183)
Purchase of corporate bonds	(3,879,824)	-	(505,371)	-	-
Proceeds on disposal of quoted equity	5,780,316	1,629,241	1,083,606	191,527	538,210
Proceeds on disposal of unquoted equity	111,295	307,143	265,147	-	-
Proceeds on disposal of non current assets held for sale	-	-	-	11,664	-
Proceeds on disposal of motor vehicles and equipment	112	257	-	1,828	-
<b>Net cash generated from/(used in) investing activities</b>	<b>1,431,865</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	-	-	-
Dividends paid	(612)	(1,392)	(5,728)	(215,479)	(250,543)
	(612)	998,608	(5,728)	(215,479)	(250,543)
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>1,306,164</b>	<b>(1,373,490)</b>	<b>553,491</b>	<b>(287,605)</b>	<b>(9,441)</b>
Cash and cash equivalents at beginning of the year	(981,204)	393,641	(159,850)	127,755	137,196
Exchange losses on cash and cash equivalents	(2,550)	(1,355)			
<b>Cash and cash equivalents at end of the year</b>	<b>322,410</b>	<b>(981,204)</b>	<b>393,641</b>	<b>(159,850)</b>	<b>127,755</b>

## Historical Performance

### KEY PERFORMANCE RATIOS

	2012	2011	2010	2009	2008
Gearing (%)	7.3%	15.8%	-	2.9%	-
Cost Efficiency (%)	1.9%	2.0%	2.2%	2.0%	1.2%
Net Asset Value (NAV) per Share(Ksh)	20.6	18.9	13.8	8.9	13.3
Return on Equity (%)	9%	37%	56%	(31%)	0%
Price to NAV Ratio	0.6	1.0	1.03	1.06	1.7

### DEFINITION OF KEY PERFORMANCE RATIOS

<b>Earnings Per Share (EPS)</b>	The portion of the company's distributable profits allocated to each issued share. This is calculated by dividing profit after tax 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 Efficiency</b>	The ratio of the total costs to the closing portfolio value. This is 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 opening shareholders funds. This is calculated by dividing total comprehensive income by the opening NAV.
<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

### NSE STATISTICS

	2012	2011	2010	2009	2008
<b>Share Price</b>					
High for the year	19.75*	26.00	19.90	30.00	34.75
Low for the year	10.75	12.00	8.00	8.50	23.25
31st March	13.05	21.50	15.60	10.25	25.00
NSE Index	3,367	4,855	2,805	4,073	3,887
<b>Shares Traded</b>					
Number of shares	51,979,370	52,084,700	20,445,143	39,774,235	69,940,604
Value of shares traded (Kshs millions)	896	1,096	247	863	1,945
Turnover of shares traded as a percentage of issued share capital	11%	9%	4%	7%	13%
No. of shares (at beginning)	604,947,013	549,951,830	549,951,830	549,951,830	549,951,830
No. of shares (at end)	665,441,714	604,947,013	549,951,830	549,951,830	549,951,830
Weighted average	630,153,138	572,866,490	549,951,830	549,951,830	549,951,830
Market Capitalisation as at 31st March (Kshs millions)	8,223	12,317	8,579	5,637	13,749

\* Adjusted for Bonus Effect. Books closure date for bonus was 22-July-11

## 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.

For Investor Relations Information and General Enquiries:  
Please visit [www.centum.co.ke](http://www.centum.co.ke) on the investor relations page

## 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.

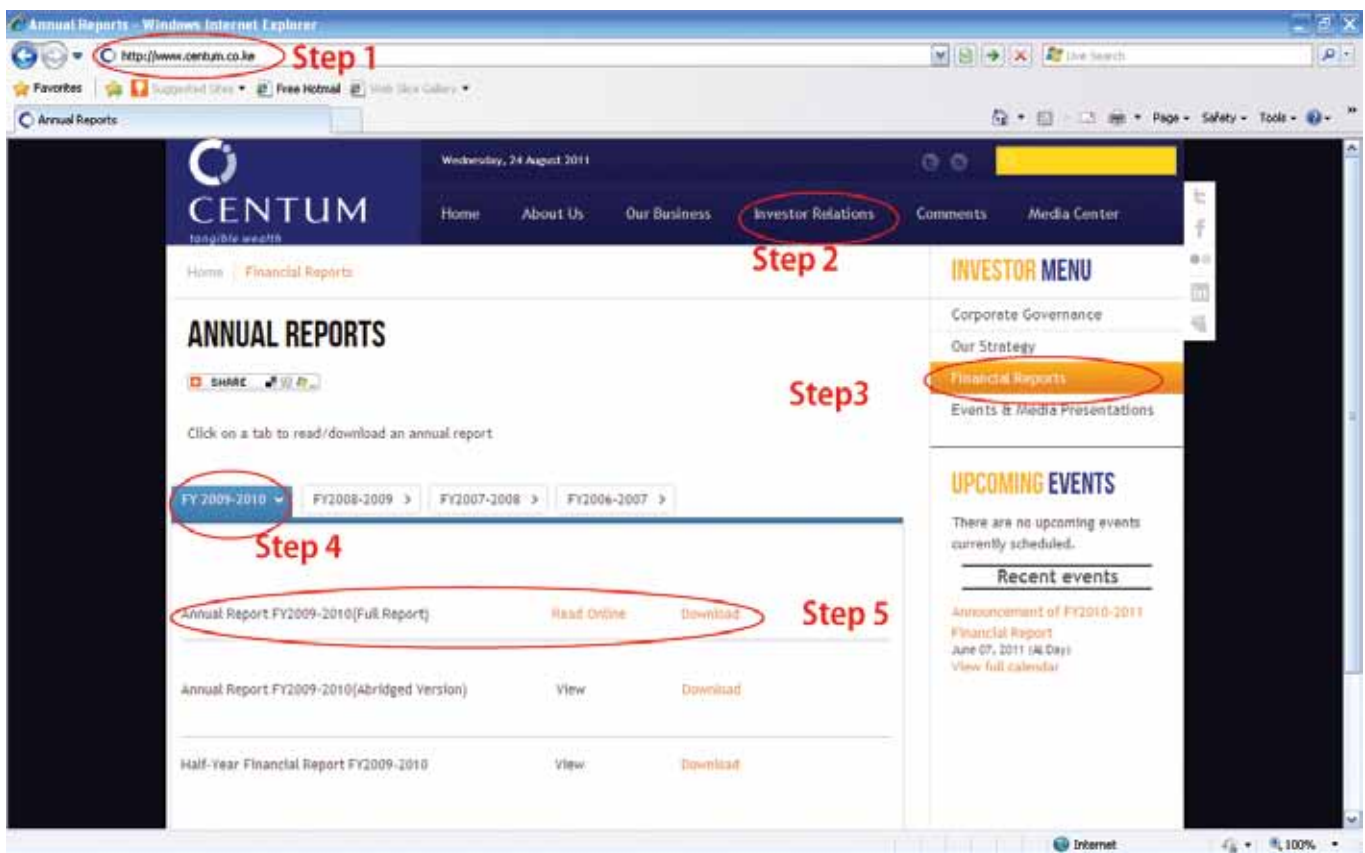
### Half Yearly Reports Online

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



/Additional Disclosures

Proxy Form / Fomu ya Uakilishi	111
Voting Form	112

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.





## Proxy Form

## Fomu ya Uakilishi

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

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

Of(address) \_\_\_\_\_

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

\_\_\_\_\_

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 45th Annual General Meeting of the Company, to be held on Wednesday, 25 July 2012 at Two Rivers, Limuru Road, Nairobi at 11.00 a.m. and at any adjournment thereof.

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

As witness I/We lay my/our hand(s) this \_\_\_\_\_ day of..... 2012.

Signature(s)

\_\_\_\_\_

### Notes:

1. This proxy form is to be delivered to the Secretary's office not later than 11.00 a.m. on Tuesday, 24 July 2012.
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. There is a form provided to each shareholder 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

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

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

Anwani \_\_\_\_\_

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

\_\_\_\_\_

na akikosa, nateua/tunamteua Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa Mwaka Makala ya 45 utafanyika Jumatano, 25 Julai 2012 katika Two Rivers, Limuru Road, Nairobi 10.00 a.m. ama siku yoyote ile endapo mkutano hua utahirishwa.

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

Sahihi hii/hizi imewekwa/zimewekwa Tarehe \_\_\_\_\_ ya .....2012.

Sahihi

\_\_\_\_\_

### Maelezo:

1. Ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kufikishwa kwa Katibu wa Kampuni kabla ya 11.00 a.m. Jumanne, Julai, 2012.
2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo na walio idhinishwa.
3. Kuna fomu ya upigaji kura ambayo inafaa kutimika kuunga mkono/dhidi ya/kuzuia kura yako. Ikiwa maamuzi yakuunda mkono ama dhidi ya ama kuzuia kura yako haijalekezwa katika fomu ya upigaji kura basi itaeleweka kwamba umemuidhinisha muwakilishi wako kupiga kura kama anavyofikiria.
4. Upigaji kura utafanyika iwapo kura ititishwa katikamkutano ikiambatana na kifungu 137 na 138 ya Sheria za Kampuni (Cap 486).

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

# Voting Form

## 45TH MEMBERS' ANNUAL GENERAL MEETING WEDNESDAY 25 JULY, 2012, NAIROBI AT 11.00 AM.

### VOTING BY POLL / UPIGAJI KURA

#### SHAREHOLDER OR PROXY HOLDER

NAMES .....  
(MAJINA KAMILIYA MWENYEHISA)

ADDRESS .....  
(ANWANI:SLP)

FULL NAMES OF PROXY IF APPLICABLE .....  
(MAJINA KAMILI YA MWAKILISHI KAMA YATAKIKANA)

SHAREHOLDERS ACCOUNT No.....  
(NAMBARI YAKO KATIKA ORODHA YA WANAHISA)

TOTAL NUMBER OF SHARES.....  
(JUMLA YA HISA UNAZOMILIKI)

#### NOTES

1. Print your full name as the registered shareholder or proxy holder in block capitals. If there are more than one registered shareholder only one may vote.
2. Write in figures the number of shares held.
3. Place an X in the box opposite the name of the candidate to show who you are voting for and against. There are only four vacancies for election to the Board of Directors.
4. Please sign in the space provided.
5. Please place your ballot paper in the ballot boxes provided as you leave the meeting.

#### FOR OFFICIAL USE ONLY:

SIGNED

DATE

SHAREHOLDING VERIFIED (REGISTRARS) .....

VERIFICATION AND SIGN-OFF (AUDITORS) .....

NB: IN THE EVENT THAT THIS FORM IS INCOMPLETE OR INCORRECTLY COMPLETED IN EVERY RESPECT IT WILL BE TREATED AS SPOILED AND WILL NOT BE COUNTED

	For	Against	Vote Withheld
<b>Agenda No. ORDINARY RESOLUTION</b>			
3 (i) To adopt and approve the accounts for the year ended 31 March 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>ORDINARY RESOLUTION</b>			
3 (ii) To approve the directors remuneration for the year ended 31 March 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>ORDINARY RESOLUTION</b>			
3 (iii) To re-elect the following directors retiring by rotation:			
(a) James N. Muguiyi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) Industrial and Commercial Development Corporation (ICDC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>ORDINARY RESOLUTION</b>			
3 (iv) To re-elect Dr. C. J. Kirubi as a director who is over the age of 70 years	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>ORDINARY RESOLUTION</b>			
3 (v) To approve the re-appointment PricewaterhouseCoopers as the Company auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed.....

## Champions of Governance the second time round...

We always strive to adhere to the highest corporate governance practices and consistent focus on improving our reporting systems both as a financial company and listed firm hence success in winning these awards.



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

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