



**ANNUAL
REPORT**

2018

**CENTUM INVESTMENT COMPANY PLC
ANNUAL REPORT AND
FINANCIAL STATEMENTS
YEAR ENDED
31 MARCH 2018**



**TANGIBLE
PROGRESS**



06	NOTICE OF THE 51st ANNUAL GENERAL MEETING
08	NOTISI JUU YA MKUTANO WA MAKALA YA 51
10	CENTUM'S APPROACH TO REPORTING
11	BUSINESS HIGHLIGHTS
12	5 YEAR REVIEW
14	STAKEHOLDER ENGAGEMENT
15	MATERIAL MATTERS
16	OUR BUSINESS
20	OUR BOARD
26	OUR LEADERSHIP TEAM



30	CHAIRMAN'S STATEMENT
----	----------------------

32	TAARIFA YA MWENYEKITI
----	-----------------------

34	CEO'S STATEMENT
----	-----------------

38	TAARIFA YA AFISA MKUU MTENDAJI
----	--------------------------------

CFO'S REVIEW

41	UNDERSTANDING OUR BUSINESS AND PERFORMANCE
----	--

41	RESULTS
----	---------

43	PORTFOLIO VALUATION
----	---------------------

44	FUNDING AND GEARING
----	---------------------

45	COMMENTARY ON KEY PORTFOLIO ASSETS
----	------------------------------------

GOVERNANCE AND RISK MANAGEMENT

47	GOVERNANCE AUDITOR'S REPORT
----	-----------------------------

48	LEGAL AUDITOR'S REPORT
----	------------------------

49	CORPORATE GOVERNANCE REPORT
----	-----------------------------

55	RISK MANAGEMENT
----	-----------------

PORTFOLIO REVIEW

	63
GROWTH PORTFOLIO	
	66
REAL ESTATE PORTFOLIO	
	70
DEVELOPMENT PORTFOLIO	
	73
MARKETABLE SECURITIES PORTFOLIO	

	76
PEOPLE	

	78
GOING BEYOND PROFIT	

STATUTORY INFORMATION AND AUDITED FINANCIAL STATEMENTS

	82
DIRECTOR'S REPORT	
	84
RIPOTI YA WAKURUGENZI	
	86
DIRECTOR'S REMUNERATION	

88	STATEMENT OF DIRECTOR'S RESPONSIBILITIES
----	---

89	INDEPENDENT AUDITOR'S REPORT
----	------------------------------

94	CONSOLIDATED INCOME STATEMENT
----	----------------------------------

95	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
----	---

96	COMPANY STATEMENT OF COMPREHENSIVE INCOME
----	--

97	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
----	---

98	COMPANY STATEMENT OF FINANCIAL POSITION
----	--

99	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
----	--

101	COMPANY STATEMENT OF CHANGES IN EQUITY
-----	---

103	CONSOLIDATED STATEMENT OF CASH FLOWS
-----	---

104	COMPANY STATEMENT OF CASH FLOWS
-----	------------------------------------

105	NOTES TO THE FINANCIAL STATEMENTS
-----	--------------------------------------

215	PROXY FORM / FOMU YA UAKILISHI
-----	--------------------------------

216	REGISTRAR FORM
-----	----------------

NOTICE OF THE 51ST ANNUAL GENERAL MEETING

NOTICE Is Hereby Given that the 51st Annual General Meeting of Centum Investment Company Plc (the "Company") will be held on Friday, 14th September 2018 at Two Rivers, Limuru Road, 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 50th Annual General Meeting held on Monday, 25 September 2017.

3. Ordinary Business

(i) Consolidated Financial Statements, Directors' and Auditors' reports for the year ended 31 March 2018:

To receive, consider and adopt the Consolidated Financial Statements for the financial year ended 31 March 2018 together with the Directors' and Auditors' reports thereon.

(ii) Declaration of a First and Final Dividend

To declare a first and final dividend of KShs. 1.20 per ordinary share for the financial year ended 31 March 2018, net of withholding tax, to shareholders on the Register of Members as of the close of business on 2 October 2018.

(iii) Remuneration of Directors:

To confirm the payment of fees to Directors for the financial year ended 31 March 2018.

(iv) Directors Retiring by Rotation:

(a) To approve the re-election of Dr. Christopher John Kirubi, a Director retiring by rotation and who, being eligible, presents himself for re-election.

(b) To approve the re-election of Industrial and Commercial Development Corporation, a director retiring by rotation and which, being eligible, presents itself for re-election.

(v) Director Above the Age of Seventy (70) years:

Pursuant to Paragraph 2.5.1 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, to approve the continuation in office as a Director by Dr. Christopher John Kirubi, who has attained the age of seventy (70) years, until he next comes up for retirement by rotation.

(vi) Board Audit Committee Members

Pursuant to Section 769(1) of the Companies Act No. 17 of 2015 (the "Act"), to ratify the appointment of the following Directors as Audit Committee Members:

- Mary Ngige (Chairperson);
- Catherine Igathe;
- Dr. Laila Macharia;
- Dr. Moses Ikiara; and
- Industrial and Commercial Development Corporation. (ICDC)

(vii) Appointment and Remuneration of Auditors:

To appoint PricewaterhouseCoopers (PwC) as Auditors for the Company in accordance with section 721(2) of the Act and, to authorize the Board of Directors to fix the Auditors' remuneration in accordance with section 724 of the Act.

4. Special Business

A. Ordinary Resolutions

To consider and if thought fit, to pass the following resolutions as ordinary resolutions:

Approvals under Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.

For the purposes of Paragraph G.06 of the Fifth Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 to consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions in regard to the business of the Company and in the interests of the Company:

- a) THAT the incorporation of Barium Capital Limited as a wholly-owned subsidiary of Nabo Capital Limited, a subsidiary of the Company, be ratified.
- b) THAT the incorporation of Lisianthes Investments Limited as a wholly-owned subsidiary of Centum Development Company Limited, a subsidiary of the Company, be ratified.
- c) THAT the incorporation of Olkeu Investments Limited as a wholly-owned subsidiary of Centum Development Company Limited, a subsidiary of the Company, be ratified.
- d) THAT the incorporation of Rapuzella Investments Limited as a wholly-owned subsidiary of Centum Development Company Limited, a subsidiary of the Company, be ratified.
- e) THAT the incorporation of Sharobati Investments Limited as a wholly-owned subsidiary of Centum Development Company Limited, a subsidiary of the Company, be ratified.
- f) THAT the incorporation of Spathode Investments Limited as a wholly-owned subsidiary of Centum Development Company Limited, a subsidiary of the Company, be ratified.
- g) THAT the sale of the Company's 73.35 % shareholding in GenAfrica Asset Managers Limited (GenAfrica) to Kuramo Africa Opportunity Kenyan Vehicle III Limited (an affiliate of Kuramo Capital management LLC), resulting in GenAfrica ceasing to be a subsidiary of the Company, be ratified.

5. Any Other Business

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

Dated at Nairobi on this 23 August 2018

BY ORDER OF THE BOARD



Lois W. Gakumo
Company Secretary

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.
The Proxy Form can be downloaded on www.centum.co.ke or picked at the Registered Office of the Company on 9th Floor, South Tower, Two Rivers Office Towers, Limuru Road, Nairobi or at the offices of the Company's Share Registrars, C&R Group at Bruce House, 6th Floor, Standard Street, Nairobi. Shareholders who do not intend to be at the Annual General Meeting are requested to complete and return the Proxy Form to the Registered Office of the Company or to the office of the Company's Share Registrars, so as to arrive not later than 10.00 a.m. on 12 September 2018.
2. Registration of members and proxies for the Annual General Meetings will commence at 7.00 a.m. on 14th September 2018. To facilitate registration on the day, Members and proxies should carry their national ID cards and a copy of a relevant Central Depository and Settlement Corporation (CDSC) account statement applicable to the member for the shareholding in the Company.
3. There will be buses at Uhuru Park Grounds in Nairobi to transport bona fide shareholders and proxies to the venue at the following times.
 - a. From 7.15 a.m.
 - b. From 8.15 a.m.
 - c. From 9.15 a.m.
 - d. From 10.15 a.m.

Transport will also be provided from the Venue back to the CBD after the A.G.M.

The annual report and financial statements of the Company for the year ended 31 March 2018 have been made available on the Company's website www.centum.co.ke in the downloads section of the website.

NOTISI JUU YA MKUTANO WA MWAKA MAKALA YA 51

Notisi inatolewa kuwa mkutano wa mwaka makala ya 51 wa kampuni ya Centum Investment Company PLC (Kampuni) utafanyika mnamo Ijumaa, 14 Septemba 2018 katika sehemu ya Two Rivers, barabara ya Limuru Road, Nairobi kuanzia saa 11.00 ili kutekeleza shughuli zifuatazo: -

YATAKAYOKUWEMO (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 50 uliofanyika Jumatatu, 25 Septemba 2017.

3. Shughuli za kawaida

(i) Taarifa iliyojumuishwa ya Kifedha, ripoti ya Wakurugenzi na ripoti ya wakaguzi wa hesabu za kifedha ya mwaka uliokwisha tarehe 31 Machi 2018: Kupokea, thamini na ikifaa kuidhinisha ripoti ya kifedha pamoja na taarifa ya wakurugenzi na ripoti iliyomo ya wakaguzi wa hesabu za kifedha ya mwaka uliokwisha 31 Machi 2018.

(ii) Tangazo la kwanza na la mwisho la mgao wa faida.

Kutangaza mgao wa faida wa kwanza na wa mwisho wa Shilingi 1.20 kwa kila hisa kwa mwaka uliokwisha 31 Machi 2018 baada ya kutozwa ushuru wote, kwa wenyehisa waliokuwemo kwenye sajili mwishoni mwa tarehe 2 Oktoba 2018.

(iii) Mishahara ya wakurugenzi

Kubainisha malipo kwa wakurugenzi kwa mwaka uliokwisha 31 Machi 2018.

(iv) Wakurugenzi wanaostaafu kwa zamu

a) Kuidhinisha kuchaguliwa tena kwa Dr. Christopher John Kirubi, mkurugenzi anayestaafu kwa zamu, walakini kwa kuwa na kibali, anajitolea ili kuchaguliwa tena.

b) Kuidhinisha kuchaguliwa tena kwa shirika la Industrial and Commercial Development Corporation, ambalo ni mkurugenzi anayestaafu kwa zamu, na kwa kuwa na kibali, linajitolea kuchaguliwa tena.

(v) Mkurugenzi Aliyezidi Umri wa Miaka Sabini (70):

Kwa mujibu wa Aya ya 2.5.1 ya sheria juu ya usimamizi wa kihalmashauri wa mashirika yanayohusika na hati za dhamana ya 2015, kuidhinisha kuendelea kuwepo kwa Christopher John Kirubi, mkurugenzi ambaye amehitimisha umri wa miaka 70, hadi wakati utakapowadia kustaafu kwake kwa zamu.

(vi) Wanachama wa Kamati ya bodi ya wakaguzi wa hesabu

Kwa mujibu wa sehemu ya 769(1) ya sheria za Kampuni iliyowekwa 2015, kuidhinisha uteuzi wa wakurugenzi wafuatao kwenye kamati ya wakaguzi wa hesabu:

- Mary Ngige (Mwenyekiti);
- Catherine Igathe;
- Dr. Laila Macharia;
- Dr. Moses Ikiara; na
- Industrial and Commercial Development Corporation. (ICDC)

(vii) Uteuzi wa Wakaguzi na kuidhinisha malipo yao:

Kuteua PricewaterhouseCoopers (PWC) kuwa wakaguzi wa kampuni kuambatana na sehemu ya 721 (2) ya sheria za kampuni na kuidhinisha wakurugenzi kuamua malipo yao kwa mujibu wa sehemu ya 724 ya sheria za kampuni.

4. Shughuli Maalum

A. Azimio la Kawaida

Kutathmini, na ikifaa, kupitisha azimio lifuatalo la kawaida:

Idhinisho chini ya Aya G.06 kwenye orodha ya tano ya halmashauri ya Masoko ya Hisa (Hati za dhamana) (Toleo la Hisa kwa Umma, Usajili na Utenda Wazi) Kanuni za 2002.

Kwa mujibu wa Aya G.06 ya ratiba ya tano ya mamlaka ya Masoko ya Hisa ya Capital Markets (Hati za dhamana) (Toleo la Hisa kwa Umma, Usajili na Utenda Wazi) Kanuni ya 2002, kutathmini na ikifaa, kuidhinisha maazimio yafuatayo kama maazimio ya kawaida kuhusiana na shughuli za kampuni na kwa manufaa yake:

- a) KWAMBA, usajili wa kampuni kwa jina Barium Capital Limited kama kampuni tanzu ya Nabo Capital Limited, nayo ikiwa kampuni tanzu ya kampuni uidhinishwe.
- b) KWAMBA, usajili wa kampuni kwa jina Lisianthes Investments Limited kama kampuni tanzu ya Centum Development Company Limited, nayo ikiwa kampuni tanzu ya kampuni uidhinishwe.
- c) KWAMBA, usajili wa kampuni kwa jina Olkeu Investments Limited kama kampuni tanzu ya Centum Development Company Limited, nayo ikiwa kampuni tanzu ya kampuni uidhinishwe.
- d) KWAMBA, usajili wa kampuni kwa jina Rapuzella Investments Limited kama kampuni tanzu ya Centum Development Company Limited, nayo ikiwa kampuni tanzu ya kampuni uidhinishwe.
- e) KWAMBA, usajili wa kampuni kwa jina Sharobati Investments Limited kama kampuni tanzu ya Centum Development Company Limited, nayo ikiwa kampuni tanzu ya kampuni uidhinishwe.
- f) KWAMBA, usajili wa kampuni kwa jina Spathode Investments Limited kama kampuni tanzu ya Centum Development Company Limited, nayo ikiwa kampuni tanzu ya kampuni uidhinishwe.
- g) KWAMBA, uuzaji wa asilimia 73.35% ya umiliki katika Kampuni ya GenAfrica Asset Mangers Limited (GenAfrica) kwa Kuramo Africa Opportunity Kenyan Vehicle II Limited (kampuni tanzu ya Kuramo Capital management LLC), ulioishia kwa Kampuni ya GenAfrica kukoma kuwa kampuni tanzu, uidhinishwe.

5. Shughuli zinginezo
Kutekeleza shughuli zinginezo ambazo hutekelezwa kwenye mkutano wa mwaka.

Tarehe 23 August 2018
Nairobi

KWA AMRI YA HALMASHAURI YA WAKURUGENZI



Lois W. Gakumo
Katibu.

TAFADHALI FAHAMU KUWA:

1. Mwanachama anayeruhusiwa kuhudhuria na kupiga kura kwenye mkutano huo anacho kibali cha kuteua mwakilishi ambaye si lazima awe mwanachama wa kampuni.
Fomu ya uwakilishi inaandamana na waraka huu wa notisi. Wale wanachama ambao hawatahudhuria mkutano wa mwaka wanaombwa kujaza na kuwasilisha fomu za mwakilishi kwa afisi kuu ya kampuni katika ghorofa la 9, jengo la kusini, Two Rivers Office Towers, Limuru Road Nairobi au kwa afisi ya usajili wa hisa za kampuni, ambayo ni C&R Share Registrars, Bruce House, orofa la 6, barabara ya Standard Street, Nairobi, ili ziweze kupokelewa kabla ya saa 10.00 asubuhi, tarehe 12 Septemba 2018.
2. Usajili wa wanachama na wawakilishi wanaohudhuria mkutano mkuu wa mwaka utanza saa 7.00 asubuhi, 14 Septemba 2018. Ili kurahisisha usajili siku hiyo, wanachama na wawakilishi watahitajika kubeba vitambulisho na nakala ya daftari ya akaunti ya CDSC ya mwanachama anayehusika.
3. Tafadhali fahamu kwamba basi la usafiri litakuwa hapo Uhuru Park Jijini Nairobi litakalosafirisha wanachama halisi hadi mahali pa mkutano wa mwaka kwa saa zifuatazo:
 - a. Kuanzia saa 7.15 ya asubuhi
 - b. Kuanzia saa 8.15 ya asubuhi
 - c. Kuanzia saa 9.15 ya asubuhi
 - d. Kuanzia saa 10.15 ya asubuhi.

Basi hilo litakuwa tayari kurudisha wanachama kutoka mahali pa mkutano hadi eneo la katikati mwa jiji baada ya kuisha kwa mkutano.

Nakala ya ripoti ya mwaka na taarifa za kifedha kwa mwaka uliokwisha 31 Machi 2018 zinapatikana kwenye tovuti ya kampuni kwa anwani www.centum.co.ke.

CENTUM'S APPROACH TO REPORTING

The report for the financial year ended 31 March 2018 strives to provide a holistic view of Centum's business model and how Centum creates value over time. Our key motivation is to provide a comprehensive analysis of our business that provides adequate information to our various key stakeholders that use this report.

We aim to provide information on our strategy, opportunities, challenges, risk factors and achievements that will allow our stakeholders to have a deeper understanding of the financial, social and economic impacts of the Group to enable them to appraise Centum's ability to create sustainable value.

This report covers:

- Our business model;
- Our most significant business risks as identified through our Risk Management Framework;
- Governance processes;
- Portfolio review; and
- Our human and social capital.

We are in the process of migrating to full Integrated Reporting. The report, while not defined as an Integrated Report, strives to align with and apply the concepts and principals recommended in the International Integrated Reporting Framework. The report is aligned to the Kenya Companies Act, 2015 guidelines issued by the Capital Markets Authority (CMA) and the listing requirements of the Nairobi Securities Exchange (NSE). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

SCOPE OF REPORTING

Centum Investment Company Plc is an investment holding company and accordingly all references to the "Group" denotes the Company and its subsidiaries. Disclosure is therefore limited to those entities where the Group exercises financial and operating policy control, except where these entities publicly disclose the relevant information in their respective annual reports.

AUDIT AND ASSURANCE

The consolidated annual report and financial statements were audited by PricewaterhouseCoopers in accordance with the International Standards on Auditing (ISAs). The report of the external auditor in respect of the financial statements of Centum Investment Company Plc. (the "Company") and its subsidiaries (together "the Group") is set out on pages 89 to 93 of the report.

RISK MANAGEMENT

Centum has adopted a proactive and dynamic risk management process, highlighted in pages 55 to 61, to ensure effective mitigation of the complex and dynamic risks that the Group is exposed to. This ensures that all risks faced by the Group are captured putting into consideration the likelihood and potential impact (both qualitative and quantitative) of the risks actualizing. To this end, this report articulates the key components that covers our risk management approach which include risk governance and culture, comprehensive processes to identify, measure, monitor, control and report risks, sound assessments of investment opportunities relative to risks and internal control systems.

BUSINESS HIGHLIGHTS

HOW WE CREATE VALUE ACROSS KEY CAPITALS

INPUTS ▶

We apply a range of capital inputs to create value:

- **Financial Capital:** Our cash from operations and investments, debt and equity financing
- **Manufactured Capital:** Our infrastructure within our real estate projects and plant and equipment within our agricultural, manufacturing and publishing businesses
- **Human & Intellectual Capital:** Our people's competencies, capabilities and experience
- **Social & Relationship Capital:** Our strategic partnerships with various stakeholders and communities in which we exist
- **Natural Capital:** Our land banks and biological assets

HOW WE WORK ▶

Our business is anchored on building bankable projects and portfolio companies across key sectors by:

- Leveraging on internal resources to conceptualise and de-risk projects;
- Operationalisation and growth of businesses by leveraging third party capital and project-specific debt;
- Portfolio management for operating businesses; and
- Seeking partial or full exits to realise gains.

OUTCOMES IN FY 2018

Net Asset Value of **KES 73.2 per Share**, reflecting a return of 9%

Total Assets of **KES 66.1 Bn**, a growth of 7% , with **KES 2.6 Bn** in capital deployed into the investment portfolio

Dividend payout of **KES 798.5 Mn**

2,759 employees directly employed in our Investee Companies

Sector specific expertise enhanced in **Real Estate, Agribusiness** and **Healthcare** sectors

KES 20.8 Mn spent on Corporate Social Responsibility activities through our subsidiaries

STRATEGIC PILLARS

We have positioned ourselves as a developer of investment grade assets under the Centum 3.0 Strategy through the following pillars:

RETURN

Generate 35% + annualized return over the strategic period

FOCUS

Develop investment grade opportunities of scale in 8 key sectors: Real Estate, Power, Financial Services, FMCG, Agribusiness, Education, Healthcare and ICT

SCALE

Grow Centum's total assets to KES. 120 Bn by 2019 and total AUMs including third party AUMs to KES. 720 Bn

BRAND

Develop teams with sector expertise and build a track record of project development in our targeted sectors

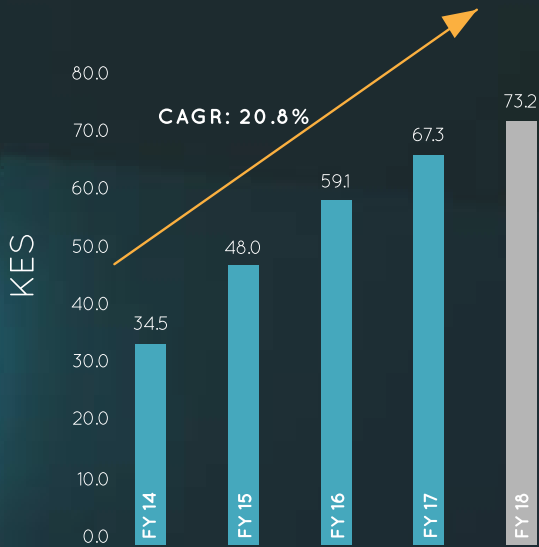
COSTS

Maintain costs below 2.0% of total assets

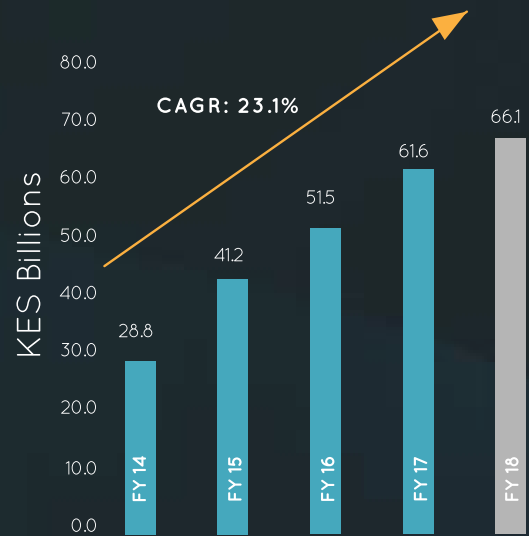


5-YEAR REVIEW

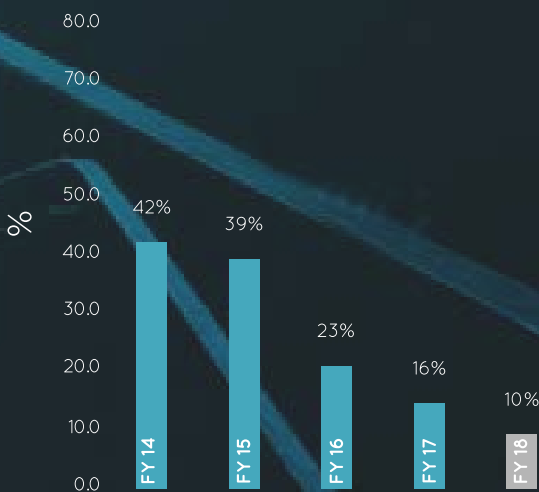
NAV PER SHARE



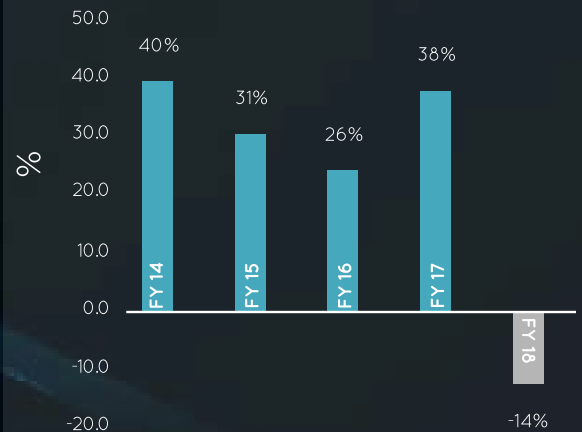
TOTAL ASSETS



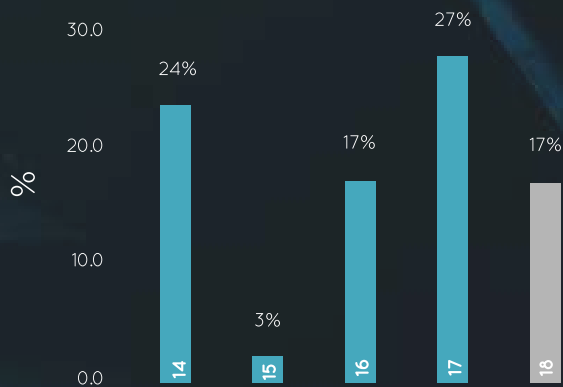
RETURN ON EQUITY



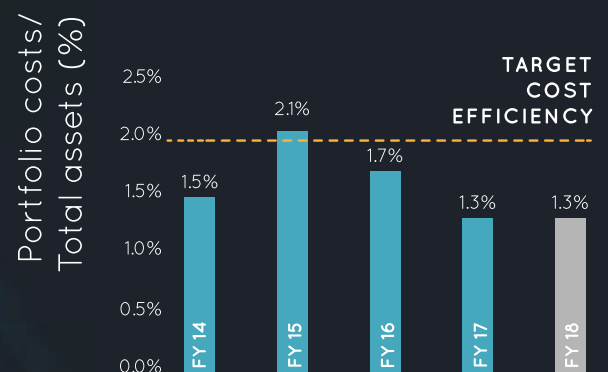
EXCESS ROE ABOVE NSE 20 SHARE INDEX



GEARING



COST EFFICIENCY AS % OF AUMS



STAKEHOLDER ENGAGEMENT

We strongly believe that meaningful and successful engagement with stakeholders leads to sustainable value creation. We aim to engage proactively with those of whom we have an impact and with those who impact us. This informs the development and evaluation of our strategy, risk management framework and subsequently our material issues.

GOVERNMENT AND REGULATORY BODIES

NATURE OF ENGAGEMENT

Submissions, meetings and representation on various industry bodies

KEY ISSUES

- Ongoing compliance with regulatory frameworks and good corporate governance standards
- Approval for Mergers and Acquisition Transactions

OUR RESPONSE

- Continue to maintain sound governance policies and procedures
- Establishment of a Compliance function, with at least quarterly reporting on compliance with relevant policies, laws, regulations and standards

COMMUNITIES

NATURE OF ENGAGEMENT

Direct engagement with local communities and organisations

KEY ISSUES

- Community empowerment

OUR RESPONSE

- Integration of Corporate Social Initiatives into our value chain process to drive long-term sustainability

EMPLOYEES

NATURE OF ENGAGEMENT

Nature of Engagement: Direct engagement through employee townhalls, employee surveys

KEY ISSUES

- Market-related remuneration
- Health and safety
- Securing, retaining and development of necessary skills
- Career growth

OUR RESPONSE

- Continue to maintain an enabling working environment ensuring equitable treatment of all staff
- Establishment of the Centum Learning Hub to support employee focused and led skills development
- Establishment of an incentive structure that is linked to Company performance

EQUITY AND DEBT INVESTORS

NATURE OF ENGAGEMENT

Results presentations and company announcements; periodic reporting, Investor meetings and roadshows and other updates

KEY ISSUES

- Group Strategy
- Group Performance
- Compliance with debt covenants
- Significant non-financial issues

OUR RESPONSE

- Continue to ensure visibility into both financial and non-financial issues affecting the business to enhance market knowledge

INVESTEES COMPANIES

NATURE OF ENGAGEMENT

Portfolio management and strategic guidance

KEY ISSUES

- Alignment to Group Strategy
- Value creation

OUR RESPONSE

- Continue to enhance portfolio monitoring with close oversight by the Board Finance and Investment Committee

MATERIAL MATTERS

POLITICAL ENVIRONMENT



- The extended electioneering period in 2017 made for a challenging political environment which weighed down investment spending, contributing to a sluggish transaction environment. Some of the Company's exit transactions were delayed as a result of this. Kenya's real estate market also recorded the lowest capital appreciation compared to the previous six years, which is reflected in lower value uplift in our real estate portfolio during the financial year.
 - Rapprochement between the various political actors at the start of 2018 has reduced the political uncertainty. The post-election economic outlook is positive as the Government focuses on its 'Big 4 Agenda' and improved governance.
-

INTEREST RATE CAPPING



- The Banking Amendment Act 2016 introduced the capping of the local banks' lending rate at a maximum of 4% above the Central Bank Rate which has adversely affected private sector credit growth. Within our portfolio, the interest rate capping had a negative impact on Sidian Bank Limited, which accounts for 6.4% of our Net Asset Value. The regulations also impacted the pace of unlocking of value in our real estate projects due to constrained credit access.
 - There is a recent proposal to repeal or modify the interest rate capping regulations, which would be expected to unlock credit growth to the private sector.
-

FEDERAL RESERVE INTEREST RATE REVIEW



- The Federal Reserve hiked its interest rate in 2018 with further indication of a possible increase in the coming 12 months. Due to the correlation between LIBOR and the Federal Rate, it is expected that the cost of foreign currency debt pegged on LIBOR could increase. The Company's long term debt includes the equivalent of KES 5.8 Billion that is pegged to the LIBOR.
 - The effective cost of borrowing for the LIBOR pegged facility remains lower compared to the equivalent KES borrowings. Our strategy remains unchanged on raising project-specific debt at the project level that is non-recourse to Centum.
-

INTERNATIONAL FINANCIAL REPORTING STANDARDS 9 (IFRS 9)



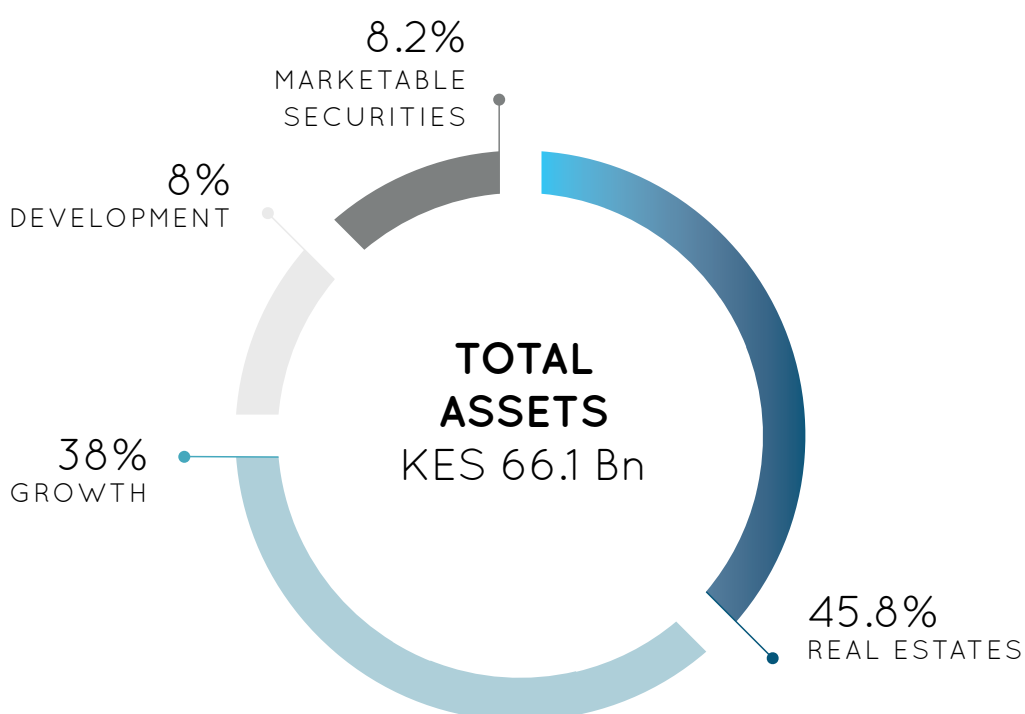
- IFRS 9 was adopted by local banks in January 2018. This standard, which affects our banking subsidiary Sidian Bank Limited, resulted in an increase in loan provisioning upon adoption. The Central Bank of Kenya (CBK) has issued draft guidelines on IFRS 9 implementation which allow banks a five-year window to amortize the increased IFRS 9 loan provisions, for purposes of determining their capital adequacy.
-

OUR BUSINESS

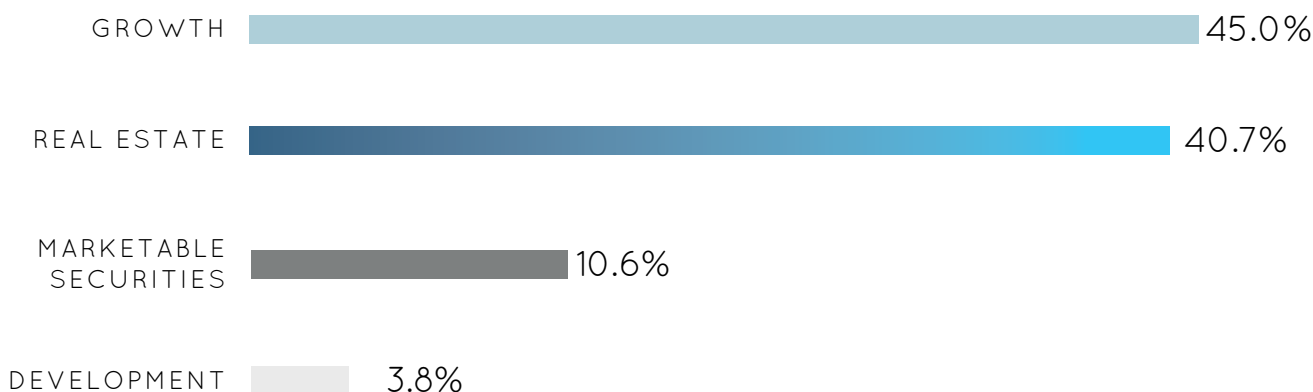
Over the last 4 years, the Group's investment portfolio has scaled up significantly. The portfolio now includes large scale assets under development and operating companies in which the Group has a majority stake and/or management control. This growth has been on the back of the execution of the Group's "Centum 3.0" strategy (2014-2019), which saw the Group migrate from a relatively passive investment strategy to developing investment grade platforms of scale across the sectors it is active in and availing these opportunities to investors.

OUR PORTFOLIO

Our portfolio consist of investments in mainly 4 segments; Real Estate, Growth, Development and Marketable Securities. These 4 segments cut across different industries including Real Estate, FMCG, Financial Services, Power, Education, Agri-business, Healthcare and Quoted Private Equity.



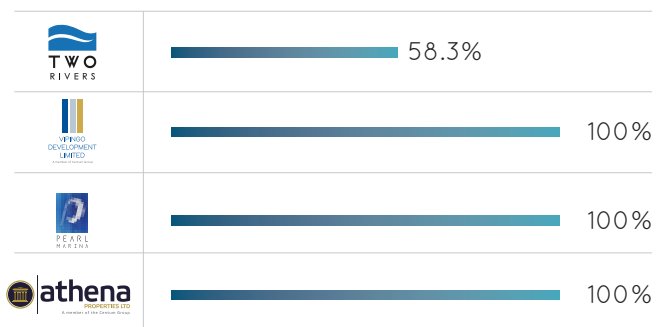
TOTAL NAV PER SHARE KES 73.2



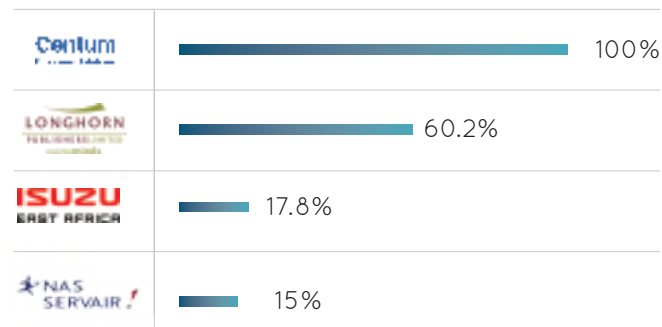
OUR INVESTMENTS

Our investee companies represent a mix of subsidiaries, associates and jointly controlled entities primarily in our sectors of focus under our current strategic plan.

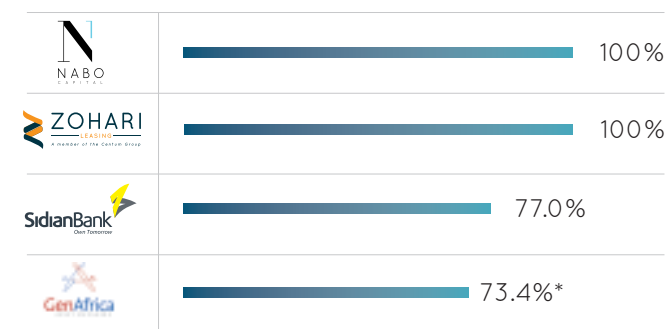
REAL ESTATE



OTHERS

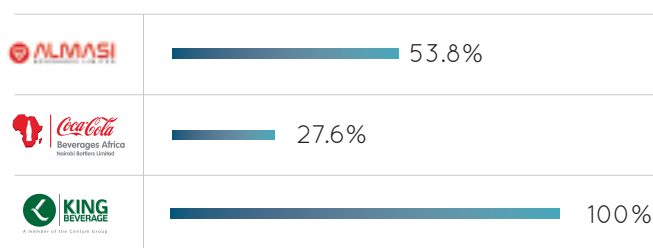


FINANCIAL SERVICES

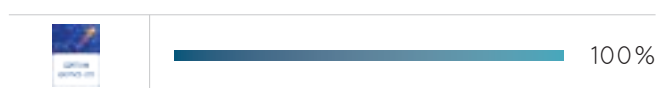


* exited post year end

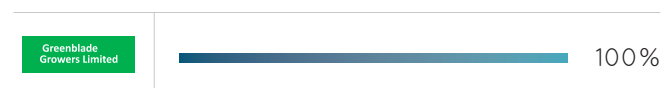
FMCG



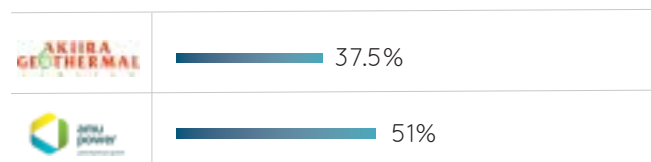
MARKETABLE SECURITIES



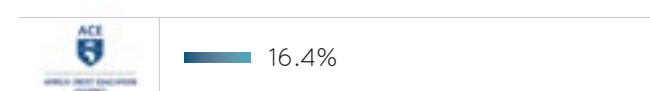
AGRIBUSINESS



POWER



EDUCATION



INVESTMENT PHILOSOPHY & STRATEGY

Over the years, our business model has evolved and so has our investment philosophy. Centum invests in businesses and sectors that it understands well. Centum generally focuses on companies in sectors with:

- Large and growing domestic and regional markets targeted principally at households and private businesses
- Basic goods and services whose demand will increase as purchasing power increases
- Products and services with limited scope for import substitution
- Sustainable competitive advantage, with relatively high barriers to entry
- Sectors with pricing power that will allow price increases with inflation
- Relative industry certainty - where there are no adverse industry changes foreseeable within the investment period

In cases where attractive opportunities exist in sectors that it does not have an understanding, we work to build expertise by engaging sector specialists from the investment appraisal stage or strategic partners to jointly invest.

Our investment objectives are anchored around the following constraints;

- Asset Allocation – ensuring a healthy balance of investments across various segments and portfolio classes (namely growth, real estate, cash and marketable securities and development) to minimize asset concentration risk and ensure a steady stream of cashflows to meet portfolio costs and take advantage of investment opportunities;
- Legal & Regulatory Factors – paying due regard to the environment which we operate in;
- Time Horizon – a balance is maintained between long and short-term investments to ensure consistent dividend payouts whilst maximising long term value; and
- Sustainable Development – making conscious decisions to ensure responsible investing ethos on social, environmental and governance are applied towards greater value to the Company.

RESPONSIBLE INVESTING

The Responsible Investing Policy (RIP) forms the bedrock upon which sustainable development is anchored within the Company. Responsible investing entails having proper governance structures, concern for the environment and social responsibility.

This policy ensures that all investments made by Centum not only generate desired return to shareholder's capital, but also ensures that they benefit the society where they are made. Furthermore, the policy guides the investment team in making investments that protect and enhance positive effects to the environment.

The RIP helps the Company promote its commitment to our stakeholders and to comply, at a minimum, with applicable local and international laws and regulations and, where appropriate, relevant International Standards where these are more stringent than the applicable laws.

Furthermore, Centum, has **Integrity** as a core value and guiding principle. Integrity is embedded in the Centum culture through corporate governance initiatives and policy framework. Employees and directors of the company adhere to the Centum code of ethics, whistle-blowing policy and conflict of interest policy. The Company and its employees place integrity of the investment profession, governing rules of the Company and the Capital Markets above personal interests.

MINIMUM ENVIRONMENTAL SOCIAL GOVERNANCE STANDARDS

The Company is focused on investing in businesses which are committed to:

- a) Taking necessary measures to ensure equitable distribution of value across the supply chain in all its operations;
- b) A responsible approach to environmental management of their business operations (and those of their supply chain) by making efficient use of natural resources and mitigating environmental risks and damage;
- c) Respecting the human rights of their workers and of the people working in their supply chain;
- d) Maintaining safe and healthy working conditions for their employees and contractors and for the people working in their supply chain;
- e) Treating their employees fairly;
- f) Upholding the right to freedom of association and collective bargaining; and
- g) Treating their customers fairly and respecting the health, safety and wellbeing of those affected by their business activities.

The minimum environmental, social and governance standards are considered at all stages of our investment processes and form part of our investment policy.

PERFORMANCE TRACK RECORD

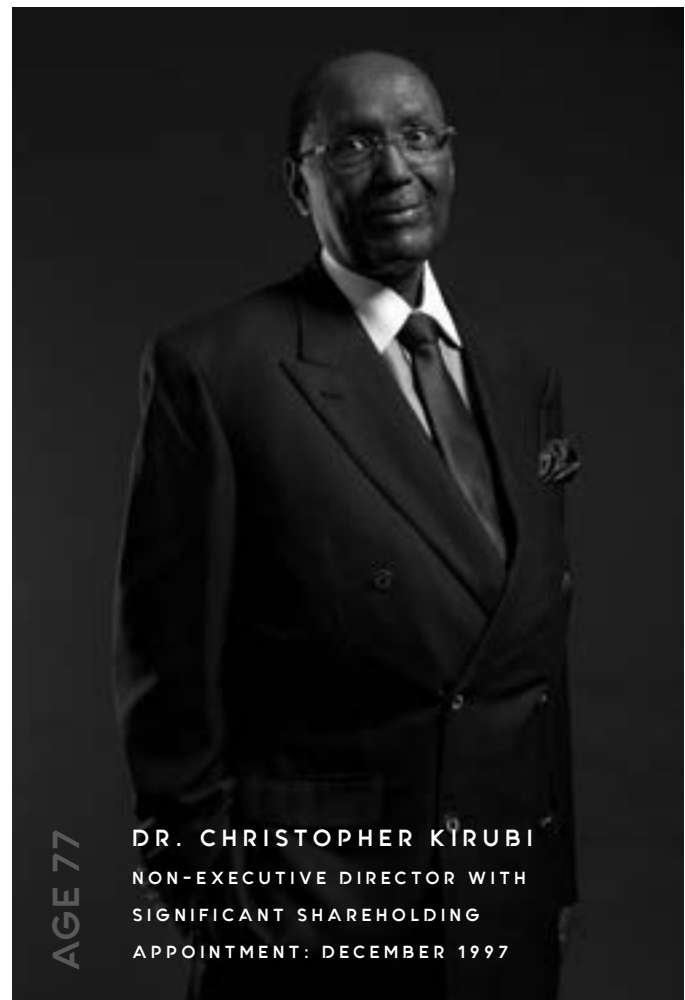
Company	Holding	Value Creation
	73.4%	<ul style="list-style-type: none"> Demonstrated ability to attract international investors Achieved AUM growth of over 2.0x over the holding period Exited* stake to an investor achieving an IRR of 29% over the holding period
	25.0%	<ul style="list-style-type: none"> Achieved loan book growth of 3.3x and an average over the holding period Exited stake to the pre-existing management and shareholders achieving an IRR of 31% over the holding period
	26.4%	<ul style="list-style-type: none"> Demonstrated ability to attract strategic investors to realise strategic and operational synergies Led in privatisation of the business via exit to the private sector Exited our 26.4% stake in 2017 achieving an IRR of 22% over the holding period
	21.5%	<ul style="list-style-type: none"> Demonstrated ability to drive business growth through portfolio synergies Exited our 21.5% stake in 2016 generating an IRR of 44% over the holding period
	14%	<ul style="list-style-type: none"> Demonstrated ability to create attractive regional growth plans Assisted the expansion of the insurance business in South Sudan, Rwanda and DRC Assisted the business raise KES 4.7 Bn growth capital in 2012 from 3 PE funds at 10x Centum's entry valuation in 2003 Exited the business in 2015 at a 52% IRR to a strategic investor
	53.9%	<ul style="list-style-type: none"> Led the process of consolidating 3 of the country's 6 Coca-Cola bottling plants to create a platform to drive further efficiency and growth and realise synergies Increased its shareholding from 32% to 53.9% through the consolidation process and cemented Centum's position as the single largest shareholder
	60.2%	<ul style="list-style-type: none"> Demonstrated ability to take companies public to realise price discovery Listed the company in May 2012 Assisted the business expansion into the Francophone market
	15%	<ul style="list-style-type: none"> Demonstrated ability to complete Leverage Buyouts (LBO) Assisted strategic technical partner complete an LBO with local banks in 2010 Realised proceeds of KES 260 Mn and reinvested KES 180 Mn to increase Centum's shareholding from 9% to 15% in the highly profitable airline caterer
	23%	<ul style="list-style-type: none"> Demonstrated ability to exit at attractive valuations in public equity markets Acquired 23% of listed company in 2009 for KES 418 Mn Exited in 2010 for KES 1.2 Bn in a highly illiquid counter delivering an IRR of 56%
	10%	<ul style="list-style-type: none"> Demonstrated ability to exit from underperforming assets Exited in a secondary buyout to two PE funds in 2010 at a loss of 30% of the initial investment value albeit at a 1.3x gain on the carry value and redeployed the capital into more profitable investments

* Exit completed after year end

A vertical teal-colored bar with a faint grid pattern. The text "OUR BOARD" is written vertically in white, bold, sans-serif capital letters.

OUR BOARD





Dr. Kaberuka was appointed as a Non-Executive Director in October 2016 and currently serves as the Chairman of the Board.

Dr. Kaberuka is currently the African Union High Representative for the Financing and Peace Fund, a Hauser Leader-in-Residence, Harvard Kennedy School, Mo Ibrahim Foundation board member, and a member of the Executive Committee and Chair of the Audit Committee for the Rockefeller Foundation. He is also a Senior Adviser to the global private equity firm, TPG-Satya, as well as the global advisory firm Boston Consulting Group.

He was formerly the President and Chairman of the African Development Bank, a position he held from 2005 to 2015. He also served as the Minister for Finance in Rwanda where he led the economic team within the Government of Rwanda also as the Governor for Rwanda for the International Monetary Fund and World Bank.

Dr. Kaberuka holds a PhD in Economics from University of Glasgow, Scotland.

Dr. Kirubi was appointed as a Non-Executive Director in December 1997 and served as Chairman of the Board between 1998 and 2003. He currently serves as Chairman of the Finance & Investment Committee, and is also a member of the Nomination & Governance Committee.

Dr. Kirubi also serves as Chairman of Two Rivers Development Limited and as a Director of Vipingo Development Limited and Two Rivers Lifestyle Centre Limited.

Dr. Kirubi is the Chairman of HACO Industries, Coca-Cola Nairobi Bottlers, DHL Express, Capital Media Group, International House Limited, and Smart Applications International. He is also the Deputy Chairman of Bayer East Africa Limited. In addition, he serves as the Honorary Consul of Mauritius in Kenya, Founder Council Member & Treasurer, AU Foundation and a Council Member, Harvard Global Advisory Council & Harvard Africa Advisory Council.

Dr. Kirubi is an alumnus of INSEAD Institute in France, Handles University in Sweden and Harvard Business School, USA.



AGE 44

MRS. CATHERINE IGATHE
 INDEPENDENT NON-EXECUTIVE DIRECTOR
 APPOINTMENT: SEPTEMBER 2016



AGE 40

DR. JAMES MWORIA
 EXECUTIVE DIRECTOR
 APPOINTMENT: OCTOBER 2008

Mrs. Igathe was appointed as a Non-Executive Director in September 2016, and currently serves as Chairperson of the Risk Committee and as a member of the Finance & Investment Committee and Audit Committee.

Mrs. Igathe is currently the Managing Director of AIG Kenya Insurance Company Limited, and has over 18 years' managerial experience. She also serves as a Non-Executive Director on the board of GenAfrica Asset Managers Limited.

Mrs. Igathe holds a Bachelor of Science in Business Administration from United States International University. She is also a graduate of the Advanced Management Program from Strathmore Business School and IESE Business School.

Dr. Mworia is the Group Chief Executive Officer and Managing Director of Centum Investment Company Plc, a position he has held since October 2008.

Dr. Mworia serves on several boards, including those of Sidian Bank Limited and Almasi Beverages Limited, where he serves as Chairman, Nairobi Bottlers Limited, Isuzu East Africa Limited and Lewa Wildlife Conservancy. Dr. Mworia also serves as a Director of Centum Exotics Limited, Investpool Holdings Limited, Centum Development Company Limited and Two Rivers Lifestyle Centre Limited. Dr. Mworia was also appointed as Chancellor of Machakos University in October 2016.

Dr. Mworia holds a Bachelor of Law Degree from the University of Nairobi, and a Doctorate in Business (Honoris Causa) from Machakos University. He is an Advocate of the High Court of Kenya, a CFA Charter Holder, a Chartered Global Management Accountant, a Fellow of the Kenyan Institute of Management and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



MRS. MARY NGIGE
 INDEPENDENT NON-EXECUTIVE DIRECTOR
 APPOINTMENT: SEPTEMBER 2016



MR. KENNEDY WANDERI
 ICDC REPRESENTATIVE (PRINCIPLE WITH
 SIGNIFICANT SHAREHOLDING)
 APPOINTMENT: JULY 2015

Mrs. Ngige was appointed as a Non-Executive Director in September 2016, and currently serves as the Chairperson of the Audit Committee, and a member of the Risk Committee.

Mrs. Ngige is currently the Chief Executive Officer at Haltons Limited. She has vast managerial experience, having held various positions in the past, including those of Acting Group CEO at CMC Holdings Limited, Group Finance Director at CMC Holdings Limited, and Senior Manager at Deloitte and Touche. She also serves as a Non-Executive Director in the board of Kenindia Assurance Company Limited.

Mrs. Ngige holds a Bachelor of Commerce from the University of Nairobi and a Masters of Business Administration from Strathmore Business School. She is a Certified Public Accountant (Kenya).

Mr. Wanderi was appointed to the Board as the representative for Industrial Commercial Development Corporation (ICDC) in 2015, and serves as a member of the Nomination & Governance Committee, Audit Committee, Risk Committee and the Finance & Investment Committee. He also serves as a Director of Two Rivers Development Limited.

Mr. Wanderi is currently an Executive Director at ICDC and has over 25 years' experience in finance and accounting. He also serves on the boards of Isuzu East Africa Limited, Almasi Beverages Limited and Kenya Wine Agencies Limited (KWAL).

Mr. Wanderi holds a Bachelor's Degree in Business Management as well as a Masters of Business Administration (Finance and Banking Option), both from the Moi University. He is also a Certified Public Accountant (Kenya).



DR. LAILA MACHARIA
 INDEPENDENT NON-EXECUTIVE DIRECTOR
 APPOINTMENT: OCTOBER 2013



HON. WILLIAM BYARUHANGA
 NON-EXECUTIVE DIRECTOR
 APPOINTMENT: OCTOBER 2016

Dr. Macharia was appointed as a Non-Executive Director in October 2013, and currently serves as the Chairperson of the Nomination & Governance Committee, in addition to being a member of the Risk and Finance & Investment Committees.

Dr. Macharia is currently a Serial Entrepreneur and Angel Investor backing upcoming entrepreneurs in media, education, data analytics and financial technology. She is also a Non-Executive Director at Barclays Bank of Kenya Limited. Prior to this, she worked as Chief Executive Officer of Scion Real, a consultancy firm in project finance and at Kaplan & Stratton, a top-tier Kenyan law firm, on transactions in Kenya, South Africa and Uganda. She also served as a Senior Regional Advisor at USAID-East Africa and worked at the helm of the Africa Initiative at the Global Fund for Women in the San Francisco Bay Area.

Dr. Macharia holds a B.A. in Planning & Public Policy from the University of Oregon, a Juris Doctor and LL.M from Cornell University and a doctorate from Stanford University, all in the United States.

Hon. Byaruhanga was appointed as a Non-Executive Director in October 2016 and serves as a member of the Nomination & Governance Committee.

Hon. William Byaruhanga is the Attorney General of the Republic of Uganda, a position he assumed in June 2016. Prior to his appointment as the Attorney General, he was the Principal Partner, Kasirye, Byaruhanga and Company Advocates, where he specialised in Investments and Corporate Finance Law.

Hon. Byaruhanga holds a Bachelor of Law Degree from Makerere University and a Diploma in Legal Practice from the Law Development Centre, Uganda. He is a member of the Ugandan and East African Law Society.



AGE 57

MRS. SUSAN WAKHUNGU-GITHUKU
 INDEPENDENT NON-EXECUTIVE DIRECTOR
 APPOINTMENT: SEPTEMBER 2017



AGE 53

DR. MOSES IKIARA
 INDEPENDENT NON-EXECUTIVE DIRECTOR
 APPOINTMENT: NOVEMBER 2017

Mrs. Susan Githuku was appointed as a Non-Executive Director in September 2017 and serves as a member of the Nomination & Governance Committee and the Finance & Investment Committee. She also serves as a Director of Centum Foundation.

Mrs. Githuku is the Founder and Managing Director of Human Performance Dynamics Africa and the Founder and Creative Director of publishing house Footprints Press. Mrs. Githuku was formerly the Head of talent management and Director of Coca-Cola University across Eurasia and Africa. Prior to that, she was the Africa Group HR Director at Coca-Cola responsible for the function in 54 countries and was based in London and Johannesburg.

Mrs. Githuku holds a Bachelor of Science Degree in Economics and Psychology from St. Lawrence University and a Master of Science Degree in Development Economics from the University of Strathclyde-Glasgow.

Dr. Ikiara was appointed as a Non-Executive Director in November 2017 and is currently the acting Managing Director of the Kenya Bureau of Standards (KEBS). Dr. Ikiara serves as a member of the Risk, Audit and Finance & Investment Committees. He is also a Director of Elimu Holdings Limited, Centum Exotics Limited and Kilele Holdings Limited.

Dr. Ikiara was previously the Managing Director of the Kenya Investment Authority (KenInvest) as well as former Executive Director at the Kenya Institute for Public Policy Research and Analysis (KIPPRA), having started as a Policy Analyst at the same Institute. He was formerly a lecturer and research fellow at the School of Environmental Studies, Moi University.

Dr. Ikiara holds a PhD in Environmental and Natural Resource Economics from the University of Amsterdam, the Netherlands, a Master's degree in Economics and a Bachelor's degree in Agriculture (First Class Honors) both from the University of Nairobi.



OUR LEADERSHIP TEAM





DR. JAMES M. MWORIA, CFA
GROUP CHIEF EXECUTIVE OFFICER AND
MANAGING DIRECTOR

Dr. Mworia is the Group Chief Executive Officer and Managing Director of Centum Investment Company Plc, a position he has held since October 2008.

Dr. Mworia serves on several boards, including those of Sidian Bank Limited and Almasi Beverages Limited, where he serves as Chairman, Nairobi Bottlers Limited, Isuzu East Africa Limited and Lewa Wildlife Conservancy. Dr. Mworia also serves as a Director of Centum Exotics Limited, Investpool Holdings Limited, Centum Development Company Limited and Two Rivers Lifestyle Centre Limited. Dr. Mworia was also appointed as Chancellor of Machakos University in October 2016.

Dr. Mworia holds a Bachelor of Law Degree from the University of Nairobi, and a Doctorate in Business (Honoris Causa) from Machakos University. He is an Advocate of the High Court of Kenya, a CFA Charter Holder, a Chartered Global Management Accountant, a Fellow of the Kenyan Institute of Management and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



MR. FRED MURIMI
MANAGING DIRECTOR,
CENTUM CAPITAL

Mr. Murimi was appointed the Managing Director for Centum Capital in August 2015.

Mr. Murimi heads Centum Capital, a division of Centum Group, charged with the responsibility of overseeing the execution of the Centum 3.0 strategy through the development of investment grade opportunities across key sectors of focus.

Mr. Murimi holds a Bachelor of Laws degree from the University of Nairobi, a Masters of Business Administration, is qualified as a Certified Public Accountant (CPA) and as a Certified Public Secretary (CPS). He is a member of the Law Society of Kenya (LSK) and Institute of Certified Public Secretaries of Kenya (ICPSK).



MR. SAMUEL KARIUKI
GROUP FINANCE DIRECTOR

Mr. Kariuki was appointed as the Group Finance Director in January 2016.

Mr. Kariuki holds a Masters of Business Administration in Strategic Planning from Heriot-Watt University (UK), a Bachelor of Science degree in Applied Accounting from Oxford Brookes University (UK) and Bachelor of Technology degree in Chemical and Process Engineering from Moi University. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Member of the Institute of Certified Public Accountants of Kenya. He is also a Certified Information Systems Auditor and a Member of the Information Systems Audit and Control Association (ISACA).

He is a Certified Executive Coach and a Tutu Fellow.

MRS. LOIS GAKUMO-KIMANI
CHIEF LEGAL ADVISOR & COMPANY SECRETARY

Ms. Gakumo was appointed Chief Legal Advisor and Company Secretary in August 2015.

Ms. Gakumo oversees the Centum's Group Legal Advisory & Company Secretarial functions.

Ms. Gakumo holds a Bachelor of Law (LL.B) degree from University of Nairobi and a Post graduate Diploma in Law from the Kenya School of Law. She is currently in the process of completing her Masters' in Public Administration degree (MPA) from the University of Nairobi. She is an Advocate of the High Court of Kenya with over 15 years' experience, a Commissioner for Oaths, a Notary Public and a Certified Public Secretary (CPS) Kenya. She is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya (ICPSK).



MS. CHARLENE KAVULANI
GROUP HEAD OF RISK

Ms. Kavulani was appointed the Group Head of Risk in 2015.

Ms. Kavulani is responsible for the Risk Compliance and Internal Audit function across the Centum Group.

Ms. Kavulani holds a Bachelor of Commerce (Accounting) degree from Kenyatta University, a Risk Certification on ICAAP & Stress testing from the Frankfurt School of Business, a Certification in Banking from Institute of Banking and Business Communication and a Diploma in Information Technology from Kenya School of Professional Studies. She is also a Certified Compliance Professional by the International Academy of Business & Financial management with over 10 years' experience in Enterprise Risk Management. She is a Certified Public Accountant (K) and a member of the Institute of Certified Public Accountants in Kenya.



MR. TIM MURUNGI
DIRECTOR, REAL ESTATE

Mr. Murungi joined Centum Group as Commercial Director in charge of Real Estate in November 2017.

Mr. Murungi is responsible for the development and commercialization of the Centum's Group real estate strategy.

Prior to joining Centum, he was Director - Infrastructure & MEP for DAMAC Properties listed on the Dubai Financial Market (DFM), responsible for Commercial delivery of among other projects; DAMAC Hills residential development (387Ha) + Trump Golf course; Akoya Oxygen residential development (515Ha) + Tiger Woods Golf Course & 14M ft² of mid-high rise residential building in Business Bay Dubai.

Mr. Murungi holds a BSc. (Hons) in Quantity Surveying from Sheffield Hallam University (UK).





MR. BERNARD WEKULO
MANAGING DIRECTOR,
CENTUM BUSINESS SOLUTIONS LIMITED

Mr. Wekulo was appointed Managing Director Centum Business Solutions Limited and Centum Group Human Resources Director in December 2017.

Mr. Wekulo heads Centum Business Solutions Limited which offers services to Centum, Centum subsidiaries and third-party clients the Group support.

Mr. Wekulo holds a Bachelor of Arts degree from Kenyatta University and a Master of Business Administration degree from the Herriot Watt University in Edinburgh, Scotland.

He is a member of the Institute of Human Resource Management (IHRM).



MR. ARTHUR ADEYA
MANAGING DIRECTOR,
ATHENA PROPERTIES LIMITED

Mr. Adeya was appointed Managing Director of Athena Properties in November 2016.

Mr. Adeya holds a Bachelor of Architecture degree from University of Nairobi and a Masters in Landscape Architecture from the Havard University Graduate School of Design with over 19 years' experience. He is a Registered Architect both in Kenya and USA and is a LEED Accredited Professional.

He is also a member of the American Society of Landscape Architects and Corporate Member of the Architectural Association of Kenya.



MR. PIUS MUCHIRI
MANAGING DIRECTOR,
NABO CAPITAL LIMITED

Mr. Muchiri is the Managing Director of Nabo Capital Limited, a position he was appointed to in March 2013.

Mr. Muchiri is responsible in steering Nabo Capital Limited to be the leading Pan African Asset Manager in scale, innovation and profitability.

Mr. Muchiri holds Bachelor of Commerce degree from the University of Nairobi with over 12 years' experience successfully investing in Africa. He is CPA (K) finalist and a CFA Charterholder. He is a member of East African Investment Professionals and a Fellow of the Archbishop Desmond Tutu African Leadership Institute.

CHAIRMAN'S

STATEMENT



Dear Stakeholders,

Since commencing our current strategy period in 2014, the Group has endeavored to deliver sustained value for its shareholders and the communities that we operate in. Despite the challenging operating environment that prevailed over much of the financial year, the Company recorded a 9% growth in the book value of shareholder funds which closed at KES 48.7 billion as at 31 March 2018. The Company's total assets grew by 7% during the year, closing at KES 66.1 billion while the Net Asset Value (NAV) per share increased from KES 67.3 in the prior year to KES 73.2. This NAV per share has grown at a compounded annual growth rate of 21% over the Centum 3.0 strategic period, a truly strong performance compared against a -3% NSE return over the same period.

A key milestone in the year ended 31 March 2018 was the redemption of our KES 4.2 billion bond that was maturing in September 2017. This was a significant achievement considering that the Company had KES 7.3 billion in aggregate of maturing debt in a year characterized by an economic downturn and market liquidity constraints.

DIVIDEND PAYMENT

The Board of Directors has recommended the payment of a dividend equivalent to KES 1.20 per share for the financial year ended 31 March 2018, similar to the 2017 payout.

STRATEGIC FOCUS

Centum remains committed to our mission of creating real, tangible wealth. Our ability to develop, scale and grow investment opportunities in all our operational sectors has been the cornerstone of our success. The benefit realization from our capital injection into our beverage and publishing businesses over the last two years is reflected in their strong sales and profitability performance in the current year. The Group has also made significant progress on its education projects, with the first school under our SABIS partnership due for opening in September this year.

The underlying value creation potential across our portfolio companies is significant and I am pleased with the current level of activity to unlock this value.

CORPORATE GOVERNANCE

In the past financial year, Mrs. Susan Githuku and Dr. Moses Ikiara joined the Board as Non-Executive Directors. Mrs. Githuku brings on board significant expertise in Human Resources, a key agenda for the Company. Dr. Ikiara on the other hand brings a wealth of investment and management experience. We welcome them both to Centum.

The Board recognizes that good governance is fundamental to the way that Centum and its affiliates conduct business. Significant milestones have been achieved in enhancing our corporate governance standards with the aim of compliance with the Code of Corporate Governance Practice for Issuers of Securities to the Public 2015 (the "Code").

I would like to thank my fellow board members for their commitment, guidance and dedication to the Group throughout the year.

STAKEHOLDER RETURN

Focus on our stakeholder return is at the heart of our growth strategy. Accordingly, our business model is tailored to contribute to both the economic and social development across our value chains.

During the financial year, we reviewed our approach to the Group's Corporate Social Investment (CSI) Initiative that is managed by Centum Foundation. Centum Foundation is a non-profit entity established in 2016. The Foundation initially focused on the identification and empowerment of entrepreneurs, providing innovative Small-to Medium-Sized Enterprises with the capital and business development tools that was crucial in propelling growth through a business incubator. A review of the strategy saw the alignment of entrepreneurship with key focus sectors within the Group namely; Education, Infrastructure and Healthcare. Our CSI strategy is now geared towards facilitating Africa's most creative and sustainable solutions by identifying impactful, scalable and sustainable initiatives that empower the communities we are engaged with.

Through our subsidiaries, various stakeholder engagements continue to be carried out, with positive results reflected in our community engagement efforts. For example, in Vipingo, we have partnered with an internationally-renowned training firm, Arc Skills, to impart vocational skills to the local community with the objective of providing employment to the local community as we roll out our Vipingo project. As well, our agribusiness subsidiary, Greenblade Growers Limited, is empowering over 500 small-scale farmers through market linkage and input and agronomy support.

OUTLOOK

Over the last three years, we have invested significantly in our human capital and institutional capabilities to drive our ambitious growth and stakeholders return objectives. We remain focused on implementing our strategy in a dynamic environment, maintaining a strong stakeholder value focus and employing informed resource allocation that will ensure the Group achieves its strategic initiatives. I remain confident on our ability to deliver to promise, steered by an effective leadership team and dedicated staff who are committed to driving long term sustainable growth.



Dr. Donald Kaberuka
Chairman, Board of Directors

TAARIFA YA MWENYEKITI

Kwa Washikadau,

Tangu tulipoanzisha utekelezaji wa mikakati ya kipindi hiki mnamo 2014, kundi la Centum limefanya kila juhudi ili kufaidi mwenyehisa kwa kuboresha thamani ya rasilimali, na kudumisha utendaji huo. Mwaka wa 2017 kampuni ilisajili ukuaji wa hazina ya mwenyehisa kwa asilimia 9, kufikia shilingi (K) Bilioni 48.7 mnamo 31 Machi 2018. Thamani ya rasilimali zote za kampuni iliongezeka kwa asilimia 7 kufikia shilingi (K) bilioni 66.1 huku thamani ya kila hisa kwa kipimo cha NAV ikiongezeka kutoka Shilingi 67.3 mwaka uliotangulia hadi Shilingi 73.2 mwaka huu. Kipimo hicho cha NAV kimeongezeka kwa kiwango cha asilimia 21 katika kipindi cha mikakati, na kubainisha ukuaji thabiti kulinganishwa na asilimia -3 ya Soko La Hisa la Nairobi, kwenye kipindi sawia.

Tukio muhimu katika mwaka uliokwisha 31 Machi 2018 ni kwamba tulifanikiwa kulipa deni la mkopo wa hati za bondi ya shilingi (K) bilioni 4.2 ambao zamu ilikuwa inakamilika mnamo Septemba 2017. Hii ilikuwa muhimu ikifahamika ya kuwa deni yote ilikuwa shilingi (K) bilioni 7.3, zote zikiwadia zamu ya malipo katika kipindi cha mwaka moja, ambao ulikuwa na hali duni kiuchumi na matatizo ya kifedha kwenye soko.

ULIPAJI WA MGAWO WA FAIDA

Bodi ya wakurugenzi wanapendekeza ulipaji wa mgawo wa faida kwa kiwango cha Shilingi 1.20, sawia na ulipaji wa mgawo wa faida wa 2017.

MALENGO YA MIKAKATI

Katika Centum bado tundaendelea kuzingatia kauli yetu ya kubuni rasilimali thabiti. Uwezo wetu wa Kuendeleza, kuinua na kukuza nafasi za uwekezaji kwenye sekta zetu zote kishughuli, umekuwa nguzo ya mafanikio yetu. Manufaa tuliyoyapata kutokana na mtaji tuliyowekeza katika biashara ya bidhaa za vinywaji hali kadhalika uchapishaji yanabainika kutokana na kutia fora kwa mauzo na faida kwenye mwaka. Kundi la Centum pia limepiga hatua kubwa katika sekta ya elimu ambapo shule yetu ya kwanza chini ya usimamizi wetu kwa ushirikiano na SABIS, ikitarajiwa kufunguliwa mnamo Septemba mwaka huu.

Fursa ya kukuza thamani ya rasilimali katika vitengo vyetu vyote ni kubwa na ninafurahia harakati za sasa kunyakua nafasi hizo.

USIMAMIZI WA KIHALMASHAURI

Katika mwaka wa kifedha uliopita Bi Susan Githuku na Daktari Moses Ikiara walijiunga na bodi ya wakurugenzi wakiwa wakurugenzi huru. Bi Githuku analeta kwenye bodi utaalamu katika maswala ya wafanyakazi, jukumu muhimu kwa kampuni. Daktari Moses Ikiara kwa upande mwingine analeta kwenye bodi utaalamu na ujuzi katika maswala ya uwekezaji na usimamizi. Tunawakaribisha wao kwenye Centum.

Bodi inatambua kuwa usimamizi mwema inayo athari kwa jinsi Centum pamoja na kampuni tanzu inavyoendesha shughuli. Tumepiga hatua kubwa ili kufanikisha jukumu hilo la kuboresha usimamizi wa kihalmashauri ili kutimiza masharti ya kanuni za maadili mema kwa kampuni zinazohusika na toleo la hati za dhamana kwa umma, ambayo yaliwekwa mwaka wa 2015.

Ningependa kutoa shukrani kwa wanachama wenzangu kwenye Bodi kwa kujitolea, kushauri na kwa kutumikia kundi la Centum kwa dhati mwaka huu.

FAIDA KWA MSHIKADAU

Wajibu wetu wa kuzalisha faida kwa washikadau wakati tunatekeleza mikakati yetu ya ukuaji upo moyoni mwetu. Kwa hivyo mfumo wa kuendesha shughuli zetu unalenga kuchangia ukuaji kiuchumi na pia kuwajibika kwa jamii katika shughuli zetu zote.

Kwenye mwaka tuliwahi kuchanganua mwelekeo wa Kundi la Centum kuhusiana na kuwajibika kwa Jamii chini ya usimamizi wa wakfu wa Centum Foundation. Wakfu wa Centum Foundation ni shirika la kijamii lililoanzishwa mwaka wa 2016. Hapo awali wakfu huo ulizingatia kutambua na kuhamasisha wafanyabiashara chipukizi, kwa kutoa mtaji kwa kampuni bunifu, ndogo-hadi za wastani na pia kutoa ushauri juu ya mbinu za kuendesha biashara, mambo ambayo yalikuwa muhimu katika kuongeza ukuaji wa biashara tangu zinapochipuka. Mabadiliko yaliyofanyiwa muundo wa mikakati yalipelekea kuwianishwa kwa shughuli na sekta husika katika kundi la Centum, ambazo ni, Elimu, Miundo mbinu, na Huduma za afya. Wajibu wetu kwa jamii kwa sasa unalenga kusaidia kwa kuhamasisha jamii zetu kwa kuwekeza katika nafasi bunifu na zenye uwezo wa kujimudu kwa kutambua umuhimu na ukuaji, kote barani Afrika.

Kupitia kampuni tanzu tunaendelea kushirikiana na washikadau wengine ambapo matokeo mema yameonekana katika kuwajibika kwa jamii. Kwa mfano, kule Vipingo tumeshirikiana na shirika linalotajika la kimataifa ambalo linahusika na mafunzo, kwa jina Arc Skills, ili kutoa mafunzo ya kiufundi kwa jamii kwa nia ya kutoa ajira kwa jamii hiyo hali kadhalika kuzindua mradi wetu wa Vipingo. Vile vile Kule Ol-Kalou, kampuni tanzu Greenblade Growers Limited inahamasisha wakulima wadogo zaidi ya 500 kwa utafutaji wa soko na utoaji wa bidhaa za upanzi.

SIKU ZIJAZO

Katika kipindi cha miaka mitatu kilichopita tumezidi kuwekeza zaidi kwa maendeleo ya taaluma kupitia ajira na kuimarisha uwezo wetu kama shirika ili kufanikisha azma yetu ya ukuaji na kupatia washikadau faida ya juu. Tunaangazia lengo letu la kutekeleza mikakati yetu katika mazingira yanayobadilika kila mara, kwa kudumisha thamani kwa washikadau na kwa kuajiri maafisa waliohitimu ili kuhakikisha utekelezaji wa mikakati yetu ya kundi la Centum. Nina imani juu ya uwezo wetu wa kutimiza ahadi, kupitia uongozi stadi wa kundi la wasimamizi kwa pamoja na wafanyakazi wanaojitolea ili kufanikisha ukuaji utakaodumu kwa muda mrefu.



Dr. Donald Kaberuka

Mwenyekiti,

Bodi ya Halmashauri ya Wakurugenzi

CEO'S

STATEMENT



THE YEAR IN REVIEW

The results for the year ended 31 March 2018 were achieved against the background of a challenging operating environment, characterized by prolonged political uncertainty, depressed private sector credit growth and the effect of the drought experienced in the first half of the year. These factors had considerable impact on the economy, weighing down investment spending and contributing to a sluggish transaction environment. Kenya's real estate market also recorded the lowest capital appreciation compared to the previous six years.

The impact of the economic headwinds is reflected in our performance for the year ended 31 March 2018, specifically in relation to completion of exit transactions and value uplift in our real estate portfolio. In the financial year ended, we had developed a pipeline of exit transactions in both our growth and real estate portfolios. In view of the investment climate then prevailing, we were only able to complete the exit of our investment in Platcorp Holdings Limited. As at 31 March 2018, we were in the process of concluding the disposal of GenAfrica Asset Managers Limited and had advanced discussions on other portfolio transactions. The GenAfrica transaction was completed post 31 March 2018 and will be reflected in our half year results for the year ending 31 March 2019. Consistent with the decelerated capital appreciation in Kenya's real estate market in 2017, the fair value gains on our investment properties decreased by KES 2.3 billion year on year, representing a 35% decrease. These factors contributed to the decrease in our consolidated net profit from KES 8.3 billion in the prior year to KES 2.8 billion.

Despite this decline in overall profitability, we continue to record some key successes within our portfolio with a 23% average annualized return for the Centum Strategic period between 2014 and 2018 outperforming the NSE performance of -3% in the same period. We maintain our focus in growing and scaling our investments across sectors of interest with us being active in 7 key sectors.

We continue to create value uplift as evidenced by the 23% average annualized growth in our total assets from KES. 28.8 billion in 2014 to KES. 66.1 billion in this financial year and a similar growth rate of 21% in our NAV from KES. 22.9 billion to KES. 48.7 billion.

A key achievement in the year was the settlement of the maturing KES 4.2 billion bond which was significantly funded from internally generated cash. Investors in the equity linked component (ELN) of the bond received an additional KES 191 million, representing a total equity upside of 15 percent of the par value in line with the terms of the issue. This translated to an annual internal rate of return of 14.9 percent for ELN investors.

PORTFOLIO HIGHLIGHTS

In the financial year ended 31 March 2018, we deployed KES 2.6 billion in equity and debt investment across our portfolio.

In the real estate portfolio, significant value uplift has been realised through transactions in the Centum 3.0 strategic period with the portfolio growing from KES. 9.1 billion in 2014 to KES 47.3 billion in 2018. We have seen increased market activity and interest since the beginning of this year and we have put in place a robust development program focused on delivering market validated real estate products in our three development sites. We have now broken ground at Vipingo, with the first phase of our development comprising a 180-acre industrial park and three residential projects. The Two Rivers Mall commemorated its first anniversary in February 2018. As at 31 March 2018, the retail centre had recorded 75% tenant occupancy and an average footfall of 320,000 per month. City Lodge Hotel located at the Two Rivers launched their first flagship centre outside South Africa to positive local reception. The year 2018, will also see the launch of Victoria Commercial Bank Office Towers as well as a Centum-led residential project comprising of 196 residential apartments.



WE CONTINUE TO RECORD
SOME KEY SUCCESSES
WITHIN OUR PORTFOLIO
WITH A 23% AVERAGE
ANNUALIZED RETURN

The Growth Portfolio continues to be a significant driver of returns for the Group with a return of 26% over the current strategic period, reflecting the success of our active portfolio management strategy. The Growth Portfolio represents our trading subsidiaries or investments that have progressed from development to a cash generating stage. Investments under this segment include the beverage, publishing, financial services and utilities businesses. Over 80% of the investee companies are profitable with 71% of these investee companies consistently paying out a dividend.

Almasi Beverages Limited, the fastest growing bottling company in Kenya, contributed 15% of the NAV in FY18 and remains a significant driver of returns for the Group. The beverage business recorded an overall 18% growth in profitability, reflecting a strong volume growth and benefit realization from recent investments in new PET and RGB lines and distribution channel assets. Focus going forward is the continued territory rationalization and efficiencies optimization, which is expected to drive EBITDA growth.

Our publishing business continues to diversify its geographical coverage and products while the asset management businesses benefited from the market upturn. At Sidian Bank Limited, initiatives to grow non-funded income are already bearing fruit with non-funded income growing by 30% over the prior year. Trade finance balances have grown five-fold over the last one year. To support this growth, Centum has fully subscribed to a recent rights issue that will result in a capital injection of KES 1.2 billion.

Greenblade Growers, our foray into agribusiness and specifically growing of herbs and vegetables for export to European markets continues to grow with the introduction and expansion of the out-grower model to 250 small scale farmers and a daily capacity of 6 tonnes.

SABIS International School Runda is set to open its doors in September 2018 to its first batch of students. During the year we made significant progress in the construction of phase 1, that has a capacity of 1,200 students, as well as our brand awareness and intake initiatives. We look forward to welcoming our inaugural batch of students in September.

NEAR-TERM PRIORITIES

In 2014, Centum set out to become a leading developer of investment grade assets across 5 key pillars: Return, Focus, Scale, Brand and Costs through the Centum 3.0 Strategy. I am proud of the progress made to date. Our average

return has outperformed the NSE over that period and we have made investments across 7 focus sectors. Sector-specific expertise continues to be developed and costs maintained below 2.0% of total assets. We seek to overcome new challenges encountered during the execution of our ambitious strategy by undertaking a comprehensive exercise to define the Group's next overarching strategy, Centum 4.0. This is currently ongoing and will be finalized by the last quarter of this financial year.

We have set out the key objectives that seek to reshape and rebalance our business to focus on our strengths with a view of sustaining attractive returns. They include:

- Optimisation of returns – We have developed a robust exit pipeline of mature assets across the portfolio to optimize Centum's gross return;
- Asset redeployment – Exit proceeds will be re-invested in cash generative assets ensuring that we achieve our target strategic asset allocation;
- Leveraging on 3rd Party Capital – Raising 3rd party equity and debt capital which is non-recourse to Centum at the portfolio and project level while creating value uplift for our shareholders and investors;
- Balance sheet deleveraging – Our target is to pay off maturing debt obligations between 2019 and 2020; and
- Increase in Dividend Yield – Returns from cash generative assets and finance costs savings will be applied towards higher dividend pay-outs.

APPRECIATION

I would like to thank the Board of Directors whose guidance and support has been invaluable during what was a very challenging year. I share this appreciation on behalf of the Centum management team.

I would also like to thank the valuable team of people that comprise the primary asset of Centum Group. Without a doubt, it is your collective focus and effort that drive our success. Our values are integrity, delivery to our promise and accountability, which we continue embedding in our business. Our appetite for growth and market-beating returns is unwavering and I believe we are well positioned to drive enhanced returns to our stakeholders.

James Mworia



Group CEO

TAARIFA YA AFISA MKUU MTENDAJI

UCHANGANUZI WA MWAKA

Matokeo ya mwaka uliokwisha 31 Machi 2018 galipatikana licha ya kukabiliana na changamoto zilizokuwepo katika mazingira ya utendaji kazi, hasa kutokana na muda mwingi uliotumika kwa siasa ya uchaguzi, kupungua kwa mkopo kwa mashirika ya kibinafsi na kutokana na ukame ulioshuhudiwa kwenye muhula wa kwanza wa mwaka. Mambo hayo yaliweza kuathiri pakubwa hali ya uchumi na kupungua kwa uwekezaji na pia kupungua kwa shughuli za kibiashara kwa jumla. Biashara ya shamba na nyumba humu nchini ilisajili ukuaji duni kulinganishwa na ule wa miaka sita iliyopita.

Athari za changamoto za kibiashara tulizokuwa nazo inabainishwa na matokeo ya mwaka uliokwisha 31 Machi 2018, hasa kuhusiana na mpango wa kukamilisha uuzaji wa miradi zinginezo kwenye kitengo cha biashara ya shamba na nyumba. Katika mwaka wa kifedha uliokwisha tulikuwa tumetambua baadhi ya miradi ya kuuza kwenye kitengo cha biashara ya shamba na nyumba walakini mazingira ya uwekezaji hayakuwa mazuri, kwa hivyo tulifanikisha tu uuzaji wa Platcorp Holdings Limited. Kufikia 31 Machi 2018 tulikuwa tumepiga hatua kubwa kwa uuzaji wa GenAfrica Asset Managers Limited na tukafanya majadiliano kuhusu uuzaji wa miradi mengine kwenye kitengo hicho. Tulikamilisha uuzaji wa GenAfrica baada ya kufunga mwaka mnamo 31 Machi 2018 na kwa hivyo uuzaji huo utabainika katika matokeo yetu ya nusu mwaka, wa mwaka wa kifedha utakaokwisha 31 Machi 2019. Kwa kuambatana na kupungua kwa uwekezaji katika biashara ya shamba na nyumba humu nchini mwaka wa 2017, faida kutokana na uwekezaji ilipungua kwa shilingi (K) bilioni 2.3 ikiwakilisha upungufu kwa asilimia 35. Mambo hayo yalisababisha upungufu wa faida iliyojumuishwa ya kundi la Centum kutoka shilingi (K) bilioni 8.3 wa mwaka uliotangulia hadi shilingi bilioni 2.8.

Licha ya kushuka kwa faida kwa jumla, tunaendelea kupata mafanikio kadhaa kwenye vitengo vyetu na kusajili ukuaji wa faida kwa asilimia 23 kwa mwaka katika kipindi cha mikakati cha kutoka 2014 hadi 2018 na kushinda faida ya soko la hisa la Nairobi ambayo ilisajili asilimia -3 katika kipindi hicho. Tunadumisha lengo letu la kuongeza na kukuza uwekezaji wetu katika vitengo vyote tulivyotia maanani ambapo tunaendesha shughuli katika vitengo 7 muhimu vya Biashara ya Shamba na Nyumba, Kawi, Huduma za Kifedha, Bidhaa zinazouzwa kwa kasi, Kilimo Biashara, Elimu na Hati za dhamana. Tunaendelea kuinua thamani jinsi inavyobainishwa na ukuaji wa asilimia 23 kwa mwaka, wa rasilimali zote, kutoka shilingi (K) bilioni 28.8 mnamo 2014 hadi shilingi bilioni 66.1 mwaka huu wa kifedha, huku pia kukiwa na ukuaji sawia kwa thamani ya kila hisa kwa

kipimo cha NAV wa asilimia 21 kutoka shilingi (K) bilioni 22.9 hadi shilingi (K) bilioni 48.7.

Tukio muhimu katika mwaka ni ulipaji wa deni la mkopo ambao ulihitimisha zamu wa shilingi (K) bilioni 4.2 kwa matumizi ya fedha za kindani. Wawekezaji katika hati za dhamana za bondi ambazo zitarejelea kuwa hisa walipokea shilingi (K) milioni 191, ikiwakilisha faida ya asilimia 15 dhidi ya thamani ya bondi moja, kwa kutimiza masharti ya toleo. Hii inamaanisha faida ya kindani ya asilima 14.9.

VIDOKEZO KWA VITENGO

Katika mwaka wa kifedha uliokwisha 31 Machi 2018 tuliwekeza shilingi (K) bilioni 2.6 kupitia njia ya mtaji na mkopo kwenye vitengo vyetu vyote.

Katika kitengo cha biashara ya shamba na nyumba, thamani kubwa imekuzwa kupitia utekelezaji wa shughuli katika kipindi cha mikakati cha Centum 3.0 na tukawa na ukuaji wa kitengo hicho kutoka shilingi (K) bilioni 9.1 mwaka wa 2014 hadi shilingi (K) bilioni 47.3 mwaka wa 2018. Tumeshuhudia ongezeko katika shughuli na msisimko sokoni tangu mwanzo wa mwaka na tumeweka mpango mahsusi wa miradi, tunapoangazia ujenzi wa nyumba za kuvutia sokoni katika sehemu tatu tunapoendesha ujenzi huo. Hivi sasa tumeanza ujenzi katika Vipingo, awamu ya kwanza ikiwa ni ujenzi wa eneo la viwandani kwenye ekari 180 na miradi tatu ya nyumba za makazi. Jengo la Two Rivers Mall liliadhimisha mwaka wa kwanza wa ufunguzi mnamo 14 Februari 2018, ambapo tayari asilimia 75 ya eneo la kibiashara imepangishwa au kuchukuliwa kwa wastani wa mraba wa 320,000 kwa mwezi. Hoteli kwa jina City Lodge Hotel, inayopatikana Two Rivers Mall na ambayo ni mojawapo ya hoteli zinazoongoza nchini Afrika ya Kusini ilifungua humu nchini tawi la kwanza nje ya Afrika ya Kusini na kupokelewa vizuri. Kwenye mwaka wa 2018 tutashuhudia kuzinduliwa kwa ujenzi wa jumba la Victoria Commercial Bank Office Towers pamoja na mradi wa Centum wa ujenzi wa "Riverbank Apartments"- litakalokuwa na nyumba 196 za makazi.

Kitengo cha ukuaji kinaendelea kuwa shupavu kwa uzalishaji wa faida kwa kampuni wa asilimia 26 katika kipindi cha mikakati, kuthibitisha kufaulu kwetu katika usimamizi wa vitengo hivyo. Kitengo hicho kinawakilisha kampuni tanzu zinazoshughulika na mauzo au uwekezaji na ambazo zimebadilika kwa muundo tangu kubuniwa na kuwa zenye kutengeneza fedha. Uwekezaji wa aina hii ni pamoja na bidhaa za vinywaji, uchapishaji, huduma za kifedha, na biashara ya huduma za matumizi ya kila siku kama vile maji na umeme. Zaidi ya asilimia 80 ya hizi kampuni zinapata faida, huku asilimia 71 kati ya hizo zikilipa mgawo wa faida.

Kampuni ya Almasi Beverage Limited, ambayo ni kampuni inayokua kwa kasi katika utengenezaji wa bidhaa za vinywaji nchini Kenya ilichangia asilimia 15 ya thamani ya rasilimali kwa kipimo cha NAV mwaka wa kifedha wa 2018 na inabaki kuwa muhimu kwa uzalishaji wa faida ya kundi la Centum. Biashara ya bidhaa za vinywaji ilisajili ukuaji wa faida kwa asilimia 18 na kubainisha kuongezeka kwa mauzo na manufaa ya uwekezaji katika ununuzi wa mitambo mipya ya bidhaa zinazopakwa kwa chupa za PET na RGB na pia manufaa ya kuboreshwa kwa mbinu ya usambazaji wa bidhaa hizo sokoni. Lengo letu kwa siku zijazo ni kuendelea kudhibiti eneo ya soko letu na kuimarisha utendaji kazi ili kuhakikisha ukuaji wa faida.

Shughuli yetu ya uchapishaji inaendelea kupanua eneo lake kijografia na aina ya bidhaa wakati ambapo shughuli katika usimamizi wa rasilimali kwa niaba zilinufaika kutokana na kuimarika kwa soko. Katika benki ya Sidian Bank Limited, juhudi za kuinua mapato badala ya yale ya riba tayari zinaleta manufaa, kwa kusajili ongezeko la asilimia 30 dhidi ya mwaka uliotangulia. Fedha tulizokopesha kwa wafanyabiashara zimeongezeka kwa mara tano kwa muda wa mwaka moja. Ili kusaidia ukuaji huo, hivi majuzi Centum ilishiriki na kuwekeza katika ununuzi wa hisa katika toleo la haki utakaopelekea kuingizwa kwa mtaji wa shilingi (K) bilioni 1.2.

Greenblade Growers, shirika ambalo tulitumia kuingia kwa mara ya kwanza katika shughuli ya kilimo biashara na hasa upanzi wa aina ya mboga zitakazouzwa barani Ulaya linaendelea kukua kutokana na kupanuliwa kwa mfumo wa kushirikisha wakulima wadogo 250 na ambao wanauwezo wa kuzalisha tani 6 kila siku.

SABIS International School, shule inayopatikana Runda inatarajiwa kufunguliwa na kupokea wanafunzi kwa mara ya kwanza mnamo Septemba 2018. Katika mwaka tulipiga hatua kubwa kwa ujenzi wa awamu ya kwanza ya shule yenye uwezo wa kupokea wanafunzi 1,200 kuimarisha chapa hali kadhalika ratiba ya kusajili wanafunzi. Tunangojea kwa hamu kupokea wanafunzi hao mwezi wa Septemba.

SHUGHULI MUHIMU KWA MUHULA WA WASTANI

Mnamo mwaka wa 2014 tuliweka azma ya kuwa mwekezaji wa rasilimali yenye thamani ya juu kupitia nguzo 5 muhimu: Faida, Lengo, Ukuaji, Chapa na kudhibiti gharama kupitia mikakati ya Centum 3.0. Ninajivunia maendeleo ambayo tumewahi kuyapata hadi sasa. Faida tuliyopata inashinda faida inayopatikana katika soko la hisa la Nairobi (NSE), kutokana na uwekezaji katika vitengo 7 tulivyotia maanani. Maafisa waliohitimu wanaendelea kuajiriwa katika kila kitengo kwa uwiano na taaluma yao, huku tukidhibiti gharama chini ya asilimia 2.0 dhidi ya thamani ya rasilimali zote. Tunatarajia kukabiliana na changamoto zinazoibuka wakati wa utekelezaji wa mikakati kwa kutathmini na kuratibu mikakati yanayofuata ya Centum 4.0. Mkakato huo unaendelea na tunatarajia kukamilisha kwenye mwaka wa kifedha wa 2019.

Kwa muhula wa wastani wa mwaka huu wa kifedha tutaweka juhudi ili kuongeza shughuli nne za biashara ya shamba na nyumba, Ukuaji, Ujenzi na biashara ya hati za dhamana. Tumetenga shughuli zifuatazo mahsusi kwa nia ya kuratibu upya mfumo wa kibiashara ili kutilia mkazo na kuongeza juhudi katika uzalishaji wa faida ya kuvutia

- Boresha mauzo – tumeweka mpango mahsusi juu ya uuzaji wa rasilimali kwenye vitengo vyote na ambazo zimehitimisha zamu ili kunufaika kutokana na uuzaji huo,
- Kugeza mfumo wa matumizi ya rasilimali – Fedha zitakazopatikana kutoka kwa mauzo hayo zitatumika kuwekeza katika ununuzi wa rasilimali zinazozalisha fedha kwa haraka,
- Matumizi ya mtaji ya wawekezaji wengine – Kuchangisha fedha kutoka kwa wawekezaji na kwa kupitia mikopo bila kuhitilafiana na shughuli katika vitengo au miradi tunayoendelea na kwa wakati huo tunaongeza thamani kwa wenyehisa na kwa wawekezaji,
- Kuratibu upya mikopo – tunayo mpango wa kulipa deni za mikopo ambazo zitahitimisha zamu kati ya 2019 na 2020, na,
- Kuongeza kiwango cha mgawo wa faida – Faida kutokana na uuzaji wa rasilimali zinazozalisha fedha kwa kasi, na baada ya kudhibiti gharama za kifedha zitatumika kulipia kwa kiwango kikubwa mgawo wa faida.

SHUKURANI

Ningependa kutoa shukurani zangu kwa bodi ya wakurugenzi kwa ushauri na uungaji mkono ambao hauna kifani wakati tulikabiliana na changamoto nyingi katika mwaka. Ninatoa shukurani kwa niaba ya kundi la wasimamizi wa Centum.

Pia ningependa kutoa shukurani kwa kundi la wafanyakazi ambao ni rasilimali ya msingi kwa kundi la Centum. Bila shaka umahiri wenu na uadilifu kwa pamoja ndiyo utakaotuletea mafanikio. Maadili yetu kwa kifupi ni uadilifu, kutimiza ahadi, na uwajibikaji na ni mambo ambayo tutaendelea kuzingatia katika kampuni kwa siku zijazo. Hamu yetu ya ukuaji na kupata faida inayoshinda ya soko haitishiki/ni imara na nina imani ya kuwa tunayo fursa ya kuongeza faida kwa wenyehisa.

James Mworio



Afisa Mkuu Mtendaji
Kundi La Centum

CFO'S REVIEW



UNDERSTANDING OUR BUSINESS AND PERFORMANCE

As an investment holding company and consistent with our business model, consolidated financial results do not provide meaningful criteria for evaluating our performance. The consolidated financial statements represent a line by line summation of the revenues, expenses, assets and liabilities of subsidiaries in various sectors, including banking, fast moving consumer goods, real estate, asset management and publishing. The consolidated profit is only relevant to Centum to the extent of dividends declared from this profit by the respective portfolio companies. The portfolio companies raise their own debt with no recourse to Centum and our exposure to each of these companies is limited to our proportionate shareholding and declared dividends.

Management uses the Total Return Statement to evaluate performance on a continuous basis. The Total Return Statement measures the extent to which earnings and cash flows are available to Centum to meet its costs, service debt obligations and pay dividends to shareholders. It also shows the value created in any given year within our investment portfolio and hence the growth in total shareholder funds. Cumulative unrealized gains represent an estimate of realizable proceeds, upon exit.

We segment our business into four portfolio classifications:

- Growth portfolio, representing our trading subsidiaries or investments that have progressed from development to a cash generative stage. Investments under this segment include the beverage, publishing, financial services and utilities businesses. Legacy dividend paying unlisted assets are also included in this segment;
- Marketable securities portfolio;
- Real Estate portfolio; and
- Development portfolio, representing those investments, outside of real estate, that are still under development.

The entities that make up each category, both subsidiary and non-subsidiary, are tabulated under page 17.

Total Return Statement

	31 March 2018	31 March 2017
	KES'Mn	KES'Mn
Dividend income	2,040	1,765
Interest income	1,347	1,326
Other income	133	146
Realised gains	9	1,063
Unrealised gains	4,001	4,925
Gross return	7,530	9,225
Portfolio costs	(853)	(797)
Finance costs	(1,646)	(1,753)
Current and deferred tax	(354)	(515)
Total return	4,677	6,160
Opening NAV	44,807	39,314
Gross return as a percentage of opening net asset value	10%	16%

RESULTS

We generated a net total return of KES 4.7 billion, representing a decrease of 24% from prior year. The decrease was primarily driven by a drop in realized gains and lower valuations in our real estate portfolio.

PORTFOLIO INCOME

The drop in realized gains reflects the un conducive investment climate in 2017, characterized by political risk arising from the prolonged electioneering period. At 31 March 2018, we were in the process of concluding the disposal of GenAfrica Asset Managers Limited. While the relevant transaction agreements had been signed by the financial year end, we did not record the realised gains arising from this disposal as fulfilment of some conditions was ongoing at the cut-off date. The transaction has subsequently been concluded. Had the realised gains from the disposal of GenAfrica Asset Managers Limited been booked, the Company's profit would have been 42% higher than prior year. We however successfully exited our remaining 25% stake in Platcorp Holdings Limited in 2017, resulting in a realised gain of KES 1.4 billion. In the prior year, we had completed a partial 8% exit that had resulted in a gain of 578 million. The cumulative gain from both transaction is therefore KES 2 billion, which together with cumulative dividends represent an IRR of 36% over the investment holding period. The investment was held through an intermediary subsidiary and is therefore not directly reflected on the Company's income statement.

Fair value gains on investment properties decreased by KES 2.3 billion year on year, representing a 35% decrease. This was largely consistent with the decelerated capital appreciation in Kenya's real estate market in 2017.

Despite the challenging operating environment, dividend income grew by 16%, from KES 1.8 billion in the prior year to KES 2 billion while interest income increased marginally by 2%. Dividend income is primarily generated from our growth portfolio.

PORTFOLIO COSTS

Centum's cost efficiency metric is defined as the portfolio costs, which include operating and administrative expenses, expressed as a percentage of the closing assets. Our target is to maintain this ratio at below 2%.

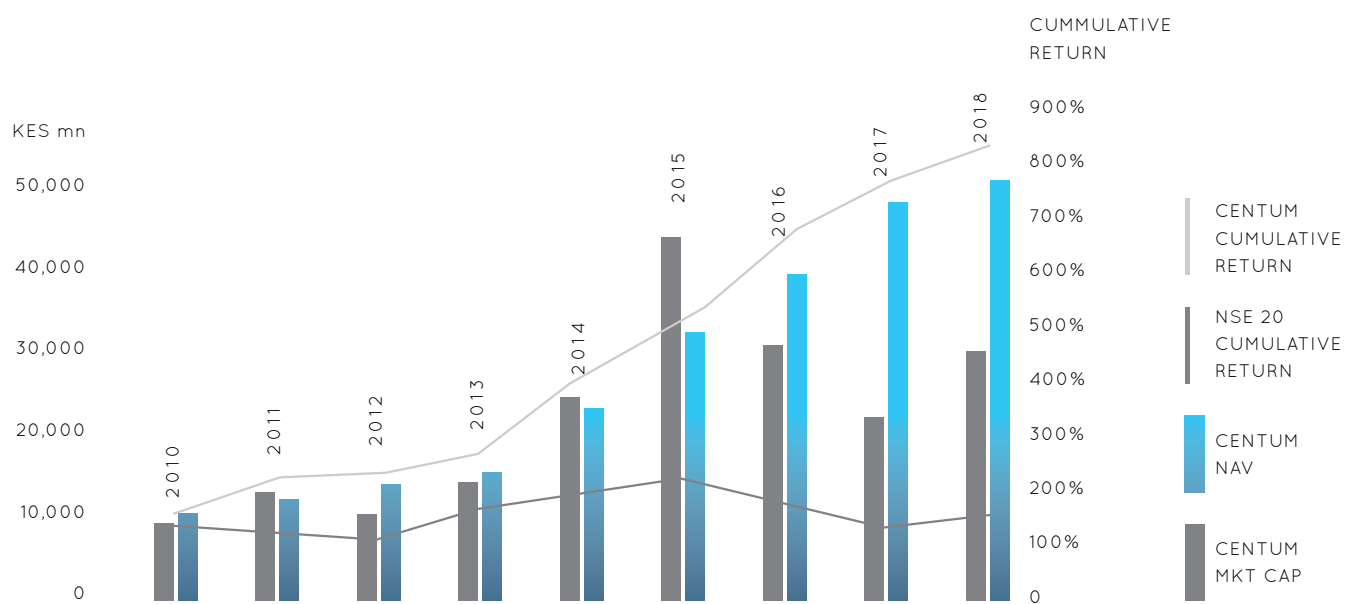
Performance in the year is set out below.

KES Million	31 March 2018	31 March 2017
Portfolio costs	853	797
Closing portfolio value	66,087	61,570
Cost efficiency	1.3%	1.3%

Portfolio costs included some one-off items that were incurred as part of business development activities. Stripping off these non-recurrent costs, recurrent operating expenses decreased by 15% and stood at 1.0% of total assets.

NET ASSET VALUE

The performance in total returns is reflected in the 9% growth in the book value of shareholder funds, which closed at KES 48.7 billion. The Net Asset Value (NAV) per share increased from KES 13.8 in 2010 to KES 73.16 as at 31 March 2018, representing an increase of 430% and a compounded annual growth rate of 23% over the last eight years. Consequently, the cumulative return on shareholder funds has grown by 5.3x compared to the NSE 20 Share index that has cumulatively grown 1.4x over the same period, as illustrated below.



CENTUM BOOK VALUE AND MARKET CAP FY 2010 TO FY 2018

Our growth and marketable securities portfolio, from which dividend and interest income are earned and which represent our available for sale assets constitute 55% of the NAV. The balance is primarily the real estate portfolio.

Sector	Assets (KES Mn)	Total Liabilities (KES Mn)	NAV (KES Mn)	NAV Per Share (KES)
Growth	25,090	3,187	21,903	32.91
Real Estate	30,302	10,497	19,805	29.76
Marketable Securities	5,393	243	5,150	7.73
Development	5,301	3,474	1,827	2.74
Total	66,087	17,401	48,686	73.16

On the other hand, the top 8 assets by NAV contribution constitute 82% of our NAV. An analysis of the NAV valuation would therefore necessarily focus on these assets. The assets are listed as follows:

Entity / Investment	Contribution to NAV per share KES
Two Rivers Development Limited	14.76
Almasi Beverages Limited	10.96
Vipingo Development Limited	7.35
Nairobi Bottlers Limited	7.26
Isuzu East Africa Limited	3.65
Sidian Bank Limited	4.68
Marketable securities	7.73
GenAfrica Asset Managers Limited	3.40
Sub-Total	59.79
Others	13.37
Total NAV per Share	73.16

PORTFOLIO VALUATION

The key assumptions and the quantitative data applied in the valuation of our portfolio is set out under Note 1.5.2 of the financial statements. The valuation basis and other relevant information for the eight assets above is summarized below:

Entity/ Investment (KES Mn)	Carrying Value			Valuation Basis for Equity Component	Effective Multiple
	Equity	Debt	Total		
Almasi Beverages Limited	8,697	-	8,697	EBITDA Multiple	6.94x
Nairobi Bottlers Limited	5,078	-	5,078	EBITDA Multiple	6.94x
Sidian Bank Limited	3,890	-	3,890	Price to Book multiple	1.16x
GenAfrica Asset Managers Limited	2,324	-	2,324	Ongoing transaction	
Isuzu East Africa Limited	2,470	-	2,470	Recent transaction	
Marketable Securities	121	3,566	3,687	Market prices	
Two Rivers Development Limited	12,357	-	12,357	NAV	
Vipingo Development Limited	6,153	2,506	8,659	NAV	
Total	41,090	6,072	47,162		

The NAV basis for Two Rivers Development Limited and Vipingo Development Limited represents the underlying property valuation at 31 March 2018. Property valuations are carried out by independent valuers.

A key management control in evaluating the reasonableness of our portfolio valuation is the comparison of proceeds from an exit transaction and the carrying value of the asset in the last audited financial statements. A summary of transactions closed by the Company in the last four years, showing sales proceeds and the asset carrying value is set out below.

Year	Investment	Prior period carrying value	Sale proceeds on exit
		KES'000	KES'000
2015	UAP Insurance Company Limited	2,267,509	5,233,445
2016	Aon Minet Insurance Brokers Limited	966,436	1,027,837
2017	Kenya Wine Agencies Limited	738,000	1,080,000
2018	Platcorp Holdings Limited (8% partial exit)	761,135	813,432
2018	Platcorp Holdings Limited (disposal of remaining 25% stake)	2,321,358	1,909,584
2019	GenAfrica Asset Managers Limited*	1,404,183	2,324,230

*Exit completed after year end

The 2017 valuation of Platcorp was on the basis of the 8% partial exit valuation. The carrying value prior to this transaction for the combined stake was KES 2.1 billion against the combined proceeds of KES 2.7 billion.

FUNDING AND GEARING

The Company generated net operating cash flows of KES 4.7 billion in the year, compared to KES 3.2 billion in the prior year, an increase of 49%. The closing cash position was KES 1.1 billion.

Liquidity and gearing position as managed at Company's level are summarised below:

	Mar-18	Mar-17
	KES'Mn	KES'Mn
Cash and cash equivalents on the Company's balance sheet	1,078	2,447
Marketable securities held in 100% SPVs	3,562	3,089
Sub-Total	4,640	5,536
Total Equity	48,686	44,807
Net Debt (Total debt less cash) on the Company's balance sheet	13,765	12,209
Gearing	28.27%	27.25%

Committed undrawn overdraft facilities at 31 March 2018 amounted to KES 28.95 million and the liquidity available to the Company was therefore KES 4,669 million.

In September 2017, the Company redeemed its maturing KES 4.2 billion Corporate Bond. Investors in the equity linked component (ELN) of the bond received an additional KES 191 million, representing a total equity upside of 15 percent of the par value in line with the terms of the issue, which translated to an annual internal rate of return of 14.9 percent for ELN investors. The Company also retired a KES 3 billion facility from Rand Merchant Bank (RMB) which was set to mature in December 2017 and subsequently obtained a KES 5 billion facility from RMB which matures over a 4-year period.

A summary of Centum's long term borrowings is set out below.

Borrowings (KES Mn)	31-Mar-17	Additional Borrowing	Repayment	Net interest and FX movements	31-Mar-18
Bond I (2012)	4,331	-	(4,331)	-	-
Bond II (2015)	6,225	-	(228)	408	6,405
Term Loan	3,118	5,139	(3,083)	(87)	5,087
Total	13,674	5,139	(7,642)	321	11,492

The Company's debt service capacity remains strong with Debt Service Coverage Ratio (DSCR) consistently above the minimum level set under its various debt covenants, as summarised below:

KES Mn	FY14	FY15	FY16	FY17	FY18
Operating Inflows	4,146	8,114	7,904	5,259	6,270
Operating Outflows	(463)	(519)	(1,033)	(922)	(667)
Internally Generated Funds	3,683	7,595	6,871	4,336	5,603
Finance Costs	660	814	1,511	1,754	1,646
Debt Service Coverage	5.6x	9.3x	4.5x	2.5x	3.4x

COMMENTARY ON KEY PORTFOLIO ASSETS

In keeping with the evolving nature of our businesses and operations, we also segment our performance by trading subsidiaries, financial services subsidiaries and core investment income. Performance on core investment income is as discussed above. Performance for trading and financial services is primarily driven by our beverage business and Sidian Bank Limited.

Our beverage business reported a 6% year on year increase in revenues, on the back of volume growth. The business recorded an overall 18% growth in profitability, reflecting this revenue growth, lower finance costs and the effect of capital allowances on income tax expense, following the significant capital investment in a PET and RGB line.

The combined performance of the financial services portfolio was impacted by a net loss reported by Sidian Bank Limited as this was the full year of implementation of interest rate cap regulations. Year on year, the bank's interest income declined by 33% from KES 2.8 billion to KES 1.9 billion. However, initiatives put in place over the last year to grow its non-funded income are already bearing fruit. Non-funded income grew by 30% over the prior year. This growth is projected to accelerate as the bank focuses on providing trade finance solutions to its customers. The success of this focus has been seen in the growth of trade finance balances by over five (5) times since June 2017. To support this growth, Centum has fully subscribed to a recent rights issue that will result in a capital injection of KES 1.2 billion.

GOVERNANCE



GOVERNANCE AUDITOR'S REPORT

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICPSK Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place a satisfactory governance framework in compliance with the legal and regulatory framework, and in this regard, we issue an unqualified opinion.



FCS. Catherine Musakali,

ICPSK GA. No 006

For Dorion Associates

12 June 2018

LEGAL AUDITOR'S REPORT

The Capital Markets Authority's Code of Corporate Governance for Issuers of Securities to the Public, 2015 requires the board of a listed company to ensure that:

- a) an internal legal and compliance audit is carried out on an annual basis, with the objective of establishing the level of adherence to applicable laws, regulations and standards;
- b) a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya; and
- c) the findings from the audits are acted upon and any non-compliance issues arising corrected as necessary.

It is on this basis that the board commissioned a legal and compliance audit with the aim of assessing the levels of compliance by the Company with the laws, regulations and standards applicable to it. The legal and compliance audit was headed by Mugambi Nandi, Senior Partner, KN Law LLP.

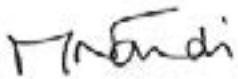
Our responsibility is to express an opinion on the level of compliance by Centum to laws, regulations and standards applicable to the company. In carrying out the legal and compliance audit of Centum, we prepared:

- a) a Compliance Matrix identifying each of the Company's compliance obligations arising under the applicable laws, regulations and standards; and
- b) an Information Request List detailing the documents, information or confirmations required from the Company to assess its adherence to the compliance obligations.

Using the Information Request as the basis for the information gathering and the Compliance Matrix as the tool to determine compliance, we have made an assessment of the compliance by Centum with the various applicable laws, regulations and standards.

OPINION

In our opinion, there were no material incidences of non-compliance by the Company with the laws, regulations and standards applicable to it and in this regard we issue an unqualified opinion.



Mugambi Nandi

Practice No: LSK/2018/01979

KN Law LLP

12 June 2018

GOVERNANCE

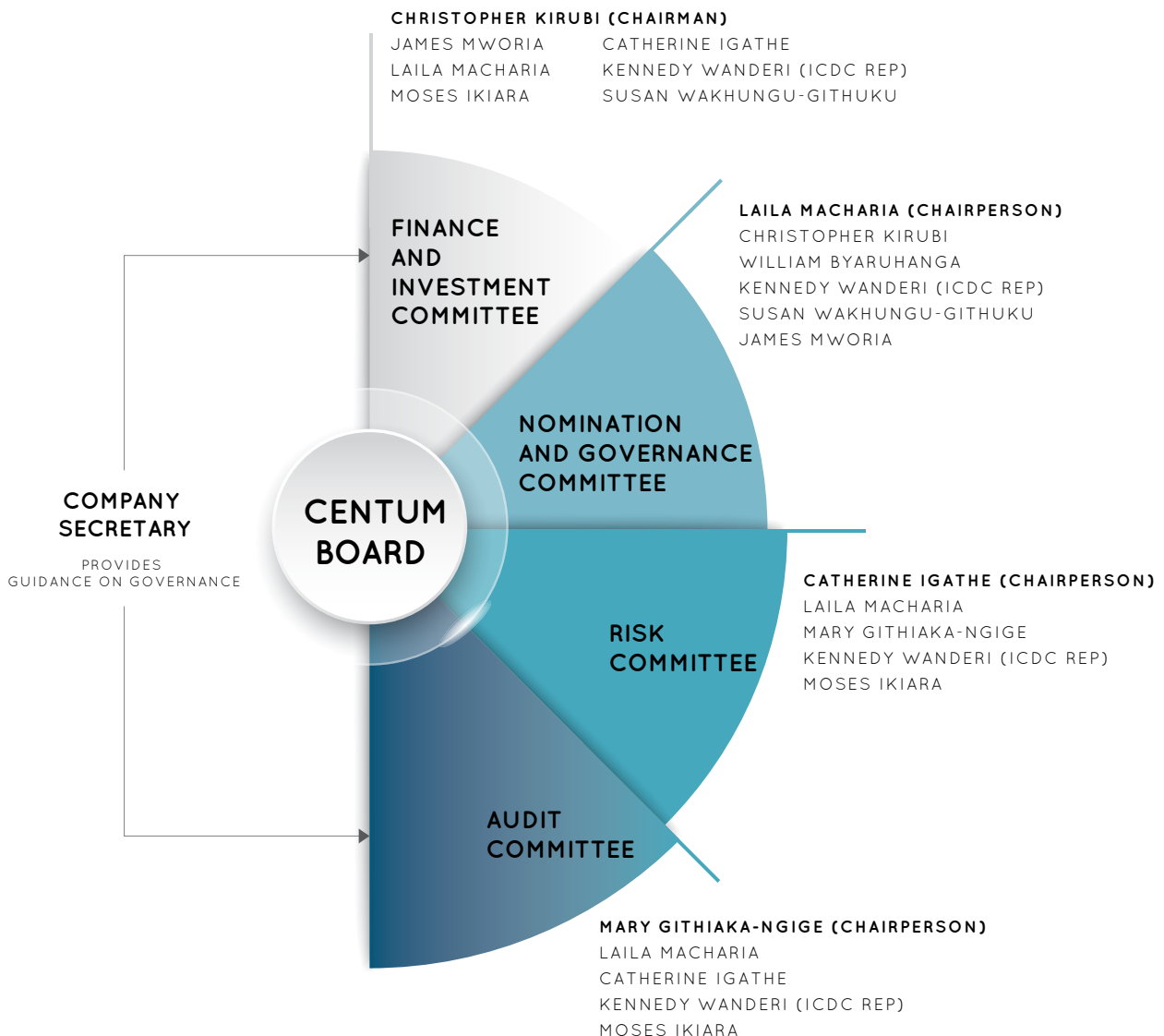
The Board and Management of Centum Investment Company Plc. (“Centum” or the “Company”) are committed to maintaining a high standard of corporate governance practices within the Group and have devoted considerable effort to identify and formalize best practices in corporate governance. The Board believes that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of any company and its ability to attract investment, protect the rights of stakeholders and enhancing shareholder value.

The Board is the principal governance organ in the Company. The Company’s Board has only one executive director (ED) to prevent conflicting roles between Management and the Board of Directors. Directors are appointed during the year with the shareholder’s approval at the Company’s Annual General Meeting. To ensure fair representation of minority shareholders, the Board maintains a balance between directors with shareholding in the Company and those with little or no shareholding. Out of the ten (10) directors of the Company, six (6) directors do not own any shares in the Company.

The current Board structure has a total of four committees that serve various responsibilities as delegated to them by the Board.

The current number of Board Committees is a reduction from 6 Board Committees. The Branding Committee and the ICT Committee were disbanded upon an organizational effectiveness review. The matters handled by these Committees are now within the mandate of the Risk Committee (or management level where such matters were managerial in nature). The mandate of the Finance and Investment Committee (formerly the Investment Committee) was expanded over the year to include capital budgeting decisions for the Company. The Board is also at discretion to establish ad hoc committees to review and consider urgent matters.

Each Committee is set up with a specific responsibility and is governed by a Committee Charter which is approved by the Board to guide the Committees in discharging their delegated mandates. All Committees report to the Board on a regular basis.



BOARD AND COMMITTEE RESPONSIBILITIES

MAIN BOARD

The primary role of the Board is protection and enhancement of long-term shareholder value. It also sets out the overall strategy for the Group as well as supervision of executive management. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and considers the best interests of the Company and its shareholders.

ATTENDANCE

Donald Kaberuka - 4/5
 James Mworira - 5/5
 Christopher Kirubi - 3/5
 Laila Macharia - 4/5
 William Byaruhanga 2/5
 Catherine Igate - 5/5
 Mary Githiaka-Ngige - 4/5
 Kennedy Wanderi
 (ICDC Rep.) - 5/5
 Susan Wakhungu-Githuku - 2/2 *
 Moses Ikiara - 0/1 **

AUDIT COMMITTEE

The primary responsibilities of this Committee are to;

- Provide oversight and integrity of the Company's financial reporting.
- Gauge the independence, qualifications and performance of an external auditor.
- Provide oversight in relation to the Company's internal audit functions.
- To provide oversight on non-financial audit processes (Governance Audit and Environmental Social and Governance (ESG) Audit).
- Review the effectiveness of the internal audit function.
- Consider the effectiveness of the Company's internal control systems.
- Review updates from management and external counsel on compliance matters affecting the Company.

ATTENDANCE

Mary Ngige - 3/3
 Laila Macharia^ - 1/2 ½
 Catherine Igate^ - 2/2
 Kennedy Wanderi
 (ICDC Rep.) - 1/2
 Moses Ikiara - 1/1
 James Mworira - 3/3

FINANCE AND INVESTMENT COMMITTEE

The primary responsibilities of the Committee are as follows;

- Development of Investment objectives, investment guidelines and performance measurement standards.
- To review and evaluate investment results in the context of established standards of performance and adherence to the investment guidelines.
- To provide leadership in the achievement of attractive returns on the Group's investment and clear guidelines on investment policies that are consistent and structured, research based and risk sensitive approach to value investing.
- To review the Company's detailed strategic investment plans and to recommend them to the Board for approval.
- To provide advice to the Board on proposals for the investment in and divestment from enterprises and projects in line with the Company's strategy.

To monitor and evaluate the performance of the Company's investments against budget.

ATTENDANCE

Christopher Kirubi - 1/4
 James Mworira - 4/4
 Laila Macharia - 4/4
 Catherine Igate - 3/3
 Kennedy Wanderi
 (ICDC Rep.) - 4/4
 Susan Wakhungu-Githuku - 3/3
 Moses Ikiara - 0/2

NOMINATION AND GOVERNANCE COMMITTEE

The primary responsibility of the Committee is to develop and implement policies with respect to both the strategic priorities of the Board and human resources on the matters of Governance. In addition to the above; the Committee is also expected to;

- Provide oversight in the development and monitoring of governance-related policies as may be determined by the Board.
- Consider the competencies and skills of the Board as a whole.
- Develop and recommend to the Board a succession plan for the Board and senior management that is responsive to the needs of the Company and shareholders.
- Review and approval of the structure of staff remuneration and incentive plans.
- Advising the Board on staffing issues for senior management.

ATTENDANCE

Laila Macharia – 3/3
Christopher Kirubi – 2/3
William Byaruhanga – 0/3
Kennedy Wanderi
(ICDC Rep.) – 3/3
Susan Wakhungu-Githuku – 1/1
James Mworira – 3/3

RISK COMMITTEE

The primary responsibilities of this Committee are;

- Review of the Company's statement on internal control systems prior to endorsement by the Board.
- To consider and recommend to the Board the Company's risk appetite.
- Commission, receive and consider reports on key financial and operational risk issues.

ATTENDANCE

Catherine Igate – 2/2
Laila Macharia – 2/2
Mary Githiaka-Ngige – 2/2
Kennedy Wanderi
(ICDC Rep.) – 2/2
Moses Ikiara – 1/1
James Mworira – 2/2

^ Appointed as a member of the Audit Committee on 24 November 2017.

*Elected at the AGM of 25 September 2017.

**Appointed on 24 November 2017.

BOARD DIVERSITY

The Company strives to make the appointment procedure to the Board as transparent as possible taking into account leaders in various fields of expertise. The Company strives to have a diverse Board, putting into consideration ethnicity, gender balance, age, and a balance of management skills.

40%
FEMALE

60%
MALE

CONFLICT OF INTEREST

The Board recognizes and appreciates the arm's length principle pursuant to the tax laws, local and international jurisprudence. The Board takes a deliberate effort to ensure compliance with this principle.

The Company has a Conflict of Interest Policy that requires directors and staff members to disclose actual and potential conflicts of interest in any transaction by the Company.

The Company Secretary maintains a register of conflicts of interest where all conflicts declared by the Board of directors are recorded.

The Head of Risk, Internal Audit and Compliance maintains a register of conflicts of interest where all conflicts declared by staff members are recorded.

All directors and staff members are required to record any actual or potential conflicts of interest upon onboarding and annually thereafter. Where no conflicts of interests exist, directors and staff members are required to indicate that no conflicts of interest exist at the time, and to update the register if and when a conflict arises.

PROCUREMENT POLICY

A transparent procurement policy is employed in which bids from competing contractors, suppliers or vendors are invited by openly advertising the scope, specifications, terms and conditions of the proposed contract. Tender evaluation and management is a function of the Board and the latter is guided by the Centum Group Procurement Policy and existing laws.

CODE OF ETHICS AND BUSINESS STANDARDS

Central to the performance of the functions of the Board, management and all staff levels is integrity. The Company has a Code of Ethics and Business Standards (the "Code of Ethics") that governs relationships within and without the Company. The Code of Ethics highlights the minimum standards to be adhered to throughout all interactions.

POLICY ON CORPORATE SOCIAL RESPONSIBILITY AND INVESTMENT

The Company, through the Centum Foundation, has invested in Corporate Social Investment (CSI) activities through empowering innovative entrepreneurs. The CSI activities have focussed on identifying and nurturing entrepreneurs and providing the capital

and support they needed to build businesses of scale which could attract commercial funding, impact Africa's economy and create jobs with the aim of achieving self-sustainability by 2019.

For greater social impact the Company shall focus its CSI initiatives on four sectors going forward: Education, Infrastructure, Entrepreneurship and Healthcare. The Company is in the process of developing a group-wide ESG Policy, which is expected to be finalized by the end of the current financial year and which shall address the Company's CSI and CSR strategies in detail.

INFORMATION POLICY

Centum and its subsidiaries utilize computer systems, networks, and other electronic information systems as an enabler in achieving its missions and objectives. The Centum Information Technology Policy ensures the confidentiality, integrity, and availability of Centum's information assets is properly managed. This is achieved by requiring users of the information assets to comply with set policies and guidelines in order to protect the company against cybersecurity, financial exposure during electronic transactions and damaging brand/legal issues.

INSIDER DEALING

The Board has adopted Policies and Guidelines on Insider Trading, which are binding on employees, directors and other persons who may possess non-public information on the Company. There are no insider dealings in the Company's securities known to the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Each Non-Executive Director (NED) is entitled to an annual director's fee which is determined by the Board with authorization granted by the shareholders at the Company's Annual General Meetings. The Company gathers relevant remuneration data and explores market conditions that are used to determine Directors' remuneration. The remuneration of executive directors and senior management of the Company is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions. Remuneration of senior management is performance-based and coupled with an incentive system that is competitive to attract and retain talent.

The fees paid to each director for Financial Years 2018 and 2017 have been disclosed in the Directors Remuneration Report on page 86.

STATUS OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR ISSUERS OF SECURITIES TO THE PUBLIC 2015

Over the past two years, the Board and Management of the Company have put in deliberate effort towards full compliance with the Code of Corporate Governance Practice for Issuers of Securities to the Public 2015 (the “Code”). The Company has taken the following steps over the past year to ensure compliance with Code:

1. Revision of the Company’s policies, Board charter and committee charters for compliance with the requirements of the Code.
2. Onboarding of Mrs. Susan Wakhungu-Githuku, an Independent NED with Human Resource expertise, who was subsequently appointed as a member of the Nomination and Governance Committee.
3. Appointment of two (2) independent NEDs following the retirement by rotation of one independent NED and two NEDs at the 2017 Annual general Meeting in order to maintain the threshold stated in the Code that provides not less than one third (1/3) of the board should be comprised of independent NEDs.
4. Conduct of a legal and compliance audit by KN Law LLP for Centum and its subsidiaries. The audit report established the level of compliance with laws, regulations and standards as 94%, with no material departures from required compliance.
5. Conduct of a governance audit and Board evaluation by Dorion Associates LLP. This included evaluation of;
 - The Board’s and the respective Committees’ performance,
 - The Board Chairman’s performance,
 - The Chief Executive Officer’s performance, and
 - The Company Secretary’s performance.
6. Establishment of roadmap towards Integrated Reporting.

SHAREHOLDER ANALYSIS BY HOLDING (TOP 10 SHAREHOLDERS)

Name	31 March 2018			31 March 2017		
	Total Shares	%	Rank	Total Shares	%	Rank
Christopher John Kirubi*	192,559,412	28.94%	1	190,559,412	28.64%	1
Industrial and Development Corporation*	152,847,897	22.97%	2	152,847,897	22.97%	2
International House Limited^^	10,436,278	1.57%	3	10,436,278	1.57%	3
CfC Stanbic Nominees Ltd A/C NR 1031144	9,539,073	1.43%	4	8,696,673	1.31%	4
Standard Chartered Nominees NON-RED A/C 9827	9,523,611	1.43%	5	1,402,600	0.21%	30
Standard Chartered Kenya Nominees Ltd A/C KE002367	8,600,000	1.29%	6	8,000,000	1.20%	5
Stanbic Nominees Ltd A/C NR 1031141	7,884,800	1.18%	7	-	-	-
John Kibunga Kimani	6,243,221	0.94%	8	6,042,121	0.91%	6
Uganda Securities Exchange^	5,916,306	0.89%	9	5,916,306	0.89%	7
James Mworira Mwirigi*	5,674,594	0.85%	10	5,362,094	0.81%	8

Note:

*Director of Centum.

^ A Nominee account for shareholders on the Uganda Securities Exchange.

^^ A company in which a Director of Centum has an interest in.

DIRECTOR'S SHAREHOLDING ANALYSIS AS AT 31 MARCH 2017

Director	Total Shares
Dr. Christopher John Kirubi	192,559,412
Industrial and Commercial Development Corporation (Alternate Director Kennedy Wanderi)*	152,848,97
James M. Mworia	5,674,594
Dr. Laila Macharia	-
Mary Githiaka Ngige	-
Catherine Igate	-
Hon. William Byaruhanga	-
Dr. Donald Kaberuka	-
Mrs. Susan Wakhungu-Githuku	-
Dr. Moses Ikiara	18,150

*Kennedy Wanderi is an alternate director to Industrial and Commercial Development Corporation and does not own shares in the Company.

SHAREHOLDER ANALYSIS BY VOLUME:

Volume	31 March 2018			31 March 2017		
	Shares	%	Holders	Shares	%	Holders
1-500	2,381,598	0.36%	13,667	2,394,151	0.36%	13,459
501-5000	33,972,882	5.11%	16,566	34,848,725	5.24%	17,036
5001-10000	21,176,878	3.18%	2,945	22,084,336	3.32%	3,061
10001-100000	77,693,078	11.68%	3,117	81,675,288	12.27%	3,274
100001-1000000	67,181,456	10.10%	250	73,750,612	11.08%	289
>1000000	463,035,822	69.58%	42	450,688,602	67.73%	44
TOTALS	665,441,714	100%	36,587	665,441,714	100%	37,163

SHAREHOLDER ANALYSIS BY DOMICILE

Domicile	31 March 2018			31 March 2017		
	Shares	%	Holders	Shares	%	Holders
Foreign Companies	72,241,287	10.86%	45	51,981,578	7.81%	44
Foreign Individuals	2,260,100	0.34%	206	2,350,095	0.35%	208
Local Companies	224,677,452	33.76%	1,816	238,192,969	35.79%	1,917
Local Individuals	366,262,875	55.04%	34,520	372,917,072	56.04%	34,994
TOTALS	665,441,714	100.00%	37,587	665,441,714	100.00%	37,163

RISK MANAGEMENT

The Board recognizes that comprehensive risk management is essential to the successful execution of our strategy. The complex nature of the Company's business exposes it to an array of complex and dynamic risks. With the ever-changing business environment, Centum is committed to ensuring robust risk management practices for successful mitigation against existing and emerging risks.

The Board appreciates the need to ensure alignment between risk management and Group strategy for the efficient operation of the Company. All strategic decisions are made with proper consideration of potential risks and against the Group's risk appetite and tolerance levels. The implementation of the strategy is maintained within the governance structures set in place to ensure smooth operations within the Company as well as compliance with the regulations.

The Risk Management strategy is reviewed at least once a year to assess the effectiveness of the risk and control processes in the organization.



KEY RISKS AFFECTING THE COMPANY

The table below outlines the key risks facing the Company and the mitigation strategy set in place to manage the risks. The disclosures on the following pages are not an exhaustive list of risks faced by Centum, but rather a summary of those principal risks which are under active review by management and Board.

KEY FOCUS AREAS	BRIEF DESCRIPTION	RESPONSE
STRATEGY	Arises from the design & implementation of our business model, the key decisions made in relation to investment & capital allocation as well as uncertainties and untapped opportunities embedded in our strategic intent and how well they are executed.	Managed through; <ul style="list-style-type: none"> • Alignment of subsidiary strategy plans to Group Strategy • Strategy reviews for all businesses are conducted periodically • Formation of subsidiary boards to ensure oversight of strategy execution • Ensuring that the Group only invests in opportunities that have been extensively tested, reviewed and approved by the Investment Committee. The testing phase includes stress testing of the models, consideration of a legal, tax and risk opinion to validate the business case
INVESTMENTS	This is the risk of incurring financial losses in the Centum's portfolio in pursuit of returns. This risk would arise from; <ul style="list-style-type: none"> • Ineffective assets allocation; • Underperformance by investee companies; • Investment concentration risk; • Market risks; and • Adverse change in the political economic, social factors economic outlook 	<ul style="list-style-type: none"> • Centum has developed asset allocation limits for all portfolios to mitigate against concentration risk. These limits are approved by the Investment and Finance Board Committee. The risk department is responsible for tracking compliance with the limits and any breaches are reported to the Risk Committee. • From a governance perspective, Centum is well represented in investee company boards to offer oversight • Centum maintains a well balanced and diversified portfolio in terms of asset classes, geographical locations • Monthly portfolio monitoring to address risk exposures promptly
FUNDING	<ul style="list-style-type: none"> • Risk that the company will miss out on attractive investment opportunities due to lack of funding; and • Risk that the company will experience difficulties in meeting its maturing financial commitments 	<ul style="list-style-type: none"> • Regular liquidity and currency monitoring and strategic reviews of the balance sheet. • Regular stress testing and scenario analysis.

KEY FOCUS AREAS	BRIEF DESCRIPTION	RESPONSE
PROJECT EXECUTION	<p>This is the risk associated with;</p> <ul style="list-style-type: none"> • Lack of a well-defined and documented project scope that can lead to scope creep; • Project delays leading to budget overruns; • Inadequate human resource staffing for the project; and • Lack of a project monitoring mechanism such as a project plan to track progress of project activities 	<ul style="list-style-type: none"> • Composition of diversified project teams in terms of skills and experience • Monthly portfolio monitoring to identify any risk exposures and possible delays in time, scope creep and budget overruns • Standardized project management review and reporting
INTERNAL OPERATIONS	<p>Risks that arise from failed internal controls, functional errors or malfunctions arising from people, processes, systems and external events.</p> <p>These include;</p> <ul style="list-style-type: none"> • Failure to meet ethical and governance principles • Information technology failures; • Fraud and security breaches; • Loss of key employees; and • Natural disasters 	<ul style="list-style-type: none"> • Development of a succession plan • Independence of the Risk and Internal Audit departments • Communication to all staff on policies and procedures that they should abide by
COMPLIANCE	<p>This is the risk that our business may be adversely affected by:</p> <ul style="list-style-type: none"> • New laws / regulations affecting our core business; • Ongoing litigation against us, our subsidiaries or associates 	<ul style="list-style-type: none"> • Compliance checks for all entities conducted monthly • Training of staff on any regulatory changes • Proactive engagement with regulators on any changes in the business
STAKEHOLDER ENGAGEMENT	<p>The risk of a negative impact that can result from the deterioration of Centum reputation among stakeholders and general public resulting to;</p> <ul style="list-style-type: none"> • Revenue loss; • Reduced client loyalty; • Litigation, regulatory sanction or additional oversight; and • Declines in Centum's share price 	<ul style="list-style-type: none"> • Introduction of an investor relations office for Group • Ensuring timely disclosure of material information to all stakeholders • The Board and management constantly monitor and address issues that can adversely impact Centum's reputation

OUR RISK CULTURE

Cultivating a risk aware culture within Group is at the heart of our Risk Management process. The tone is set at the Board level and cascaded to all Centum staff. The Risk Department is responsible for ensuring that the risk culture is continuously inculcated.

Integrity, diligence and responsibility are core values to the Group as outlined in the Group’s Code of ethics and business standards. The same values are incorporated in our risk management process as guiding principles on the approach in identifying, evaluating and mitigating risks as well as making decisions with regard to risk management.

The risk department provides a range of risk management training and guidance to staff to ensure ownership of risks and equip them with the relevant skills needed to manage risks appropriate to their duties and level of authority. Some of the key trainings conducted by the Risk Department over the last year include compliance with the Group Procurement Policy and Procedures manual, whistleblowing policy, Anti-money laundering and Counter-Financing of terrorism for entities highly exposed to ML/FT risks i.e. financial services and real estate.

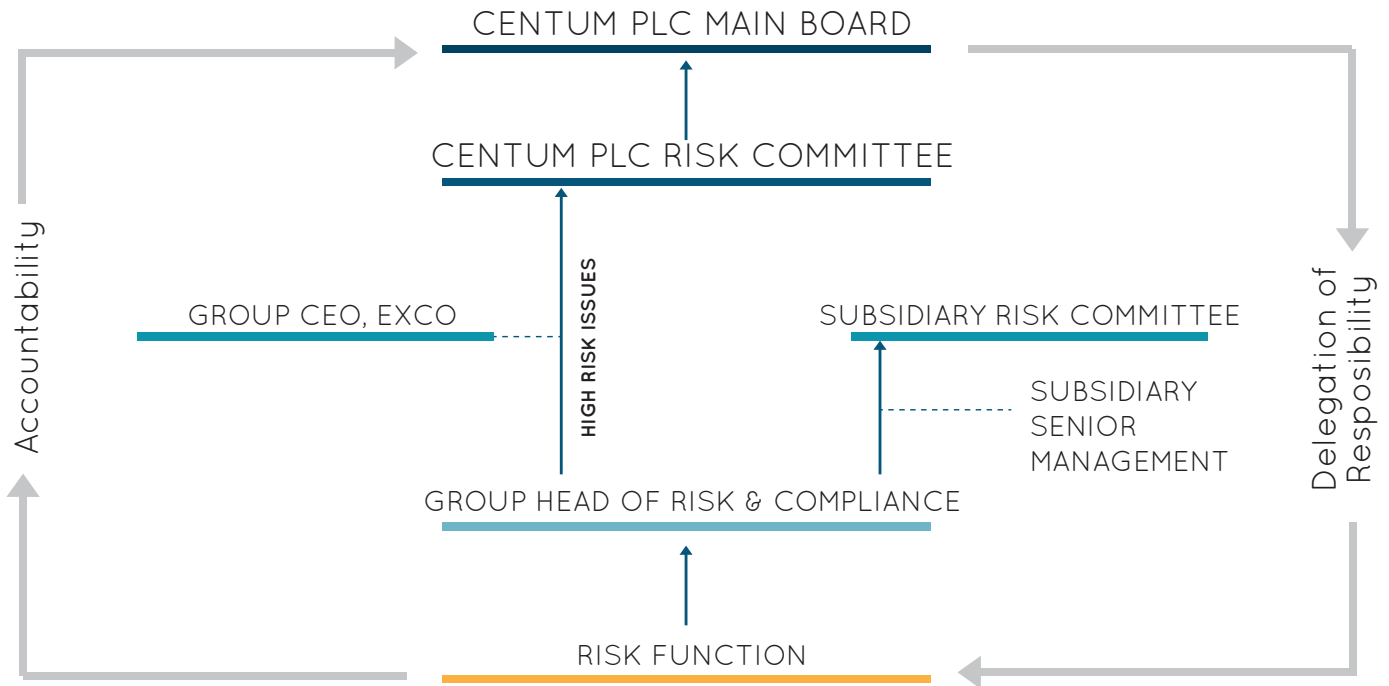
Risk management is also well embedded in our standard operating procedures for all activities and in the staff performance management process.

RISK GOVERNANCE STRUCTURE

The Board has overall responsibility for the Company’s risk management and internal control systems. The Board sets the tone and influences the risk management culture within the organization. The Board is responsible for approving various risk management tools following a recommendation to approve by the Risk Committee including but not limited to the Company’s risk management strategy and the risk appetite framework that defines the Group’s risk limits to guide risk-taking within the Group.

The Risk Committee oversees the establishment of robust enterprise-wide risk management policies and processes, reviews and monitors risk management practices to ensure that it is effective, and all aspects are covered. The Risk Committee also provides guidance to the Group Head of Risk & Compliance on ways of improving risk management.

The Group Head of Risk and Compliance is accountable to the Board for ensuring that the Group risk profile is within the Board approved Risk Appetite Framework.



RISK MANAGEMENT PROCESS

Our risk management process focuses on timely mitigation of risks through proactive identification, analysis, evaluation and treatment of risks that have the potential to affect achievement of the Group's strategic objectives. It is aimed at ensuring awareness of these risks in the development of strategic and operational objectives. The controls that mitigate these risks are identified so that assurance can be provided on the effectiveness of the control environment and determination of whether these risks are operating within the Group's appetite limit.

The Group's robust risk management framework is driven by the following fundamentals:

- Identification of key risks;
- Evaluation of the probability of occurrences and their impact;
- Establishment of adequate review mechanisms to monitor and control risks; and
- Incorporation of robust reporting mechanisms and adopt.

The risk management process blends the top-down approach (strategy, guiding principles and risk philosophy) with the bottom-up approach (quantitative measures at portfolio/product level).

At the subsidiary level and /or sector level, a detailed risk assessment is conducted to identify material risks likely to affect the subsidiary and implementation of controls to reduce the likelihood and impact of these risks should they occur. These are then presented to executive management and the respective boards at each subsidiary. At Group level risk assessments consider global factors affecting the industry and Group, as well as risks that arose from individual subsidiary/ project assessments.

THE SYSTEM OF INTERNAL CONTROL OPERATES ON A TRADITIONAL 'THREE LINES OF DEFENSE' APPROACH AS FOLLOWS:

01 FIRST LINE OF DEFENSE

Operational management - As the first line of defense, operational managers own and manage risks. They are also responsible for implementing corrective actions to address process and control deficiencies.

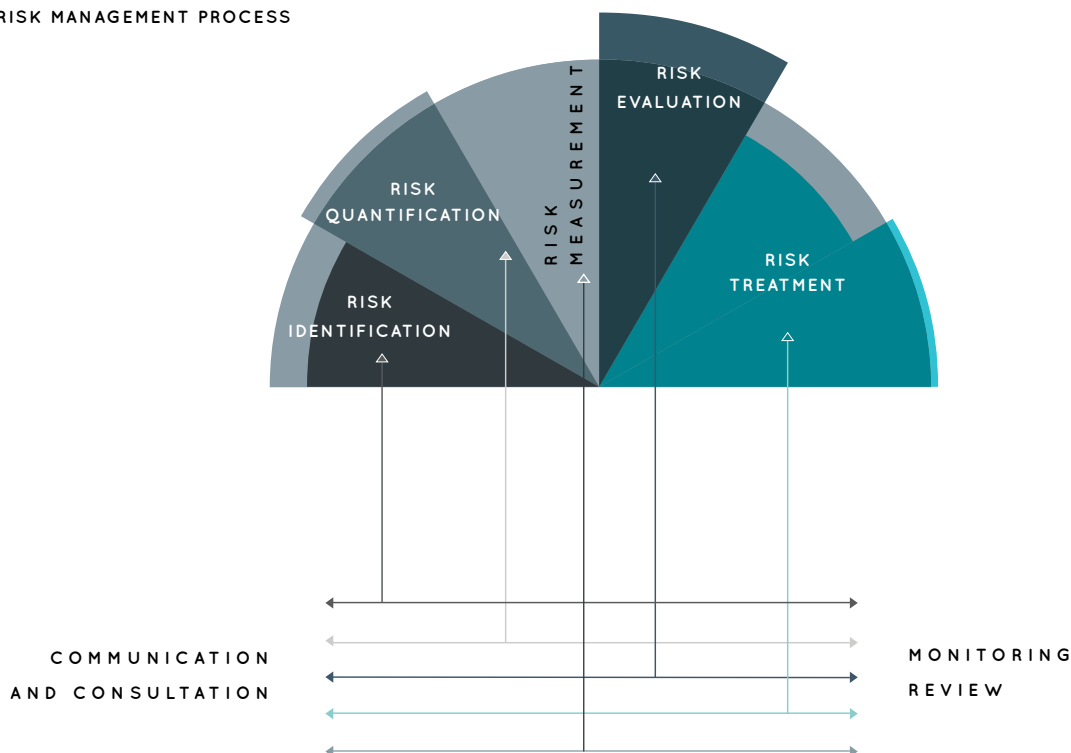
02 SECOND LINE OF DEFENSE

Risk management and compliance functions are established to ensure that the first line of defense is operating as intended.

03 THIRD LINE OF DEFENSE

Internal Audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the way the first and second lines of defense achieve risk management and control objectives.

RISK MANAGEMENT PROCESS



RISK MANAGEMENT TOOLS

The following risk management tools have been developed by the Risk department and approved by the Board to foster proactive prevention, timely detection and overall proactive management of risk exposures within projects, business units and subsidiaries in pursuit of their strategic objectives, key value drivers and promised return. These tools subsequently serve to set up a robust internal control framework in all business entities, drive the operationalization of risk management practices as provided by the Group Risk Management Framework.

The Risk department is responsible for ensuring consistent use and application of all risk management tools.

1. RISK APPETITE FRAMEWORK (RAF)

The Group needs to assume risks in order to fulfil its strategic objectives. The assumption of risks will result from the ongoing implementation of the Group's risk appetite that considers all the risks the Group is and will be exposed to and the probability and impact of these risks materializing.

The RAF is an essential component of the Group's corporate governance process i.e. the Board and senior management use the RAF as a tool to clearly consider all the risks faced by the Group and make deliberate decisions through linking risks and strategic objectives. This ensures that all investments are conducted within the Board approved risk appetites /tolerance limits.

The Risk Appetite Framework has instituted ownership for each individual risk exposure by assigning the responsibility for maintaining the Board desired risk appetite to respective Heads of business. The elements of the risk appetite framework have been applied proportionately to the size of the exposures, complexity and materiality of the risks.

We define risk appetite as the amount and type of risk that Centum is prepared to pursue, retain or take in pursuit of its strategic objectives, above which necessary mitigating action should be taken or a change of strategy may be considered.

The portfolio class, sector wise and subsidiary/project-based risk appetites are defined, and these are majorly driven by the core tenets of centum 3.0 i.e. return, focus, scale, brand, cost and capital deployed.

Development of risk appetites for the various projects/entities is additionally governed by key value drivers for the business and these are not limited to the following;

- Expected return
- Time horizon for investments
- Capital availability and desired allocation
- Other key resource capabilities

Embedded in the framework is the risk appetite statement and the organizational roles and responsibilities.

The development of the risk management strategy and the enterprise-wide risk appetite is done hand in hand with the development of the business strategy. The Board shall review the company's risk appetite quarterly to ensure that it aligns with the strategic plan of the organization along with other quantitative objectives such as profit, growth, return, value uplift, dividends income, project delivery etc.

2. KEY RISK INDICATOR (KRI) MATRIX

The KRI matrix is a risk management tool that helps with tracking of the evolution of the entity's risk profile. The Key Risk Indicator matrix indicates the universe of risks that an entity is exposed to in the different risk categories. The Risk Department has developed KRI matrices for all entities specific to the nature of business. These are then used to develop KRI matrices for the various portfolios and a consolidation of this is used in the development of the Group KRI matrix.

KRIs play an important role in risk management by predicting potential high risk areas and enabling timely action.

The set KRIs enable Centum and its subsidiaries to;

- Identify and track current risk exposure at any particular point in time
- Identify and track emerging risk trends.
- Understand and track changes in the risk profile
- Predict future risk profile hence establish mitigation plans
- Focus attention on risk drivers that are most volatile
- Highlight control weaknesses and allow for the development of robust and effective controls.
- Facilitate the risk monitoring and reporting
- Facilitate escalation process

The KRI matrices are developed in consultation with the process owners to ensure that all risks that a particular business is exposed to is comprehensively covered for analysis and tracking.

The KRIs exercise and risk assessments have been useful in providing a basis for analyzing the risk exposures for these entities and having the risk/process owners draw more attention to acting on the key risk exposures

3. CHART OF AUTHORITY

The Chart of Authority details the level of authority delegated to management, authority reserved for the Board and that reserved for the Shareholders. It establishes the types of decisions and limits that may be approved by the various organs or offices. The Chart of Authority ensures that authority to make day-to-day decisions when executing the company's strategy is appropriately delegated from Board to management

INTERNAL AUDIT

The internal audit department has adopted a risk-based approach to its internal audit plan and is informed by the Group risk profile. Internal audit provides a written assessment of the effectiveness of our system of internal controls and risk management over financial matters as well as operational, compliance and sustainability issues.

Internal audit is an objective provider of assurance that considers: the risks that may prevent or slow down the realization of strategic goals; whether controls are in place and functioning effectively to mitigate these; and the opportunities that will promote the realization of strategic goals that are identified, assessed and effectively managed by the company's management team.

WHISTLE BLOWING PROGRAMME

The Group instituted a whistle blowing facility for all its subsidiaries as well as a Group-wide awareness program on whistle blowing. The programme is monitored by the audit committee and is designed to encourage stakeholders i.e. employees, shareholders, customers, suppliers, managers or others to disclose wrong doings or malpractices within the organization without fear of detriment.

RISK REVIEW

Despite the challenging business environment over the last 12 months there have been slight and appropriate change to our risk management approach, risk profiling and risk appetites.

Some of the key highlights from last year that influenced the Company's risk exposure include;

- Political instability following the general elections held in August and October 2017 which led to economic uncertainty and volatile market conditions; and
- Implementation of the interest rate capping bill which affected some of our subsidiaries such as Sidian Bank.

Cognizant of the fact that the Company will be soon transitioning from Centum 3.0 to Centum 4.0, the risk management function is in the process of reviewing the Risk Management Strategy to ensure alignment with the new strategy. Key lessons drawn from the current strategy period and the outlook of risk management will play a key role in the development of the new risk management strategy which will involve the review of all risk management tools specifically the Risk Appetite Framework.

During FY 18, there haven't been reports received through the "Centum Whistle Blowing Portal". A disclosure response plan has been developed to ensure that all reports received shall undergo proper follow-up and appropriate action taken in a timely manner.

PORTFOLIO

REVIEW



GROWTH PORTFOLIO

Our Growth Portfolio's focus is to unlock the true earning potential of our underlying investee companies and in the process maximise business valuation at exit.

This is achieved through driving value addition in investee companies by working closely with management teams to define and drive business strategy, supporting business development and fundraising efforts by leveraging Centum's networks and subsidiaries, utilizing synergies between portfolio companies and forging strategic partnerships both at operational and shareholder level. We look to leverage third party capital and project specific debt for our investments in the Growth Portfolio.

The Growth Portfolio represents our trading subsidiaries or investments that have progressed from development to a cash generative stage. Investments under this segment include the beverage, publishing, financial services and utilities businesses. Efficient monetization of mature assets allows re-investment and leverage. Legacy dividend paying unlisted assets are included in this portfolio.

GROWTH PORTFOLIO INCOME VALUE DRIVERS

PROFIT GROWTH

82% **78%**

of the Growth Portfolio is profitable i.e. positive Profit After Tax

of the Growth Portfolio increased in profitability vs. previous year

DIVIDENDS

71% **71%**

of the Growth Portfolio paid a dividend

of the Growth Portfolio assets increased the dividend paid vs. previous year



EXITS UNDERTAKEN IN THE YEAR

Our active portfolio management strategy remains a key driver of our returns.

	GenAfrica	Platinum
Investment Year	2013	2012
Initial Investment (KES mn)	1,050	767
Total Dividends (KES mn)	322	404
Exit Proceeds (KES mn)	2,324	2,692
IRR (%)	29%	31%
TMB	2.5X	4.0X

Entity/ Investment	NAV (KES Mn)	NAV Per Share (KES)	Total Assets (KES Mn)
Almasi Beverages Limited	7,290	10.96	8,697
Nairobi Bottlers	4,831	7.26	5,078
Sidian Bank	3,114	4.68	3,890
Isuzu EA	2,437	3.65	2,470
GenAfrica	2,262	3.40	2,324
NAS Servair	822	1.24	856
Longhorn	762	1.15	763
Nabo Capital	385	0.58	494
CBS	-	-	399
Others	-	-	120
TOTAL	21,903	32.91	25,090

PORTFOLIO COMPANY	2018 PERFORMANCE OVERVIEW:
 <p>SHAREHOLDING 53.9%</p> <p>SECTOR FMCG</p> <p>PRODUCTS Coca-Cola</p> <p>MARKET SHARE 30%</p> <p>TERRITORY COVERED 25-27 Counties</p> <p>VALUATION METHODOLOGY EV/EBITDA Multiple</p>	<p>During the period under review, the business undertook significant capital investments focused on enhancing manufacturing capacity and efficiency, as well as strengthening the distribution network. Almasi Beverages Limited is currently the fastest growing bottling company in Kenya with an active outlet base of over 55,000 and with the potential to grow to over 90,000 outlets. Almasi Beverages Limited sales volumes grew by 10% compared to prior year mainly driven by uptake of PET and increased availability of product within its territory.</p> <p>Almasi intends to grow its volumes from 16 Mn physical cases in FY17 to 18 Mn physical cases in FY18 and 23 Mn physical cases in FY19 through a number of key initiatives, namely; distributor stocking and recruitment, cold drinking equipment (CDE) placement acceleration, new outlets listing, optimizing the route to markets, informal markets expansion and new products launch (such as juice).</p> <p>Additionally, Almasi has continuously invested in additional production capacity to ensure that the business is well poised to meet the growing demand in its within Almasi's territory. Plans are also underway for Preform machinery to be installed in 2018 and install an additional production line in 2019. These lines will serve to support the growing demand for PET volumes. The business has also invested in additional trucks at a cost of KES 200 Mn to enhance its distribution capacity.</p> <p>Lastly, Almasi has rolled out a number of key initiatives in line with improving the business efficiencies and cost efficiency. This will involve activities geared towards activities such as zero-based budgeting, optimal line utilization, capacity utilization and asset utilization. In FY18, Almasi intends to optimize and have a line utilization of 70% from the RGB Line and 75% from the PET Line in 2018.</p>
 <p>SHAREHOLDING 27.6%</p> <p>SECTOR FMCG</p> <p>PRODUCTS Coca-Cola</p> <p>MARKET SHARE 47%</p> <p>TERRITORY COVERED 13 Counties</p> <p>VALUATION METHODOLOGY EV/EBITDA Multiple</p>	<p>During the year, Nairobi Bottlers Limited continued to invest in additional production capacity with the recent launch of the 28,000 BPH Nitro Hotfill Juice Line that will support Nairobi Bottlers Limited's growing demand growth in volumes and continued product innovation.</p> <p>Nairobi Bottlers intends to grow its volumes through a number of key initiatives such as; product innovation, launch of new products, CDE and ice availability, new outlets listing and in-market activations.</p> <p>The business also plans to boost its profitability through a number of key initiatives such as costs rationalization, capacity utilization, line utilization, asset utilization and fleet optimization strategies.</p>

PORTFOLIO COMPANY	2018 PERFORMANCE OVERVIEW:
 <p>SHAREHOLDING 77.0%</p> <p>SECTOR Financial Services</p> <p>SUB-SECTOR Banking</p> <p>VALUATION METHODOLOGY Price to Book</p>	<p>The Interest Rate Cap Law, assented in 2016, made for a challenging operating environment that required the Bank to position itself through growing its trade finance solutions and non-funded income.</p> <p>During the financial year under review, the Bank made significant headway in key facets of business. Non-funded income now accounts for 28% of total income on average. Trade finance balances have grown 9x to KES 9.72 Bn (31 March 2017: KES 1.06 Bn). To fund this growth, the bank mobilized a KES 1.5 Bn rights issue.</p> <p>Additional benefits realization from recent investments in ICT is reflected in growing channels income and increased operational efficiencies.</p> <p>Going forward, Sidian's key focus areas include:</p> <ul style="list-style-type: none"> • Increasing Liquidity • Asset Quality by reducing Portfolio at Risk and Non-Performing Loans metrics • Increasing proportion of Non-funded Income
 <p>SHAREHOLDING 17.8%</p> <p>SECTOR Motor Vehicle Assembly</p> <p>VALUATION METHODOLOGY Fair Value; Recent Transaction Price</p>	<p>During the financial year, General Motors rebranded to Isuzu East Africa initiated by Isuzu Motors Limited acquiring General Motor's 57.7% shareholding, changing its majority ownership.</p> <p>During the year under review, Kenya new car sales fell near 20% hit by prolonged electioneering period which led to a period of slow-down of economic activity. Isuzu however increased its market share to 38.2% year-to-date from 35.3% last year. Its Gross Profit (GP) Margin improved in FY17 commendably which has led to its EBIT margin doubling from FY16.</p> <p>In the coming year, improving market conditions are expected to drive growth in sales and parts revenue. Sales and parts revenue is also expected to grow 50%. Additionally, the launch of the Isuzu mu-X model is expected to increase the company's market share during this period.</p>



REAL ESTATE PORTFOLIO



REAL ESTATE PORTFOLIO

The Group's objective within the Real Estate sector is to develop new urban nodes across the East African region that represent investment grade assets of scale. Our portfolio in the Real Estate Sector as at end March 2018 was as outlined on page 67-69.

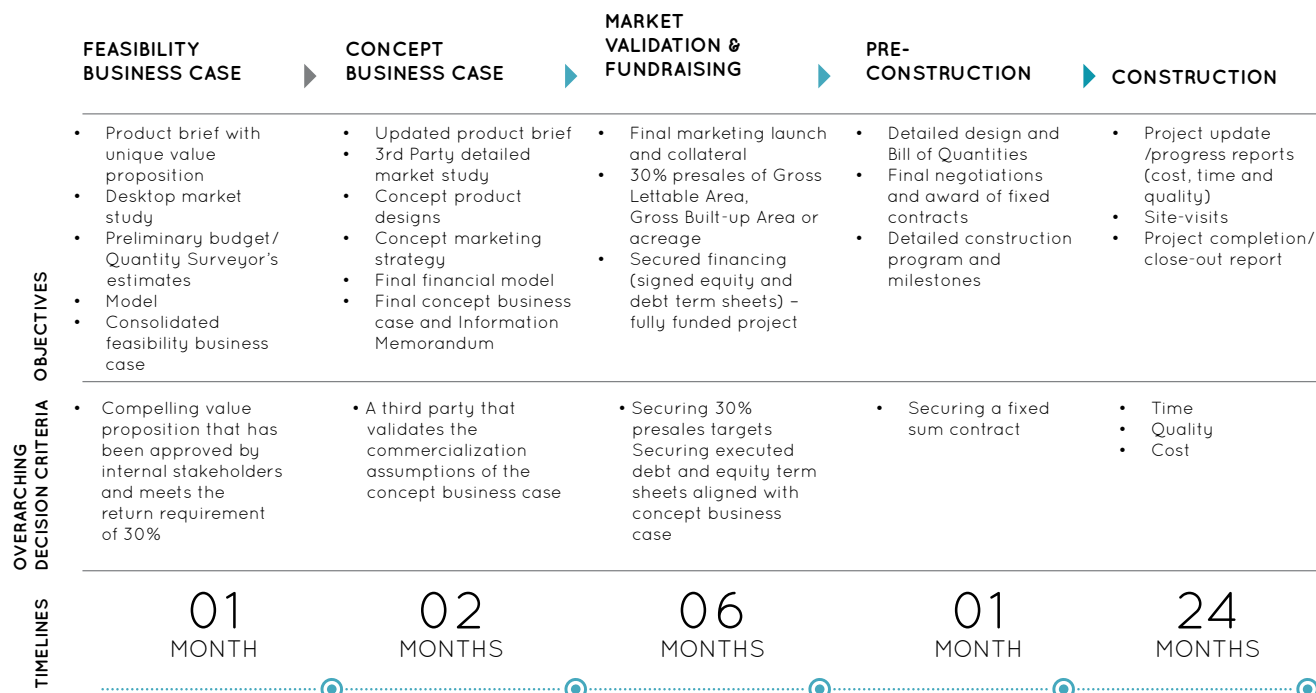
Our real estate strategy seeks to master attractive sites across the region and provide commercial impetus for investors to establish city shifting developments.


OVERVIEW OF CENTUM'S VALUE CREATION PROCESS IN REAL ESTATE



	01	02	03	04	05	06
	Acquire land in strategic locations	Master plan development and obtain approvals	Attract third party capital at development level	Develop infrastructure and select in fill developments	Avail construction ready sites to investors in line with master plan	Undertake urban management of developments
TWO RIVERS	✓	✓	✓	✓	✓	✓
VIPINGO DEVELOPMENT	✓	✓	Discussions underway for 3rd party capital	Phase 1 to commence in FY19	✓	✓
PEARL MARINA	✓	✓	Discussions underway for 3rd party capital	Phase 1A complete. Infill developments in market validation	✓	✓

INFILL DEVELOPMENT FRAMEWORK

Our real estate development cycle encompasses 5 main stages of value creation.



PORTFOLIO COMPANY	2018 PERFORMANCE OVERVIEW:
 <p>LAND BANK 102 Acres</p> <p>DEVELOPMENT TYPE Mixed-Use</p> <p>ANCHOR PROJECT Retail, Entertainment and Lifestyle Centre</p> <p>LOCATION Nairobi</p> <p>SHAREHOLDING 58.3%</p> <p>VALUATION METHODOLOGY Net Asset Value</p>	<p>During the year ended March 2018, the Two Rivers Mall attained 75% letting status, with an average footfall of 320,000 per month. Additionally, the Two Rivers Office Towers attained 9% letting of the space, with 72% under negotiation. A total of 5.5Mn people have visited the center since its launch in February 2017. The development comprises of 67,000 SqM of retail coupled with 21,000 SqM of Grade A offices. The Two Rivers Office Towers were rolled out into the market in November 2017 positioning them as Grade A offices which include premium finishes and state of the art security, achieving an 9% letting status in under 6 months.</p> <p>In the year under review, Two Rivers Development Limited (TRDL) rolled out its Phase 2 infrastructure project aimed at servicing the remaining land in Two Rivers. This will involve laying trunk infrastructure up to the plot boundaries. Furthermore, TRDL continued to provide infrastructural services to the development through its subsidiary companies; Two Rivers Power Company Limited ('TRPC') and Two Rivers Water Company Limited ('TRWC') with all key infrastructure components serving phase 1 of the development being commissioned.</p> <p>TRPC provided power through the 1.2 MW Solar PV project and is currently supplying an average yield of 150,000 kWh of clean energy per month. In total, TRPC is currently supplying over 800,000 kWh of power to consumers within the development every month, with demand expected to increase in the next financial year as more developments come on board.</p> <p>TRWC operationalised its water treatment plant with a capacity of supplying 2,000 cubic meters per day of water to the development.</p> <p>The Two Rivers Theme Park that launched to the public during the financial year proved to be a key attraction to visitors of all age groups within the development. The attractions include a 30-meter-high Flume Ride, Dancing Fountains and an Aqua Play area. During the year, the Theme Park expanded its offering by installing a 17-meter drop tower. Other offerings in the pipeline include: a Ferris Wheel, Go Karts and Air Shots. Additionally, TRDL partnered with various event planning, production and management companies to launch and host various events at the event square including Koroga Festival, Churchill Show among others.</p> <p>In line with our strategy to develop infill projects within the development, TRDL are currently developing Riverbank Apartments, a 196-unit residential project that offers a mix of one-bedroom, two-bedroom and three-bedroom. This project is currently in the market validation stage. Ground-breaking is expected in Q3 in the coming financial year.</p> <p>During the year City Lodge Hotel launched its soft operations following the successful launch of Two Rivers Mall that provided the commercial impetus for the development. This is the brands 1st flagship hospitality centre outside South Africa. The full launch is expected to take place within the next financial year.</p> <p>Going forward, TRDL will also roll out an intensive plot sales campaign aimed at selling bulk rights of the serviced land.</p>



PORTFOLIO COMPANY	2018 PERFORMANCE OVERVIEW:
 <p>LAND BANK 10,254 Acres</p> <p>DEVELOPMENT TYPE Mixed-Use</p> <p>ANCHOR PROJECT Industrial Park</p> <p>LOCATION Kilifi, Kenya</p> <p>SHAREHOLDING 100%</p> <p>VALUATION METHODOLOGY Independent Valuers Report</p>	<p>Our Strategy at Vipingo is to master develop sites and provide commercial impetus for investors to establish new urban nodes. This strategy is anchored on 3 key growth pillars that will unlock value for our shareholders:</p> <ul style="list-style-type: none"> • Sale of Unserviced Land • Sale of Serviced Land • Development of Infill Projects <p>During the period under review, significant effort was placed on securing all the necessary approvals to commence with the first phase of development of this project, in line with the Group's vision of establishing a new urban development. Approvals obtained include:</p> <ul style="list-style-type: none"> • Master plan approval • Phase 1 development approvals • Change of user approval • NEMA approval for Phase 1 infrastructure • Phase 1 Infrastructure designs approval <p>The focus in the next 12 months will be on the commencement of construction of a 180-acre industrial park. To support the industrial park, we have unveiled to the market 2 residential products; The Ridge Homes and Awali Estate.</p> <p>The Ridge Homes The Ridge Homes is a unique affordable housing development. Nested on 20 acres, Ridge Homes comprise a mix of one-bedroom, two-bedroom and three-bedroom apartments.</p> <p>Awali Estate Set on 30 acres, Awali comprises 152 three-bedroom units with a mix of 90 1-storey and 62 2-storey homes.</p>
 <p>LAND BANK 389 Acres</p> <p>DEVELOPMENT TYPE Mixed-Use</p> <p>ANCHOR PROJECT West Pearl Villas</p> <p>LOCATION Garuga Peninsula, Uganda</p> <p>SHAREHOLDING 100%</p> <p>VALUATION METHODOLOGY Independent Valuers Report</p>	<p>Our Vision at Pearl Marina is to integrate residential and tourism facilities with infrastructure offering hospitality, residential, medical facilities, a modern office park, a retail centre and a wide range of sports and recreational facilities. Going forward, our strategy is anchored on;</p> <ul style="list-style-type: none"> • Sale of Unserviced Land • Development of Infill Projects <p>A key risk that hindered value realization was the main arterial road linking Garuga to the Entebbe-Kampala Highway. During the financial year, Uganda National Roads Authority began on-site works to develop the access road to the development.</p> <p>The focus for the next financial year will be to monetize value created through land sales. Additionally, there are a series of infill development sites that will be rolled out and are currently at market validation stage.</p> <p>Vista Lago 40 residential units with a Gross Built Up Area of 6,900 SQM</p> <p>West Pearl Town Houses 53 units with a Gross Built Up Area of 11,660 SQM</p> <p>Pearl Estates Town Houses 126 units with a Gross Built-up Area of 31,500 SQM</p>


DEVELOPMENT PORTFOLIO



DEVELOPMENT PORTFOLIO

The Development Portfolio's focus is to generate substantial value by creating new assets that have demonstrable market value preceding generation of substantial revenues, usually 3 – 5 years after inception.

PORTFOLIO COMPANY	2018 PERFORMANCE OVERVIEW:
 <p>SHAREHOLDING 51%</p> <p>SECTOR Power</p> <p>PROJECT Coal Power Plant</p> <p>CAPACITY 1050 MW</p> <p>VALUATION METHODOLOGY Cost</p>	<p>The project remains on course towards achieving financial close despite delays experienced in the previous year. A key milestone required for financial close was receipt of the Letter of Support, which was received in August 2017.</p> <p>Key milestones achieved are outlined below:</p> <ul style="list-style-type: none"> ✓ Power Purchase Agreement ✓ Engineering, Procurement & Construction (EPC) contract ✓ Resettlement Action Plan (RAP) terms finalized ✓ Operation & Maintenance(O&M) ✓ All county approvals ✓ Government Letter of Support • ESIA, Fuel Supply Agreement and Generation License are at an advanced stage of completion <p>The key objective for AMU in the current financial year is financial close. To this end, we are currently working to obtain the Partial Risk Guarantee which is the last milestone to Financial Close.</p>
 <p>SHAREHOLDING 37.5%</p> <p>SECTOR Power</p> <p>PROJECT Geothermal Power Plant</p> <p>CAPACITY 140 MW</p> <p>VALUATION METHODOLOGY Cost</p>	<p>During the year, the company managed to achieve a key milestone is receiving the letter of support. This was a key objective and will now pave the way for further exploratory drilling.</p> <p>Key milestones attained on the project are outlined below:</p> <ul style="list-style-type: none"> ✍ Power Purchase Agreement ✍ Drilling contract ✍ Debt Term sheet with senior lenders ✍ Letter of Support from the Government of Kenya • Land purchase process has commenced • The Engineering, procurement and construction (EPC) contract award has commenced • The Operations & maintenance (O&M) contract award has commenced <p>The focus for this period is to proceed with the yet-to-be drilled Well 03, which is a key milestone on the way to financial close.</p>

PORTFOLIO COMPANY	2018 PERFORMANCE OVERVIEW:
<div data-bbox="119 360 408 454" style="background-color: #28a745; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> Greenblade Growers Limited </div> <p>SHAREHOLDING 100%</p> <p>SECTOR Agribusiness</p> <p>PRODUCTS Vegetables and Herbs</p> <p>LAND 120 Acres</p> <p>LOCATION Ol-Kalou, Kenya</p> <p>VALUATION METHODOLOGY Net Asset Value</p>	<p>During the financial year, management mainly focused on the operationalization of 15 acres of greenhouse and a pack house with a daily capacity of 6 tonnes. The business also partnered with approximately 250 small scale farmers on an out-grower model to supply vegetables such as sugar snaps, snow peas, fine beans, runner beans and baby corn. In addition, we acquired 6 export clients spurring revenue growth.</p> <p>Additionally, the business made significant capital investments which included the construction and completion of production infrastructure works and the construction of 58,000 cubic meter capacity water reservoir.</p> <p>In the current Financial Year, key focus is to increase production volume by increasing the area under production and recruiting more out-growers, onboarding more export and domestic clients. The business is also keen on exploring the market for niche high value products.</p>
<div data-bbox="108 981 408 1196" style="text-align: center; margin-bottom: 10px;">  <p>AFRICA CREST EDUCATION HOLDINGS</p> </div> <p>SHAREHOLDING 16.4%</p> <p>SECTOR Education</p> <p>SUB-SECTOR K-12</p> <p>LOCATION Runda, Kenya</p> <p>VALUATION METHODOLOGY Cost</p>	<p>Africa Crest Education (ACE) Holdings has a vision to open 20 SABIS® operated schools in Sub-Saharan Africa. The schools will be anchored on an affordable, world class and holistic learning model that incorporates cutting edge technology raising the bar on affordable quality education service provision across the continent.</p> <p>In FY 2018 we made significant progress in the construction of our flagship school, the SABIS International School – Runda. The first phase of the school has a capacity of 1,200 students, which is expected to ramp up to a 2,000 student’s capacity upon completion of phase 2. During the year, focus has been on marketing activities through education drives and activations to build brand awareness and drive intake for the academic year starting September 2018.</p> <p>We are on schedule to open our doors to the first intake on 3 September 2018.</p>

MARKETABLE SECURITIES PORTFOLIO

PERFORMANCE

The Marketable Securities Portfolio is managed by Nabo Capital Limited. As investment manager, Nabo pursues an opportunistic, active management strategy that aims to deliver absolute returns in all market conditions, and targets to compound the portfolio at 25% p.a. over a full market cycle of typically 5 – 7 years.

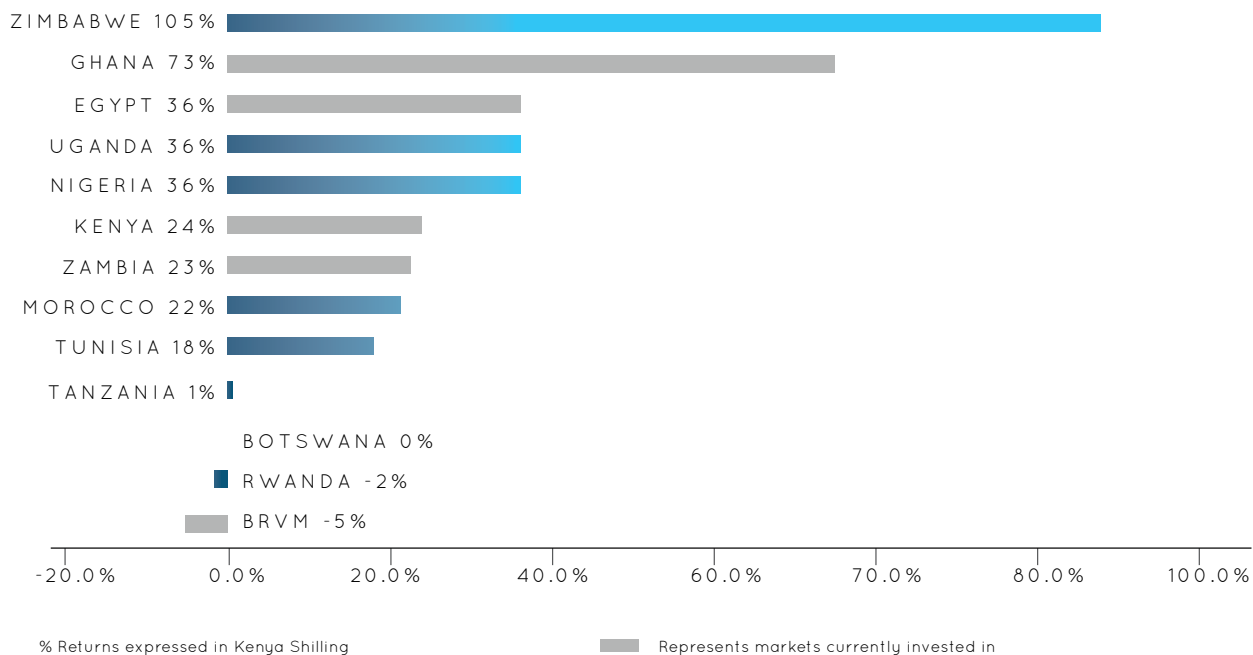
The Marketable Securities Portfolio is broadly diversified across various stock exchanges in Africa and primarily invests in large & mid-capitalization equities while maintaining sizeable allocations to Fixed Income and Cash.

This flexible strategy, coupled with a strong focus on portfolio construction and risk management allows the team to preserve capital and mitigate losses in market drawdowns, and to deploy capital quickly and aggressively to capitalise on favourable equity markets in bullish environments.

MARKET REVIEW

As predicted last year, the investment climate in 2017 proved to be excellent for investors, with 9 out of 13 equity markets in our coverage universe posting strong, double-digit returns over the financial year - as detailed in the chart below. Market performance was largely driven by improved market sentiment; with foreign investors looking to take advantage of increasingly attractive valuations in the context of the African region's continued political stability and return to economic growth after a difficult 3-year period (2014 – 2016):

STOCK MARKET INDEX RETURNS (MAR 2017 - MAR 2018)



The favourable economic backdrop informing this was catalysed by a variety of transitory factors including but not limited to:

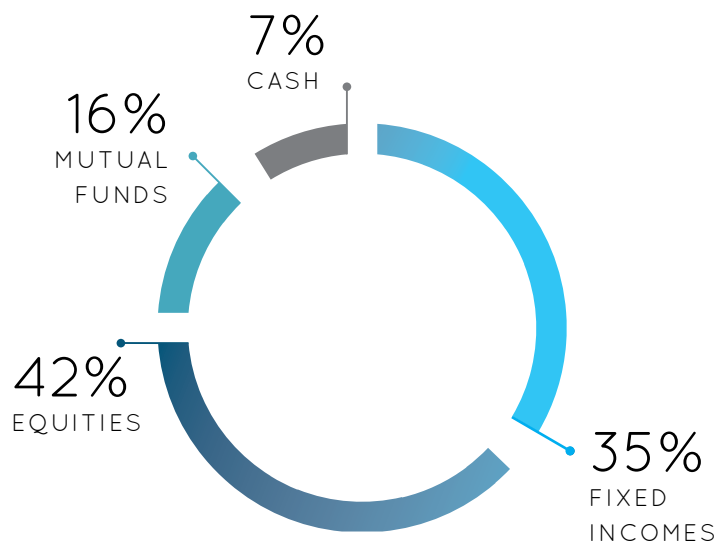
1. Strong, synchronised global growth that led to a rise in hard commodity prices [Zambia, Nigeria];
2. Anchored inflation expectations and a positive outlook for the monetary policy stance [Ghana, Egypt];
3. Stable local currency vs. the U.S dollar [Egypt, Nigeria, Ghana]; and
4. Peaceful regional and general elections [Kenya, Rwanda] as well as the surprise transition in Zimbabwe.

At home, the Kenyan equity market, as proxied by the NSE 20 Share Index, was up (+24%) driven by fund-inflows as investors placed bets on the likelihood of a 'repeal' of the law capping commercial bank lending rates in the short term, and on the beneficial impacts of democracy on growth in the mid-to-long term, as the country was able to peacefully move past a set of contested elections in what was heralded as a coming of age for political institutions and governance.

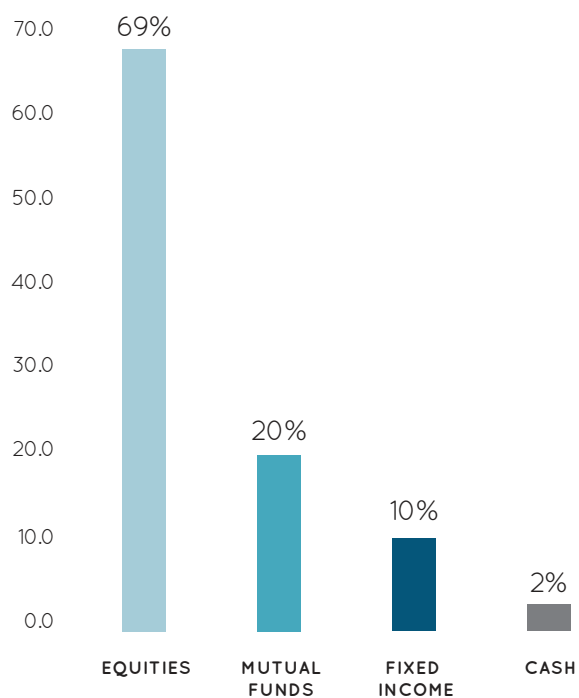
PERFORMANCE SUMMARY

Nabo's strong, top-down market selection and bottom-up security selection combined to deliver positive returns for the financial year with majority of the returns attributable to equities investments across sectors and geographies.

ALLOCATION BY ASSET CLASS



RETURN BY ASSET CLASS



The marketable securities portfolio performance is disclosed as part of segment information in Note 2.1 of the financial statements. A summary of the MSP performance is presented below:

KES Million	2018	2017	2016	2015	2014	2013	2012	2011	2010
Portfolio Income	323	340	1266	736	1441	580	199	231	175
Unrealized gains	531	(260)	167	357	748	883	(121)	175	996
Gross Return	854	80	1433	1093	2189	1463	77	406	1172
Total Return	618	(3)	940	889	1782	1230	(53)	320	1101
Gross Return (%)	51.5%	1.2%	31.0%	20.0%	42.0%	59.0%	2.0%	11.0%	52.0%
Total Return (%)	37.2%	-0.1%	21.0%	17.0%	34.0%	50.0%	-1.0%	9.0%	49.0%
Closing Portfolio	3,604	3,185	6,466	4,550	5,359	5,251	2,474	3,944	3,543

In the period, the portfolio generated a gross absolute return of KES. 618 Million equivalent to 37.2% return, outperforming the NSE-20 Share Index by 12% over the 12 month period.

VALUATION METHODOLOGY

The Marketable Securities Portfolio holdings are valued at the respective quoted prices in active markets where the securities are traded.

OUTLOOK

Looking ahead, we remain focused on macroeconomic risks and market risks associated with a slowdown in the global economy on the back of a (potential) retaliatory trade war, potential rise in inflation as energy prices trend higher, and weakening of African currencies relative to the U.S dollar, which could in turn result in fund-flow reversals out of emerging and frontier markets, and push equity market valuations lower as a consequence.

We shall adjust our market and asset class exposures in anticipation of and in response to macro-economic data and changing market conditions and we remain fully committed to ensuring the portfolio is best positioned to deliver long term value for all shareholders.

PEOPLE

Our value proposition to current and future employees is to offer a diversified experience, career growth opportunities and an attractive reward proposition to the best talent in the market who will own and partner with the business.

Our people strategy is hinged on 6 key pillars which underpin organizations' overall Human Resources Management approach. The pillars offer guidance to the team on the overall direction whilst providing a simplified platform to measure performance.

Our key people pillars are:

CULTURE

Ensure that we create a conducive climate for our people to be their best.

TALENT PLANNING AND MANAGEMENT

Hire, develop and retain the best people in their respective fields.

PERFORMANCE MANAGEMENT

Align Group strategic imperative to individual employee contributions.

REWARD

Define and manage a clear reward platform that enables fair, efficient and consistent application.

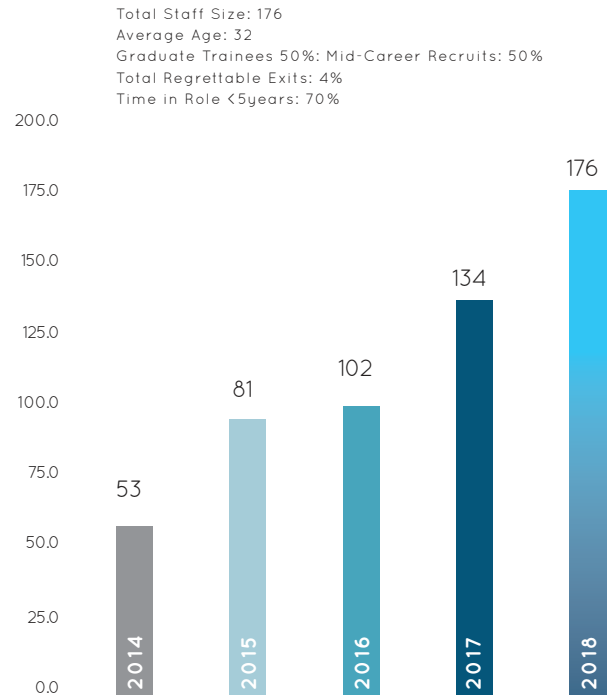
EMPLOYEE ENGAGEMENT

Create and sustain an environment of employee engagement where our people feel empowered to do their best, equip staff with the knowledge, resources and enabling framework that support an effective operating environment

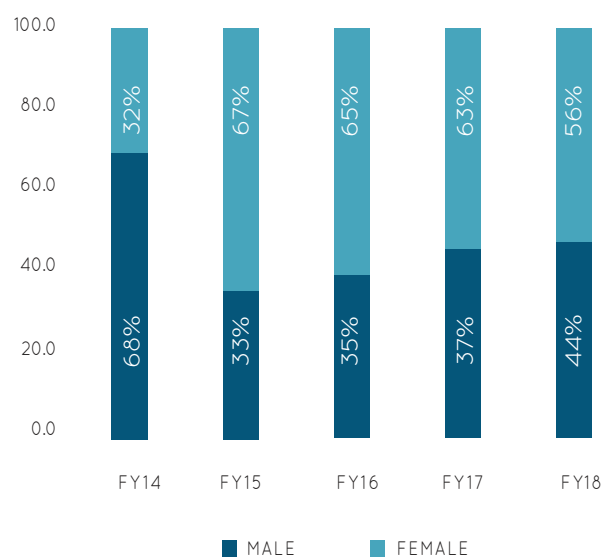
COMPLIANCE

Promote a culture that is compliant with the existing legal environment and its own HR policies, procedures and processes.

With a staff headcount of thirteen (13) employees in 2009, the Centum team has grown 13-fold to one hundred seventy-six (176) employees in 2018 at head office, spread across twelve (12) wholly (100%) owned subsidiaries with an average age of thirty-two (32) years and an attrition rate of less than 4%.



GENDER DIVERSITY



Over the last one year, we have focused on several Human Capital Management initiatives aimed at positioning Centum as a top employer in the region.

LEADERSHIP DEVELOPMENT

We believe that Centum is truly only as great as the people who embody the mission of the organization, those who go above and beyond to see the company succeed and deliver on our promise of continually creating value for our stakeholders.

We pride ourselves in developing staff to build leadership and functional capabilities that will enable us to meet the current and future business needs of the Organization. In the last 12 months, the Company has invested in leadership development initiatives having sponsored staff to join the prestigious Harvard Business School in Boston, Massachusetts as well as the celebrated Desmond Tutu Fellowship.



BUILDING CAPABILITY

One of the key milestones of the year has been onboarding the 5th cohort of the Centum Graduate Program. Out of the 17,000 applications that were received from the Eastern Africa region, 15 exemplary individuals were identified and are now positively contributing to the Business.

We have also focused on sourcing for mid to senior level staff with a specific skillset to provide leadership in our portfolio sectors. We have continued to build on our sector-expertise within Real Estate, Human Resources, Agribusiness, Investor Relations and Private Equity with experienced staff who will enable the business to build its expertise across the business. This is crucial as we anticipate more involvement in the development and growth phase of our portfolio companies.

Our recruitment strategy focuses on alignment of our staff base to the overall business strategy while maintaining key staff cost to income ratio at 0.01% (FY17: 0.01%).



NEW HOME

In March 2018, we relocated to our new offices at Two Rivers Office Towers, occupying the 8th and 9th Floors of the South Tower.

Our new and larger space allows the Company to enhance the workplace environment and raise the motivation levels of our staff, as we organically grow in pursuit of developing our skills and resource pool. The facilities include a training rooms to enhance our staff skills acquisition, complemented by a cafeteria through which we have made a deliberate effort to provide free meals to our staff.



GOING BEYOND PROFIT

OBJECTIVE

Within the Group, our Corporate Social Investment strategy involves identifying impactful, scalable and sustainable initiatives that empower the communities within which we operate and are implemented in partnership with all key stakeholders. We are committed to the UN Sustainable Development Goals (SDGs) and implementation of an Environmental, Social and Governance (ESG) policy and sustainability reporting. Our initiatives are channeled through our investee companies, supported by the Company's CSI arm, Centum Foundation. The costs are incurred at the respective subsidiary level and are consolidated in the Group's financial statements under Note 2.3.1 as operating and administrative expenses.

CURRENT PROJECTS

1. **Building Public Infrastructure (New Mathari School): Two Rivers Development Limited**

Two Rivers Development Limited, CATIC Kenya and ICDC in partnership with the Nairobi City County undertook a massive CSI project to rebuild the Mathari School in 2017 at a cost of over KES 180 Million which has enabled the school to grow its student enrolment from less than 500 students to more than 1000 students. We continue to provide support to the school and its students through purchase of books and furniture, scholarships for best-performing KCPE students; support for payment of utility bills (e.g. security, electricity etc.); among other initiatives.



2. **Empowering the community through education: Vipingo Development Limited**

a. Vipingo Scholarship Fund:

Centum launched the Vipingo Scholarship Fund in January 2017 to provide at least 50 scholarships per year to disadvantaged girls and boys from Kilifi County who score more than 350 marks in KCPE. The scholarship program provides a holistic development program for each beneficiary which includes one-to-one mentorship, internship opportunities and community give-back programs. To-date, we have awarded a total of 104 scholarships at a total cost of over KES 5 million.

b. Annual refurbishment of schools:

In 2017, the Centum completed the refurbishment of two public primary schools (Makonde and Timboni Primary Schools) in Kilifi County amounting to KES 8 million.

c. Vocational Training Centre:

Centum plans to develop a vocational training centre in Vipingo to offer courses such as masonry, plumbing, among others. The graduating students will then be placed on a labor desk for a chance to secure employment within the Vipingo Development Project.

d. Vipingo Local Business Community Database:

The Vipingo Development Project is committed to providing first-right of access to jobs and business opportunities to the residents of the local community within Kilifi County. In collaboration with the local Community Based Organisations (CBOs), Centum has developed a local business community database who are given priority when procuring for goods and services for development.

**3. Empowering Young Women in Enterprise:
Almasi Bottlers Limited**

Almasi provides assets to the women who sign up to start a Coca-Cola business. The assets include ice boxes, fridges and a kiosk Almasi also provides training on how to merchandise Coca-Cola products. The women are also introduced to sales representatives for guidance, support and follow-up. To-date, Almasi has provided support to over 400 women through the Young Women in Enterprise Program.



**4. Empowering Small and Medium Enterprises (SMEs):
Sidian Bank Limited**

Sidian Bank has partnered with Uber in a KES 10 Billion Vehicle Solutions Program that gives entrepreneurs convenient and affordable access to quality vehicles. To date, Sidian Bank has supported over 150 Uber driver-partners to acquire their own vehicles. Additionally, Sidian Bank and the Medical Credit Fund (MCF) entered in to a KES 2 Billion partnership to enable private health care service providers to purchase or maintain medical equipment and expand their facilities. To date, Sidian has partnered with over 400 medical service providers and disbursed over KES 900 million in medical credit facilities. Sidian Bank and Kenya National Chamber of Commerce and Industry signed an MOU towards empowering the growth of SMEs through the establishment of SME Hubs in Sidian Bank Branches.



**5. Empowering young entrepreneurs:
The Centum Entrepreneurship Program**

The main objective of the program is to identify and invest in ideas, start-up companies and existing small businesses and leverage on our existing resources to transform them into the market leaders of tomorrow. We support them to provide innovative solutions to prevalent problems in our society. We offer seed funding and business support to young entrepreneurs, nurture them to grow their ideas and start-ups into well-established businesses, and leverage on our networks and get them the right investors to grow and scale-up their businesses. The CEP program was started in 2016 and to-date, we have invested over KES 30 million in 6 start-ups and small-scale businesses across various sectors ranging from e-commerce, edutech, FMCG, among others.







STATUTORY INFORMATION
AND AUDITED

FINANCIAL STATEMENTS





DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of Centum Investment Company Plc (the 'Company') and its subsidiaries (together, 'the Group') for the year ended 31 March 2018.

BUSINESS REVIEW

The structure of the Group's consolidated financial statements has significantly changed over the last few years, reflecting the evolution in the mix of the businesses that the group has invested in, in line with the Centum 3.0 strategy.

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

- a) Real estate;
- b) Development portfolio - representing investments outside of real estate, that are still under development;
- c) Growth portfolio - representing our trading subsidiaries or investments that have progressed from development to a cash generating stage. Investments under this segment include the beverage, publishing, financial services and utility companies. Legacy dividend paying unlisted assets are also included in this segment; and
- d) Marketable securities and cash.

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

Performance

The Group reported a profit after tax of Ksh 2.8 billion representing a 66% decline driven by lower realised gains, lower property valuations and dismal performance in our banking subsidiary due to the impact of interest rate caps.

Total trading revenue grew 9% to Ksh 10.1 billion driven by the beverage and publishing businesses despite the challenging operating environment which occasioned channel interruptions and regulatory changes.

Financial services recorded a 22% decline in income driven by the interest cap regulations. Initiative put in place to grow non funded income bore fruits with non funded income growing 30%. The asset management business recorded a 26% increase in income driven by growth in assets under management.

Outlook

The Group's near term priorities include narrowing the gap between net asset value and share price while continuing to grow the net asset value through key activities identified by management which include: optimising the gross return, asset redeployment, leverage of third party capital, reduction of debt at Centum level and progressively increasing the dividend yield.

RESULTS

For the year ended 31 March:

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Profit before tax	3,146,650	8,735,647	1,029,740	1,749,207
Income tax expense	(490,352)	(566,384)	11,513	(177,939)
Net profit from continuing operations	2,656,298	8,169,263	1,041,253	1,571,268
Profit from discontinued operation net of tax	135,600	141,029	-	-
Profit for the year	2,791,897	8,310,292	1,041,253	1,571,268

The results for the year are set out fully on pages 94 to 214 in the attached financial statements.



RESULTS AND DIVIDEND

The net profit for the year of Ksh 2,791,897,000 (2017: Ksh 8,310,292,000) has been added to retained earnings. The directors recommend the payment of a first and final dividend of Ksh 1.2 per share (2017: Ksh 1.2) amounting to Ksh 798,530,057 (2017: Ksh 798,530,057).

DIRECTORS

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

1 Dr. D Kaberuka - Chairman	8 Industrial Commercial and Development Corporation
2 Dr. J M Mworira	9 Mrs. S Wakhungu - Appointed on 25 Sep 2017
3 Dr. C Kirubi	10 Dr. M Ikiara - Appointed on 24 Nov 2017
4 Dr. L Macharia	11 Mr. H Njoroge - Resigned on 25 Sep 2017
5 Hon. W Byaruhanga	12 Mr. I Khan - Resigned on 25 Sep 2017
6 Mrs. C Igate	13 Dr. J McFie - Resigned on 25 Sep 2017
7 Mrs. M Ngige	

DISCLOSURES TO AUDITORS

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

- a) there was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and
- b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of all that information.

TERM OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

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

By order of the Board

Lois W. Gakumo
Secretary
Nairobi

12 June 2018



RIPOTI YA WAKURUGENZI

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa ya kifedha ya Kampuni ya Centum Investment Company Plc (Kampuni) pamoja na ya Kampuni tanzu (Kundi la Centum) ya mwaka uliokwisha 31 Machi 2018.

UCHANGANUZI WA BIASHARA

Ratiba ya ripoti ya kifedha iliyojumuishwa ya Kundi la Centum imefanyiwa mabadiliko makubwa katika kipindi cha miaka kilichopita hivi karibuni kuwianishwa na uwekezaji katika shughuli za mseto uliofanywa na kundi la Centum ,katika kufanikisha utekelezaji wa mikakati ya Centum 3.0.

Kwa minajili ya kutathmini matokeo, wasimamizi wamegawa shughuli za kampuni kwa vitengo vinne vifuatavyo:

- Biashara ya shamba na nyumba;
- Kitengo cha miradi – kuwakilisha uwekezaji kando na biashara ya shamba na nyumba katika miradi tunayoendelea kujenga;
- Kitengo cha ukuaji – kuwakilisha kampuni tanzu au miradi ambayo yamekamilika na ni tayari kuuzwa. Uwekezaji wa aina hiyo ni pamoja na biashara ya bidhaa za vinywaji, uchapishaji, huduma za kifedha, na huduma za matumizi ya kawaida kama vile kampuni za maji na umeme. Pia kampuni za kibinafsi za kitambo na zenye kulipa mgawo wa faida, zimeorodheshwa hapo; na
- Hati za dhamani na fedha.

Fedha za matumizi katika kundi la Centum kwa msingi zinatoka kwa migawo ya faida ,uuzaji katika kitengo cha ukuaji, na cha hati za dhamana.

Matokeo

Kundi la Centum lilisajili faida baada ya kutozwa ushuru ya shilingi (K) bilioni 2.8, ikiwakilisha upungufu kwa asilimia 66 uliosababishwa na faida duni, kushuka kwa bei ya nyumba, na utendaji usiokuwa wa kuridhisha wa benki ambayo ni kampuni tanzu kutokana na kudhibitiwa kwa viwango vya riba.

Fedha kutoka kwa mauzo kwa jumla yalikua kwa asilimia 9 hadi shilingi (K) bilioni 10.1 na zilichangiwa na biashara ya shamba na nyumba na ya uchapishaji licha ya changamoto zilizokuwako katika mazingira ya utendaji kazi ambazo wakati mwingine ziliathiri shughuli za usambazaji wa bidhaa na changamoto za kanuni za kimamlaka.

Faida kutoka kwa Kitengo cha huduma za kifedha ilipungua kwa kuwa ilisajili faida baada ya kutozwa ushuru ya asilimia 22, upungufu uliosababishwa na kanuni za kudhibitiwa kwa viwango vya riba. Juhudi za kuongeza faida kutoka kwingine badala ya riba imeleta manufaa kwa kusajili ukuaji kwa asilimia 30. Biashara ya usimamizi wa rasilimali kwa niaba ilisajili ongezeko la faida kwa asilimia 26 kutokana na kuimarika kwa shughuli katika kitengo hicho.

Siku za Usoni

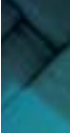
Matarajio ya kundi la Centum kwa muda wa wastani ni kupunguza tofauti iliyoko baina ya thamani ya hisa moja na bei yake sokoni na wakati huo kuendelea kuimarisha thamani ya rasilimali kupitia shughuli ambazo wasimamizi wametambua ambazo ni pamoja na: boresha faida, ratibu upya matumizi ya rasilimali, manufaa kutoka kwa mtaji ya washiriki wengine, kupunguza kiwango cha deni cha Centum, na hatimaye kuongeza kiwango cha ulipaji wa mgawo wa faida.

MATOKEO

Kwa mwaka uliokwisha 31 Machi

	Kundi La Centum		Kampuni	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Faida kabla ya kutozwa ushuru	3,146,650	8,735,647	1,029,740	1,749,207
Ushuru	(490,352)	(566,384)	11,513	(177,939)
Faida kutoka shughuli zilizoko	2,656,298	8,169,263	1,041,253	1,571,268
Fiada kutoka shughuli ambazo zimesimashwa baada ya ushuru	135,600	141,029	-	-
Faida ya mwaka	2,791,897	8,310,292	1,041,253	1,571,268

Matokeo ya mwaka yanapatikana kwa kikamilivu katika kurasa za 94 hadi 214 kwenye taarifa za kifedha ambazo zimeandamanishwa.



MATOKEO NA MGAWO WA FAIDA

Faida ya mwaka ya shilingi (K) 2,791,897,000 (mwaka wa 2017 :Shilingi (K) 8,310,292,000) zimejumuishwa na fedha zilizowekwa kama akiba. Wakurugenzi wanapendekeza ulipaji wa mgawo wa faida wa shilingi (K) 1.20 kwa kila hisa (sawia na shilingi (K)1.2 ya 2017),zote zikiwa shilingi (K) 798,530,057,(2017,Shilingi (K) 798,530,057).

Majina ya wakurugenzi ambao walihudumu katika mwaka hadi tarehe ya ripoti hii ni:

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

- | | |
|-------------------------------|---|
| 1 Dr. D Kaberuka - Mwenyekiti | 8 Industrial Commercial and Development Corporation |
| 2 Dr. J M Mworia | 9 Mrs. S Wakhungu - Aliteuliwa 25 Septemba 2017 |
| 3 Dr. C Kirubi | 10 Dr. M Ikiara - Aliteuliwa 24 Novemba 2017 |
| 4 Dr. L Macharia | 11 Mr. H Njoroge - Alijiuzulu 25 Septemba 2017 |
| 5 Hon. W Byaruhanga | 12 Mr. I Khan - Alijiuzulu 25 Septemba 2017 |
| 6 Mrs. C Igathe | 13 Dr. J McFie - Alijiuzulu 25 Septemba 2017 |
| 7 Mrs. M Ngige | |

UWAJIBIKAJI KWA WAKAGUZI WA HESABU

Wakurugenzi wanabainisha kuwa kila mmoja wao kufikia tarehe ya kuidhinisha ripoti hii:

- a) Hakukuwa na jambo lolote ambalo walipaswa kufahamisha wakaguzi wa hesabu lililowachwa nje.
- b) Kila mmoja wao alichukua hatua zote ambazo walipaswa kuchukua akiwa mkurugenzi ili awe na ufahamu wa mambo yote kuhusiana na ukaguzi wa hesabu na kwamba aliwajulisha wakaguzi wa hesabu juu ya mambo hayo.

MUHULA WA UTEUZI WA WAKAGUZI WA HESABU

PricewaterhouseCoopers wanaendelea kuhudumu kwa mujibu wa Kanuni na Sheria za kampuni na sehemu ya 721 ya sheria za Kenya za Kampuni

Wakurugenzi hutathmini uwezo ,uadilifu na uhuru wa mkaguzi wa hesabu. Wajibu huo pia ni idhinisho kwa zabuni ya huduma ukaguzi wa vitabu na ada inayoandamanishwa , kwa niaba ya wenyekiti.

KWA AMRI YA BODI YA WAKURUGENZI

Lois W. Gakumo
Secretary
Nairobi

12 June 2018



DIRECTORS' REMUNERATION REPORT

Information not subject to audit

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

Executive Directors

The remuneration of Executive Directors is determined based on remuneration benchmarks in the industry, prevailing market conditions as well as the Company's performance and profitability. In the year ended 31 March 2018, the only Executive Director on the Board was the Group Chief Executive Officer ("Group CEO").

The Group CEO's remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee of the Board. The last review of the remuneration was carried out in April 2016.

The Group CEO is eligible to participate in the Company's staff bonus scheme. The basis for determination of staff bonus and the vesting period and conditions are set out under Note 2.3.2 to the financial statements. In the financial year ended 31 March 2018, the performance hurdle rate described under Note 2.3.2 to the financial statements was not met and accordingly, no bonus pool has been accrued in relation to the year then ended. However, the vesting conditions described under the same Note that are required to unlock bonus tranches for the previous years ended 31 March 2017 and 31 March 2016 were met. The bonus accrual included in the financial statements for the year ended 31 March 2018 relates to the vested tranches arising from those prior years.

The Group CEO does not earn fees or sitting allowances.

Non-Executive Directors

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

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

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

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

Professional Indemnity Cover

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

Share options

The Company has no employee share option plans.

DIRECTORS' REMUNERATION REPORT (CONTINUED)



Information subject to audit

The following table shows a single figure remuneration for the Executive Directors, Chairman and Non-Executive directors in respect of qualifying services for the year ended 31 March 2018 together with the comparative figures for 2017. The aggregate Directors' emoluments are shown on note 12.1 (iii) to the financial statements.

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

Year ended 31 March 2017	Salary Ksh'000	Pension Ksh'000	Fees Ksh'000	Bonuses Ksh'000	Total Ksh'000
Dr. Donald Kaberuka (Chairman)	-	-	1,064	-	1,064
Dr. Christopher Kirubi	-	-	2,394	-	2,394
Industrial and Commercial Development Corporation	-	-	763	-	763
Mr. Kennedy Wanderi	-	-	1,685	-	1,685
Mr. Henry Njoroge	-	-	2,664	-	2,664
Hon. William Byaruhanga	-	-	1,008	-	1,008
Mr. Imtiaz Khan	-	-	2,664	-	2,664
Dr. Laila Macharia	-	-	2,664	-	2,664
Dr. James Mcfie	-	-	2,124	-	2,124
Mrs. Mary Ngige	-	-	1,224	-	1,224
Mrs. Catherine Igate	-	-	1,116	-	1,116
Mr. James Muguji	-	-	1,334	-	1,334
Dr. Margaret Byama	-	-	1,004	-	1,004
Permanent Secretary, Ministry of Trade	-	-	382	-	382
Dr. James Mworia	42,362	3,170	-	173,767	219,169
	42,362	3,170	22,090	173,767	241,259

On behalf of the Board

Dr. Laila Macharia
Chairperson, Nomination and Governance Committee

12 June 2018

STATEMENTS OF DIRECTORS' RESPONSIBILITIES

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

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

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then applying them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors have assessed the Group's and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group and the Company will not remain a going concern for at least the next twelve months from the date of this statement.

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

Approved by the Board of Directors on 12 June 2018 and signed on its behalf by:



Dr. James M. Mworia



Dr. Christopher Kirubi



Report of the Independent Auditor to the Shareholders of Centum Investment Company Plc

Report on the audit of the financial statements

Our opinion

We have audited the accompanying separate financial statements of Centum Investment Company Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 94 to 214, which each comprise a statement of financial position at 31 March 2018 and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company at 31 March 2018 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of unquoted investments</p> <p>The Group holds unquoted investments, mainly consisting of investments in unlisted companies which are measured at fair value at the year end. The determination of fair value of the unquoted investments represents a significant area of judgment in the financial statements and can be subject to management bias. A variation in the underlying assumptions for most of the judgements made by the directors could result in material differences to the financial performance and financial position of the Group and the Company.</p>	<p>We understood and evaluated controls exercised by management in order to ensure valuations are appropriately performed in accordance with the international financial reporting standards.</p>

AUDITORS REPORT (CONTINUED)

Report of the Independent Auditor to the Shareholders of Centum Investment Company Plc (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>As explained under note 1.5.2, a variety of methods are used to determine the fair value of these investments depending on the appropriate circumstances for each investee company. The methods include use of prices of recent transactions, market earnings multiples and net asset values. Some of the judgements involve the use of valuation experts, particularly for investments holding properties.</p>	<p>We reviewed the valuation models and evaluated the underlying assumptions used in the valuation of each significant investment, including the appropriateness of the comparable entities, appropriateness of the valuation method used and validity of data used in the process. To this end, we involved the PwC experts to assess the reasonability of these assumptions; and</p> <p>We tested the accuracy of the computations and assessed the adequacy of disclosures in the financial statements.</p>
<p>Carrying value of goodwill</p> <p>As disclosed in note 8.2 in the financial statements, the Group has goodwill of Ksh. 2,561,522,000 arising from acquisitions which must be tested annually for impairment by comparing the carrying amount of the individual cash generating unit (CGU) to its recoverable amount.</p> <p>The determination of recoverable amount, being the higher of value in use and fair value less costs to dispose, requires judgement in valuing the cash generating units (CGUs). Recoverable amounts are based on management's judgement of variables and market conditions such as the future performance of the business, the assumptions market participants would use when pricing the asset (CGU), and the most appropriate discount rate for the projected future cash flows.</p>	<p>We evaluated the assumptions used by management to determine the fair value of the cash generating units, the assumptions included the marketability discount and the comparable listed companies used to derive the various multiples for the purposes computing fair value.</p> <p>We assessed the reasonableness of the fair values less cost to sell for each of the cash generating unit by performing a sensitivity analysis on the various assumptions used.</p> <p>We assessed the adequacy of the disclosures in the financial statements.</p>
<p>Credit risk and provision for impairment losses on loans and advances</p> <p>Loans and advances to customers is a significant balance in the Group's statement of financial position. Loans and advances are assessed for impairment on a specific and collective basis at the banking entity level. The carrying value of these balances may be materially misstated if the impairment provision is not appropriately estimated.</p> <p>As explained in note 7.1 in the financial statements, the directors make complex judgements over both timing of recognition, and the estimation of the magnitude of impairment losses on loans and advances to customers.</p>	<p>We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations at the bank. These controls included those over the identification of loans and advances that were impaired and the calculation of the impairment provisions.</p> <p>We examined a sample of loans and advances from the Bank's loan book and carried out tests to satisfy ourselves that significant facilities are correctly classified and valued.</p>



Report of the Independent Auditor to the Shareholders of Centum Investment Company Plc (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
<p>For non-performing loans and advances, the impairment provision is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the loan. Where the facility is secured against collateral, the key judgement applied is the recoverable amount and the timing of the realisation. Where no collateral is held, the key input is the collection trends for loans and advances with similar credit risk characteristics.</p> <p>Where no objective evidence of impairment exists for an individually assessed loan or advance, the loan or advance is classified as performing and collectively assessed for impairment using an unidentified impairment model whose key inputs are the historical loss rate and the estimated emergence period for loans and advances with similar credit risk characteristics.</p> <p>We focussed our audit on the following areas:</p> <ul style="list-style-type: none"> - the completeness and accuracy of the classification of loans and advances; and - the reasonableness of the assumptions applied in the impairment calculations. 	<p>Where impairment was individually calculated, we tested a sample of loans and advances to ascertain whether the loss event had been identified in a timely manner including, where relevant, how forbearance had been considered.</p> <p>Where impairment had been identified, we examined the forecast of future cash flows prepared by management to support the calculation of the impairment, challenging the assumptions and comparing estimates to external evidence where available.</p> <p>Where impairment was calculated using a model, we tested the assumptions and data used in the Bank's loan impairment models to ensure that they are reasonable and reflect current information. We also reviewed the model to ensure correct application.</p>

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the Auditors report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information included in the annual report and the reports therein and we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.



AUDITORS REPORT (CONTINUED)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report of the Independent Auditor to the Shareholders of Centum Investment Company Plc (continued)**Auditors responsibilities for the audit of the financial statements (continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or Business activities within the Group To express an opinion on the financial statements. we are responsible for the direction, supervision and performance of the Group audit. we remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among Other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and To communicate with them All relationships and Other matters that may reasonably be thought To bear on our independence, and where applicable, related safeguards.
- From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. we describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected To outweigh the public Interest benefits of such communication.

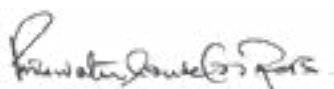
Report on other matters prescribed by the Kenyan Companies Act, 2015*Report of the directors*

In our opinion the information given in the report of the directors on pages 82 to 83 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 86 to 87 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Michael Mugasa – Practising Certificate No. 1478.



Certified Public Accountants
Nairobi

12 June 2018

CONSOLIDATED INCOME STATEMENT

Consolidated statement of profit or loss

		2018	2017
	Notes	Kshs'000	Kshs'000
Continuing operations			
Trading business:			
Sales	2.2	10,171,132	9,401,660
Cost of sales	2.3.1(a)	(6,586,459)	(5,869,463)
Gross profit		3,584,673	3,532,197
Operating and administrative expenses	2.3.1(b)	(2,515,764)	(2,335,144)
Trading profit		1,068,909	1,197,053
Financial services:			
- Income from provision of financial services	2.2	2,844,698	3,627,312
- Interest expenses	2.4	(812,481)	(994,061)
- Net impairment of loans and advances	7.1	(449,171)	(326,645)
- Operating and administrative expenses	2.3.1(b)	(2,123,637)	(2,323,867)
Operating loss from financial services		(540,591)	(17,261)
Investment operations:			
Investment income	2.2	5,569,458	8,241,808
Project and development management fees	2.2	143,382	137,359
Operating and administrative expenses	2.3.1(b)	(2,028,205)	(1,121,876)
Finance costs	2.4	(1,761,201)	(1,048,371)
Share of profits of associates after tax	6.2.1	236,978	532,686
Share of profits of joint ventures after tax	6.2.2	457,920	814,249
Profit before tax		3,146,650	8,735,647
Income tax expense	3.1	(490,352)	(566,384)
Profit from continuing operations		2,656,298	8,169,263
Profit from discontinued operations, net of tax	6.3	135,600	141,029
Profit for the year		2,791,897	8,310,292
Attributable to:			
Owners of the parent		2,633,917	7,273,851
Non controlling interests		157,980	1,036,441
		2,791,897	8,310,292
Earnings per share (Basic and diluted)	2.6	3.96	10.93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



Consolidated statement of comprehensive income

	Notes	2018 Kshs'000	2017 Kshs'000
Profit for the year		2,791,897	8,310,292
Other comprehensive income for the year			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings	8.1	(404,353)	64,226
<i>Items that may be subsequently reclassified to profit or loss</i>			
Reserves released on disposal of investments	2.7	(34,124)	(117,008)
Fair value loss on unquoted investments	5.2	(465,781)	(1,789,025)
Fair value gain/(loss) on quoted investments	5.3	584,324	(259,949)
Deferred tax on revaluation (loss)/gains	3.2	(9,332)	212,993
Currency translation differences		(84,675)	17,604
Total other comprehensive loss		(413,941)	(1,871,159)
Total comprehensive income for the year		2,377,956	6,439,133
Attributable to:			
Owners of the parent		2,219,976	5,402,692
Non-controlling interest		157,980	1,036,441
		2,377,956	6,439,133
Total comprehensive income for the year attributable to owners of Centum Investment Company Plc arises from:			
Continuing operations		2,120,513	5,299,247
Discontinued operations		99,463	103,445
		2,219,976	5,402,692

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Company statement of profit or loss and other comprehensive income

		2018	2017
	Notes	Kshs'000	Kshs'000
Investment income	2.2	3,528,853	4,300,342
Expenses			
Operating and administrative expenses	2.3.1(b)	(852,713)	(797,574)
Finance costs	2.4	(1,646,400)	(1,753,561)
		(2,499,113)	(2,551,135)
Profit before tax		1,029,740	1,749,207
Income tax credit/ (expense)	3.1	11,513	(177,939)
Profit for the year		1,041,253	1,571,268
Other comprehensive income for the year			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Reserves released on disposal of investments	2.7	(7,399)	(720,765)
Fair value gain in subsidiaries	6.1	3,767,153	7,733,758
Fair value gain/(loss) in associates	6.2.1	689,661	(283,617)
Fair value loss in unquoted investments	5.2	(466,180)	(1,748,165)
Fair value gain/(loss) in quoted investments	5.3	17,651	(56,162)
Deferred tax on revaluation gains and losses	3.2	(365,156)	(336,787)
Total other comprehensive income		3,635,730	4,588,262
Total comprehensive income		4,676,983	6,159,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



Consolidated statement of financial position

	Notes	2018 Kshs'000	2017 Kshs'000
Assets			
Property, plant and equipment	8.1	9,665,461	10,072,008
Investment properties	5.1	32,718,667	27,311,091
Goodwill	8.2	2,561,522	3,528,732
Intangible assets - software	8.2	685,257	472,061
Deferred income tax	3.2	460,088	237,282
Prepaid operating lease rentals	8.4	44,481	44,797
Investments:			
- Associates	6.2.1	2,745,989	4,135,409
- Joint ventures	6.2.2	9,797,800	9,384,701
- Unquoted equity investments	5.2	4,362,975	4,226,166
- Quoted investments	5.3	1,738,828	1,223,152
- Government securities and corporate bonds	7.2	4,056,427	3,021,498
Loans and advances	7.1	11,772,121	12,633,408
Finance lease receivable	8.3	4,974	7,921
Inventories	4.1	1,692,476	1,625,957
Biological assets	8.5	-	8,634
Current income tax	3.1	459,008	328,116
Receivables and prepayments	4.2	5,877,286	4,485,892
Cash and bank balances	4.3	5,819,819	5,638,783
		94,463,179	88,385,608
Assets classified as held for sale	8.6	1,824,905	-
		96,288,084	88,385,608
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	2,389,857	2,803,798
Retained earnings		34,358,987	32,771,793
Proposed dividends	11.3	798,530	798,530
Total equity attributable to equity holders of the company		38,469,848	37,296,595
Non-controlling interest	6.1	12,427,316	12,177,609
Total equity		50,897,164	49,474,204
Liabilities			
Borrowings (excluding banking subsidiary)	9.1	21,254,255	17,416,137
Banking subsidiary:			
- Customer deposits	7.3	12,832,395	9,798,749
- Borrowings	9.1	3,209,313	3,570,241
Trade and other payables	4.4	4,999,634	5,436,708
Dividends payable	11.3	154,139	82,725
Deferred income	4.5	90,239	111,460
Current income tax	3.1	25,516	230,848
Deferred income tax	3.2	2,622,372	2,264,536
		45,187,863	38,911,404
Liabilities directly associated with assets classified as held for sale	8.6	203,057	-
		96,288,084	88,385,608

The financial statements on pages 94 to 214 were approved by the Board of Directors on 12 June 2018 and signed on its behalf by:

Dr. James M. Mworia

Dr. Christopher Kirubi

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Company statement of financial position

	Notes	2018 Kshs'000	2017 Kshs'000
Assets			
Property and equipment	8.1	133,106	22,845
Intangible assets	8.2	205	563
		133,311	23,408
Investment portfolio:			
- Investment in subsidiaries	6.1	37,089,730	35,310,891
- Debt investment in subsidiaries	12.1	13,385,790	12,722,835
- Investment in associates	6.2.1	5,081,473	4,686,675
- Investment in joint ventures	6.2.2	2,099,631	2,144,452
- Unquoted investments	5.2	3,886,780	3,796,836
- Quoted investments	5.3	98,134	99,957
Total portfolio		61,641,538	58,761,646
Receivables and prepayments	4.2	910,512	337,908
Cash and bank balances	4.3	1,077,666	2,447,072
		63,629,716	61,546,626
Assets classified as held for sale	6.1	2,324,230	-
		66,087,257	61,570,034
Capital and reserves			
Share capital	11.1	332,721	332,721
Share premium	11.1	589,753	589,753
Other reserves	11.2	33,828,338	30,192,608
Retained earnings		13,136,740	12,894,016
Proposed dividends	11.3	798,530	798,530
Total equity		48,686,082	44,807,628
Liabilities			
Borrowings	9.1	14,842,631	14,656,126
Trade and other payables	4.4	530,684	446,469
Dividends payable	11.3	154,139	82,725
Current income tax	3.1	23,752	53,596
Deferred income tax	3.2	1,849,969	1,523,490
		17,401,175	16,762,406
		66,087,257	61,570,034

The financial statements on pages 94 to 214 were approved by the Board of Directors on 12 June 2018 and signed on its behalf by:



Dr. James M. Mworia



Dr. Christopher Kirubi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018

Year ended 31 March 2018

Notes	Share capital Kshs'000	Share premium Kshs'000	Other reserves Kshs'000	Retained earnings Kshs'000	Proposed dividends Kshs'000	Owners equity Kshs'000	Non-controlling interest Kshs'000	Total equity Kshs'000
At start of year	332,721	589,753	2,803,798	32,771,793	798,530	37,296,595	12,177,609	49,474,204
Comprehensive income								
Profit for the year	-	-	-	2,633,917	-	2,633,917	157,980	2,791,897
Other comprehensive income:								
Reserves released on disposal of investments	2.7	-	(34,124)	-	-	(34,124)	-	(34,124)
Fair value loss in unquoted investments	5.2	-	(465,781)	-	-	(465,781)	-	(465,781)
Fair value gain in quoted investments	5.3	-	584,324	-	-	584,324	-	584,324
Revaluation deficit on property		-	(404,353)	-	-	(404,353)	-	(404,353)
Currency translation differences		-	(84,675)	-	-	(84,675)	-	(84,675)
Deferred tax on revaluation gains	3.2	-	(9,332)	-	-	(9,332)	-	(9,332)
Total other comprehensive income		-	(413,941)	-	-	(413,941)	-	(413,941)
Total comprehensive income		-	(413,941)	2,633,917	-	2,219,976	157,980	2,377,956
First and final 2017 dividends paid	11.3	-	-	-	(798,530)	(798,530)	-	(798,530)
Proposed 2018 dividends	11.3	-	-	(798,530)	798,530	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	(282,676)	(282,676)
Transactions with non-controlling interest		-	-	(248,193)	-	(248,193)	374,403	126,210
At end of year	332,721	589,753	2,389,857	34,358,987	798,530	38,469,848	12,427,316	50,897,164

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2017



Notes	Share capital Kshs'000	Share premium Kshs'000	Other reserves Kshs'000	Retained earnings Kshs'000	Proposed dividends Kshs'000	Total equity Kshs'000	Non-controlling interest Kshs'000	Total equity Kshs'000
Year ended 31 March 2017								
	332,721	589,753	4,674,957	28,245,913	665,442	34,508,786	8,749,463	43,258,249
Comprehensive income								
Profit for the year	-	-	-	7,273,851	-	7,273,851	1,036,441	8,310,292
Other comprehensive income:								
Reserves released on disposal of investments	2.7	-	(117,008)	-	-	(117,008)	-	(117,008)
Share of other comprehensive income of associates	6.2.1	-	(1,789,025)	-	-	(1,789,025)	-	(1,789,025)
Fair value loss in unquoted investments	5.2	-	(259,949)	-	-	(259,949)	-	(259,949)
Fair value gain in quoted investments	5.3	-	64,226	-	-	64,226	-	64,226
Currency translation differences		-	17,604	-	-	17,604	-	17,604
Deferred tax on revaluation gains	3.2	-	212,993	-	-	212,993	-	212,993
Total other comprehensive income		-	(1,871,159)	-	-	(1,871,159)	-	(1,871,159)
Total comprehensive income		-	(1,871,159)	7,273,851	-	5,402,692	1,036,441	6,439,133
First and final 2016 dividends paid		-	-	-	(665,442)	(665,442)	-	(665,442)
Proposed 2017 dividends		-	-	(798,530)	798,530	-	-	-
Dividends paid to non-controlling interests		-	-	-	-	-	(138,062)	(138,062)
Transactions with non-controlling interest		-	-	(1,949,441)	-	(1,949,441)	2,529,767	580,326
At end of year	332,721	589,753	2,803,798	32,771,793	798,530	37,296,595	12,177,609	49,474,204

COMPANY STATEMENT OF CHANGES IN EQUITY 2018

Year ended 31 March 2018

Notes	Share capital Kshs'000	Share premium Kshs'000	Other reserves Kshs'000	Retained earnings Kshs'000	Proposed dividends Kshs'000	Total equity Kshs'000
At start of year	332,721	589,753	30,192,608	12,894,016	798,530	44,807,628
Comprehensive income						
Profit for the year	-	-	-	1,041,253	-	1,041,253
Other comprehensive income:						
Reserves released on disposal of investments	-	-	(7,399)	-	-	(7,399)
Fair value gain in subsidiaries	-	-	3,767,153	-	-	3,767,153
Fair value loss in associates	-	-	689,661	-	-	689,661
Fair value loss in unquoted investments	-	-	(466,180)	-	-	(466,180)
Fair value loss in quoted investments	-	-	17,651	-	-	17,651
Deferred tax on revaluation gains	-	-	(365,156)	-	-	(365,156)
Total other comprehensive income	-	-	3,635,730	-	-	3,635,730
Total comprehensive income	-	-	3,635,730	1,041,253	-	4,676,983
Transactions with owners						
Proposed 2018 dividends	-	-	-	(798,530)	798,530	-
First and final 2017 dividends paid	-	-	-	-	(798,530)	(798,530)
At end of year	332,721	589,753	33,828,338	13,136,740	798,530	48,686,081

COMPANY STATEMENT OF CHANGES IN EQUITY 2017

	Notes	Share capital Kshs'000	Share premium Kshs'000	Other reserves Kshs'000	Retained earnings Kshs'000	Proposed dividends Kshs'000	Total equity Kshs'000
Year ended 31 March 2017							
At start of year		332,721	589,753	25,604,346	12,121,278	665,442	39,313,540
Comprehensive income							
Profit for the year		-	-	-	1,571,268	-	1,571,268
Other comprehensive income:							
Reserves released on disposal of investments	2.7	-	-	(720,765)	-	-	(720,765)
Fair value gain in subsidiaries		-	-	7,733,758	-	-	7,733,758
Fair value loss in associates	6.2.1	-	-	(283,617)	-	-	(283,617)
Fair value loss in unquoted investments	5.2	-	-	(1,748,165)	-	-	(1,748,165)
Fair value loss in quoted investments	5.3	-	-	(56,162)	-	-	(56,162)
Deferred tax on revaluation gains	3.2	-	-	(336,787)	-	-	(336,787)
Total other comprehensive income		-	-	4,588,262	-	-	4,588,262
Total comprehensive income		-	-	4,588,262	1,571,268	-	6,159,530
Transactions with owners							
Proposed dividends		-	-	-	(798,530)	798,530	-
First and final 2016 dividends paid		-	-	-	-	(665,442)	(665,442)
At end of year		332,721	589,753	30,192,608	12,894,016	798,530	44,807,628

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March:	
		2018	2017
		Kshs'000	Kshs'000
Cash flows from operating activities			
Cash generated from operations	2.5	3,481,142	872,098
Income tax paid	3.1	(780,613)	(919,571)
Net cash from operating activities		2,700,529	(47,473)
Cash flows from investing activities			
Purchase of investment property	5.1	(361,238)	(2,305,561)
Purchases of property, plant and equipment	8.1	(1,752,058)	(3,838,444)
Purchases of intangible assets	8.2	(410,263)	(176,803)
Acquisition of subsidiary, net of cash acquired		-	(434,623)
Purchase of shares in associates	6.2.1	(81,149)	(633,998)
Purchase of unquoted equity investments	5.2	(263,727)	-
Purchase of quoted equity investments	5.3	(386,106)	(1,169,312)
Purchase of corporate bonds at amortised cost	7.2.3	-	(157,460)
Purchase of commercial papers at amortised cost	7.2.4	(340,942)	-
Purchase of government securities at fair value through profit or loss	7.2.1	(398,739)	(199,705)
Purchase of government securities at amortised cost	7.2.2	(1,886,843)	(10,400)
Proceeds from disposal of quoted investments	2.7	669,801	1,023,389
Proceeds on disposal of government securities at fair value through profit or loss	7.2.1	50,922	736,317
Proceeds on disposal of government securities at amortised cost	7.2.2	1,202,244	363,815
Dividends received from associates	6.2.1	150,544	277,326
Proceeds from disposal of associate	2.7	1,909,584	1,895,761
Proceeds from disposal of corporate bonds at amortised cost	7.2.3	406,415	316,186
Net cash used in investing activities		(1,491,555)	(4,313,512)
Cash flows from financing activities			
Proceeds from borrowings		10,027,559	2,138,492
Repayments of borrowings		(8,523,503)	-
Interest paid on borrowings		(2,584,477)	(2,712,900)
Dividends paid		(710,733)	(605,442)
Net cash from financing activities		(1,791,154)	(1,179,850)
Net increase in cash and cash equivalents		(582,180)	(5,540,835)
Movement in cash and cash equivalents			
At start of year		4,656,626	10,197,461
(Decrease)/Increase		(582,180)	(5,540,835)
At end of year	4.3	4,074,446	4,656,626

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 March:			
		2018	2017
	Notes	Kshs'000	Kshs'000
Cash flows from operating activities			
Cash generated from operations	2.5	4,794,121	2,183,867
Proceeds from disposal of associate	6.2.1	-	1,080,000
Income tax paid	3.1	(57,009)	(78,661)
Net cash from operating activities		4,737,112	3,185,206
Cash flows from investing activities			
Purchase of property and equipment	8.1	(116,060)	(27,536)
Investment in subsidiaries	6.1	(335,915)	(1,934,035)
Net debt investment in subsidiaries		(3,226,955)	(3,247,704)
Purchase of shares in associates	6.2.1	-	(294,863)
Purchase of shares in unquoted investments	5.2	(217,261)	-
Proceeds from disposal of quoted investments	2.7	19,565	-
Net cash used in investing activities		(3,876,626)	(5,504,138)
Cash flows from financing activities			
Proceeds from borrowings		6,572,078	1,962,141
Repayment of borrowings		(7,438,920)	-
Interest paid on borrowings		(1,601,353)	(1,489,052)
Dividends paid		(710,733)	(605,442)
Unclaimed dividends paid	11.3	(16,383)	-
Net cash from financing activities		(3,195,311)	(132,353)
Net increase in cash and cash equivalents		(2,334,825)	(2,451,285)
Movement in cash and cash equivalents			
At start of year		1,464,915	3,916,200
Decrease		(2,334,825)	(2,451,285)
At end of year	4.3	(869,910)	1,464,915



1.1 General information

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

Two Rivers Office Towers
8th Floor, South Tower, Limuru Road
P O Box 10518 – 00100
Nairobi

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

1.2 Basis for preparation

i. Compliance with IFRS

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

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

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

ii. New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 April 2017:

- Disclosure initiative - amendment to IAS 7; Effective 1 January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.
- Transfers of Investment Property - Amendment to IAS 40; Effective 1 January 2018 an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- Annual improvements to IFRSs 2012 – 2014 cycle;
- Disclosure initiative – amendments to IAS 1.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2 Basis for preparation (continued)

ii. New and amended standards adopted by the Group (continued)

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities;
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

Annual improvements 2014 - 2016

Annual improvements 2014-2016 – IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information. Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

Amendment to IAS 12 - Income taxes

The amendments were issued to clarify the requirements for recognising deferred tax assets on unrealised losses.

The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2 Basis for preparation (continued)

iii. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 Financial instruments
Nature of change	<p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.</p> <p>Classification and measurement</p> <p>IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of FVTPL, available for sale (AFS), loans and receivables, and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.</p> <p>For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9 other than the provisions relating to the recognition of changes in own credit risk for financial liabilities designated at fair value through profit or loss, as permitted by IFRS 9.</p> <p>The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 is expected to have no significant impact when compared to our classification under IAS 39.</p> <p>Impairment</p> <p>Impairment overall comparison of the new impairment model and the current model</p> <p>IFRS 9 introduces a new, single impairment model for financial assets that requires the recognition of expected credit losses (ECL) rather than incurred losses as applied under the current standard. Currently, impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and that loss event has a detrimental impact on the estimated future cash flows of the asset that can be reliably estimated. If there is no objective evidence of impairment for an individual financial asset, that financial asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not yet identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.</p>

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2 Basis for preparation (continued)

iii. New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 9 Financial instruments (continued)
<p>Nature of change</p>	<p>Impairment overall comparison of the new impairment model and the current model (continued)</p> <p>Under the current standard, incurred losses are measured by incorporating reasonable and supportable information about past events and current conditions. Under IFRS 9, the ECL model, which is forward-looking, in addition requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, inflation rates, interest rates, exchange rates, domestic borrowing, credit to private sector and gross domestic product will be incorporated into the risk parameters. Estimating forward-looking information will require significant judgment and must be consistent with the forward-looking information used by the Bank for other purposes, such as forecasting and budgeting.</p> <p>Scope</p> <p>Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVTOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as at FVTOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories under IFRS 9 and items that previously fell under the IAS 37 framework were considered in determining the scope of our application of the new expected credit loss impairment model.</p> <p>Measurement of Expected Credit Losses (ECL)</p> <p>ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.</p> <p>The measurement of ECLs will be based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD).</p> <p>The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.</p> <p>- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.</p>

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2 Basis for preparation (continued)

iii. New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 9 Financial instruments (continued)
Nature of change	<p>Measurement of Expected Credit Losses (ECLs) (continued)</p> <p>- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses based on the Central Bank of Kenya and banks policy on curing of loans.</p> <p>Assessment of significant increase in credit risk</p> <p>The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. The Bank has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to Stage 2.</p> <p>Definition of default</p> <p>IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Bank will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due. The Bank's write-off policy under IAS 39 is not expected to be materially different under IFRS 9.</p>

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2 Basis for preparation (continued)

iii. New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 9 Financial instruments (continued)
<p>Impact</p>	<p>The Group has reviewed its financial assets and liabilities and is expecting the following impact from adoption of the new standard on 1 April 2018:</p> <p>The majority of the Group's debt instruments are currently either classified at amortised cost or fair value through profit and loss (FVTPL) and hence there will be no change to the accounting for these assets.</p> <p>The Group also expects that certain investments in corporate bonds will qualify for classification at amortised cost going forward. Their fair value of Ksh 305,989,726 will be deemed to be the starting amortised cost for these assets as at 1 April 2018 and there will be no impact on retained earnings from the reclassification.</p> <p>The other financial assets held by the Group include equity instruments currently classified as Available for Sale (AFS) for which FVTOCI election is available.</p> <p>Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these assets. However, gains or losses realised on the sale of financial assets at FVTOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVTOCI reserve to retained earnings. During the 2018 financial year, Ksh 1,526,652,000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.</p> <p>There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.</p> <p>The Group does not have any hedge relationships and therefore the new hedge accounting rules have no impact to the Group.</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.</p>

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2. Basis for preparation (continued)

iii. New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 9 Financial instruments (continued)
	<p>It applies to financial assets classified at amortised cost, debt instruments measured at FVTOCI, contracts under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects approximately a 32% increase in the loss allowance on loans and advances. Further, the adoption of IFRS 9 will reduce the Sidian Bank Limited's capital adequacy ratios by 1.6%. The Bank will raise additional share capital of Ksh 1.5 billion in 2018 to mitigate the impact of IFRS 9 adoption as well as support the planned business growth.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard."</p>
Date of adoption by group	<p>Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the rules from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated."</p>

Title of standard	IFRS 15 Revenue from contracts with customers
Nature of change	<p>This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>
Impact	<p>The standard provides a single controlbased revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>IFRS 15 also includes comprehensive disclosure requirements that will provide users with information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p> <p>The standard permits either a full retrospective or modified retrospective approach for adoption and the Group is currently assessing the most appropriate approach to follow on transition.</p> <p>At this stage, the Group is performing an assessment of the impact of IFRS 15. The impact on earning is being finalised by management and initial indications are that it is not expected to be significant.</p>

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.2 Basis for preparation (continued)

iii. New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 15 Revenue from contracts with customers (continued)
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 April 2018.

Title of standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.
Impact	The Group expects that the new standard will primarily affect its accounting for operating leases, in particular those relating to its property and equipment. As at the reporting date, the Group did not have any significant non-cancellable operating lease commitments. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The new standard contains enhanced disclosure requirements for both lessees and lessors.
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Going concern

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

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

1.4 Significant accounting policies

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

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

1.4.1 Principles of consolidation and equity accounting

i. Subsidiaries

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

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

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

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

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

ii. Changes in ownership interests in subsidiaries without change of control

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



1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

iii. Disposal of subsidiaries

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

iv. Associates

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

vi. Joint arrangements

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

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

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

vii. Equity method

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

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

vii. Equity method (continued)

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

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

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

viii. Changes in ownership interests with change of control

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

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



1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

ix Business combinations

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

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

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

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

1.4 Significant accounting policies (continued)

1.4.1 Principles of consolidation and equity accounting (continued)

ix Business combinations (continued)

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

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

1.4.2 Foreign currency

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation.

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

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.4 Significant accounting policies (continued)

1.4.2 Foreign currency (continued)

Transactions and balances (continued)

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

Group companies

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

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

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

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

1.4.3 Measurement principles

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

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.4 Significant accounting policies (continued)

1.4.3 Measurement principles (continued)

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Assets		Liabilities	
Biological assets	Fair value less cost to sale	Customer deposits	Amortised cost
Investment property	Fair value	Deferred income	Nominal value
Goodwill	Historical cost less impairment losses	Deferred income tax liabilities	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the liability is settled.
Intangible assets	Historical cost less accumulated amortisation and impairment losses		
Deferred tax assets	Undiscounted amount measured at the tax rates that have been enacted and are expected to apply to the period when the asset is realised.	Provisions	Present value of the best estimate of the settlement amount
Investments in associates and joint ventures	Group: Cost adjusted for share of movements in net assets less impairment losses. Company: Fair value based on price of a recent transaction or earnings multiples of comparable companies.	Dividends payable	Amortised cost
Investment in subsidiaries	Company: Fair value based on recent transactions or price multiples, or net asset value		
Unquoted investments	Fair value based on price of a recent transaction or earnings multiples of comparable companies		
Quoted investments	Fair value based on quoted prices		
Loans and advances	Amortised cost		
Government securities, corporate bonds and commercial papers	Fair value through profit and loss, and amortised cost		
Inventories	Lower of cost and net realisable value		
Lease receivables	Amortised cost		
Receivables	Amortised cost		
Debt investment in subsidiaries	Amortised cost		

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.4 Significant accounting policies (continued)

1.4.3 Measurement principles (continued)

Item included in the statement of financial position	Measurement principle	Item included in the statement of financial position	Measurement principle
Current income tax recoverable	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.	Current income tax liabilities	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date.
Receivables and prepayments	Amortised cost	Payables and accruals	Amortised cost
Cash and cash equivalents	Amortised cost	Bank overdraft	Amortised cost

1.4.4 Comparatives

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

1.5 Critical accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions concerning the future when preparing the consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The "Critical accounting judgements, estimates and assumptions" note should be read in conjunction with the "Significant accounting policies" disclosed in note 1.4.

1.5.1 Impairment losses

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. The recoverable amount is the higher of an asset's fair value less costs to sell (FVLCS) and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). The best evidence of FVLCS is value obtained from an active market or binding sale agreement. Where neither exist, FVLCS is based on the best information available to reflect the amount the Company could receive for the cash-generating unit in an arm's length transaction. This is often estimated using discounted cash flow techniques and/or market multiple for comparable entities. The discount rates applied to the future cash flow forecasts in real terms, represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

In addition IAS 36, Impairment of Assets requires:

- The recoverable amounts of intangible assets not yet available for use are assessed for impairment annually, irrespective of whether there is an indication that they may be impaired; and
- The recoverable amounts of intangible assets with indefinite useful lives are assessed for impairment annually, irrespective of whether there is an indication that they may be impaired.

Non-financial assets that have been impaired in past periods are reviewed for possible reversal of impairment at each reporting date.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments

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

The Group's policy is to measure all unquoted investments at fair value on the standalone statement of financial position of the Company. On the consolidated balance sheet, only unquoted investments with a holding of less than 20% are measured at fair value as subsidiaries are consolidated and associates are accounted for under the equity accounting method. Unquoted investments on the standalone company balance sheet are classified as Available for Sale (AFS).

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

- a) EBITDA multiples - based on the budgeted EBITDA or most recent EBITDA achieved on rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable companies;
- b) Price-to-Book multiples for the banking subsidiary, using the closing balance sheet of the subsidiary and average Price-to-Book multiples of comparable listed banks in Kenya adjusted for control premium since the multiple has been determined using minority stakes;
- c) Discounted cash flow methodology which reflects the specifics of the entity and its operating environment; and
- d) Marketability discounts, based on guidance under International Private Equity and Venture Capital Valuation (IPEV) Guidelines. In principle, the Group applies an illiquidity discount between 1% and 30% set out under IPEV guidelines.

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

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

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

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

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

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

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

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

Year ended 31 March 2018

Description	Ownership	Fair value at 31 March 2018 Ksh'000	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted investments: Group and Company							
Isuzu East Africa Limited	17.80%	2,469,724	Recent transaction	NA			
NAS Airport Services Limited	15%	855,930	Comparable trading multiples	EBITDA multiple	5.99x	1%	7,866
				Marketability discount	30%	5%	(18,341)
				Discounted EBITDA multiple	4.19x		
				EBITDA (Kes 'm)	ND*	10%	78,660
				Net debt (Kes 'm)	ND*	NA	NA
Capital Market Challenge Fund		5,000	Cost				
Africa Crest Education (ACE) Holdings		556,124	Cost				
Total - Company		3,886,778					
Associates: Company							
Nairobi Bottlers Limited	27.62%	5,078,043	Comparable trading multiples	EBITDA multiple	9.91x	1%	58,756
				Marketability discount	30%	5%	(108,815)
				Discounted EBITDA multiple	6.94x		
				EBITDA (Kes 'm)	ND*	10%	587,559
				Net debt (Kes 'm)	ND*	NA	NA
UAP Financial Services (U) Limited		3,429	Cost				
Total - Company		5,081,472					

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

Year ended 31 March 2018 (continued)

Subsidiaries: Company	Ownership	31-Mar-18 Ksh'000	31-Mar-17 Ksh'000	Valuation basis for the year ended 31 March 2018
Two Rivers Development Limited	58%	12,357,405	12,315,989	Net asset value which represents the fair value of the underlying asset. Note 6.1
Almasi Beverages Limited	54%	8,696,825	7,716,472	Market multiples. See below
Vipingo Development Limited	100%	5,146,193	3,950,863	Net asset value which represents the fair value of the underlying asset. Note 6.1
Bakki Holdco Limited	100%	3,889,825	3,232,233	Net asset value which represents the fair value of Sidian Bank Limited as shown below.
Investpool Holdings Limited	100%	-	2,117,147	
GenAfrica Investment Management Limited	73%	2,324,230	1,404,183	Recent transaction. See below
Centum Development Limited	100%	3,537,356	860,896	Net asset value which represents the fair value of the underlying property. Note 6.1
Longhorn Publishers Limited	60%	762,665	738,063	Market prices. The entity is listed on the Nairobi Securities Exchange.
Rasimu Limited	100%	710,182	755,769	Net asset value which represents the fair value of the underlying asset. The company owns 3.65% of Two Rivers Development Limited.
Nabo Capital Limited	100%	403,799	410,802	Net asset value. Note 6.1
Vipingo Estates Limited	100%	1,007,166	1,089,628	Net asset value which represents the fair value of the underlying asset. Note 6.1
Uhuru Heights Limited	100%	281,551	261,349	Net asset value which represents the fair value of the underlying asset. The company owns 1.05% of Two Rivers Development Limited.
Z ohari Leasing limited	100%	212,975	207,781	Net asset value. Note 6.1
Greenblade Growers Limited	100%	60,322	207,104	Net asset value. Note 6.1
Athena Properties Limited	100%	-	25,093	Net asset value. Note 6.1
Centum Business Solutions Limited	100%	-	17,519	Net asset value. Note 6.1
Centum Exotics Limited	100%	-	-	Net asset value. Note 6.1
Mwaya Investments Company Limited	100%	-	-	Net asset value. Note 6.1
		<u>39,390,494</u>	<u>35,310,891</u>	

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

Year ended 31 March 2018 (continued)

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

Year ended 31 March 2017

Description	Ownership	Fair value at 31 March 2017 Ksh'000	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Unquoted investments: Group and company							
General Motors East Africa Limited	17.8%	3,026,769	Recent transaction	NA	-	NA	NA
NAS Airport Services Limited	15%	765,066	Comparable trading multiples	EBITDA multiple Marketability discount Discounted EBITDA multiple	5.26x 30% 3.68X	1% 5%	7,230 (16,394)
Capital Market Challenge Fund		5,000	Cost	EBITDA (Kes 'm) Net debt (Kes 'm)	ND* ND*	10% NA	72,296 NA
Total - Company		<u>3,796,835</u>					
Associates: Company							
Nairobi Bottlers Limited	27.62%	4,388,383	Comparable trading multiples	EBITDA multiple Marketability discount Discounted EBITDA multiple	9.67x 30% 6.77x	1% 5%	50,977 (94,037)
Africa Crest Education (ACE) Holdings	40.00%	294,863	Cost	EBITDA (Kes 'm) Net debt (Kes 'm)	ND* ND*	10% NA	509,775 NA
UAP Financial Services (UJ) Limited	29.00%	3,429	Cost				
Total - Company		<u>4,686,675</u>					
Platcorp Holdings Limited	25.07%	2,323,989	Recent transaction	NA	-	NA	NA
				NA	-	NA	NA

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

Year ended 31 March 2017 (continued)

Subsidiaries: Company	Ownership	31-Mar-17 Ksh'000	31-Mar-16 Ksh'000	Valuation basis for the year ended 31 March 2017
Two Rivers Development Limited	58%	12,315,989	10,733,045	Net asset value which represents the fair value of the underlying asset. Note 6.1
Almasi Beverages Limited	54%	7,716,472	3,545,371	Market multiples. See below
Vipingo Development Limited	100%	3,950,863	100	Net asset value which represents the fair value of the underlying asset. Note 6.1
Bakki Holdco Limited	100%	3,232,233	3,968,185	Net asset value which represents the fair value of Sidian Bank Limited as shown below.
Investpool Holdings Limited	100%	2,117,147	2,119,210	Net asset value which represents the fair value of the underlying asset (Platcorp Holdings Limited). Note 6.1
GenAfrica Investment Management Limited	73%	1,404,183	1,157,573	Assets under management. See below
Centum Development Limited	100%	860,896	1,064,114	Net asset value which represents the fair value of the underlying property. Note 6.1
Longhorn Publishers Limited	60%	738,063	-	Market prices. The entity is listed on the Nairobi Securities Exchange.
Rasimu Limited	100%	755,769	719,999	Net asset value which represents the fair value of the underlying asset. The company owns 3.65% of Two Rivers Development Limited.
Nabo Capital Limited	100%	410,802	828,470	Net asset value. Note 6.1
Vipingo Estates Limited	100%	1,089,628	386,209	Net asset value which represents the fair value of the underlying asset. Note 6.1
Uhuru Heights Limited	100%	261,349	207,123	Net asset value which represents the fair value of the underlying asset. The company owns 1.05% of Two Rivers Development Limited.
Zohari Leasing Limited	100%	207,781	-	Net asset value. Note 6.1
Greenblade Growers Limited	100%	207,104	82,450	Net asset value. Note 6.1
Athens Properties Limited	100%	25,093	452,228	Net asset value. Note 6.1
Centum Business Solutions Limited	100%	17,519	100	Net asset value. Note 6.1
Centum Exotics Limited	100%	-	146,377	Net asset value. Note 6.1
Mwaga Investments Company Limited	100%	-	618	Net asset value. Note 6.1
		35,310,891	25,411,172	

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

Valuation:	Ownership	Valuation technique	Ksh'000	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/-
Almasi Beverages Limited	53.88%	Market multiples	7,716,472	EBITDA multiple	9.67x	1%	74,249
				Marketability discount	30%	5%	(165,353)
				Discounted EBITDA multiple	6.77x		
				EBITDA (Kes 'm)	2,035	10%	742,491
				Net debt (Kes 'm)	(773)	NA	NA
GenAfrica Investment Management Limited	73.35%	Assets under management	1,404,183	AUM's (Kes 'm)	212,000	10%	140,418
				%price of AUM's	1.29%	NA	NA
				Marketability discount	30%	30%	(181)
Sidian Bank Limited	74.77%	Market multiples	3,247,099	PB Ratio multiple	1.06x	5%	162,355
				NAV (Kes 'm)	4,097	10%	324,710

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (CONTINUED)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.2 Valuation of unquoted investments (continued)

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

1.5.3 Valuation of investment property

The fair value model has been applied in accounting for investment property. The Group commissioned external, independent and professionally qualified real estate valuers that hold recognised relevant professional qualification and have recent experience in the locations and types of investment properties valued to determine the fair value of the investment property as at 31 March 2018 and 31 March 2017 on the basis of open market value. The current use of the investment properties equates to the highest and best use.

The valuation of the investment properties is derived by making reference to recent comparable sales transactions in the relevant property market, on the assumption that the property had already been completed at the valuation date. It also takes into account the construction cost already incurred as well as the estimated cost to be incurred to complete the project. The fair value gains have been credited to 'income' in the income statement (Note 2.2).

Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 3 fair value measurement. In 2018 and 2017, there were no transfers between different levels within the fair value hierarchy. Level 3 measurement uses 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 1	Level 2	Level 3
	Ksh'000	Ksh'000	Ksh'000
31 March 2018			
Investment property	-	-	32,718,667
31 March 2017			
Investment property	-	-	27,311,091

See note 5.1 for the reconciliation of investment property.

1.5.4 Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different groups of borrowers). The impairment losses on loans and advances are disclosed in more detail in Notes 7.1 and 10.1(c)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Impairment of goodwill

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

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

See assumptions as discussed in Note 8.2

1.5.6 Estimation of fair value for land and buildings and estimation of useful lives of plant and equipment

See note 8.1

1.5.7 Consolidation decisions and classifications of joint arrangements

See note 6.1



2 RESULTS OF OPERATIONS

2 Results of operations

2.1 Segment information

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

The Group's traditionally organised its activities into eight sectors namely; Real Estate, Energy, Financial Services, Fast-moving consumer goods (FMCG) and Marketable Securities. However, as of 1 April 2017, the Group adopted a new operating structure which merged some of the sectors into segments. The reportable segments are:

1. Growth - These consists of all the mature businesses, i.e. Almasi Beverages Limited, Longhorn Publishers Limited, Sidian Bank Limited, GenAfrica Asset Managers Limited, Nairobi Bottlers Limited and Nabo Capital Limited;

2. Real Estate - These consists of all the Group companies involved in real estate development. The details of the companies are listed under note 6.1;

3. Development - These consists of all companies whose business are still in the establishment and ramp up phase. They include; Greenblade Growers Limited and King Beverage Limited; and

4. Marketable Securities - These consists of Centum Exotics Limited and Oleibon Investments Limited that are involved in investment of funds in quoted equity and fixed income securities.

The Company uses, in some instances non-GAAP performance measures. They are chosen for internal planning and reporting, and some of them are used for incentive purposes. The Group's management believe these measures provide valuable additional information for users of the financial statements in understanding the Group's performance and financial position. These non-GAAP measures used in presentation of segment information should be viewed as complementing to, and not replacement for the comparable GAAP measures.

The definitions of the key measures used in the segment information are as follows:

i. Total return

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

ii. Gross portfolio return

Gross portfolio return represents the overall increase in net assets from the investment portfolio and is calculated as a percentage of opening net asset value in the period. Gross return is analysed into the following components:



2. Results of operations (continued)

2.1 Segment information (continued)

ii. Gross portfolio return (continued)

a. Portfolio income

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

- Realised profits on the disposal of investments are the difference between the fair value of the consideration received less any directly attributable costs, on the sale of equity, and its carrying value at the start of the accounting period. Although the net realised gains are similar to those in the statement of comprehensive income, the disclosure differs under the Group's segment reporting.

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

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

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

b. Portfolio costs

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

c. Total assets

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

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

2 RESULTS OF OPERATIONS (CONTINUED)

2.1 Segment information (continued)

Group - new basis Year ended 31 March 2018	Growth	Real Estate	Development	Marketable securities	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	207,464	-	-	63,605	271,069
Interest income	1,927,138	2,703	4	98,412	2,028,257
Lease rentals	17,926	-	-	-	17,926
Fund management income	124,125	-	-	-	124,125
Sales income	9,629,365	260,648	281,119	-	10,171,132
Other income	222,015	14,350	-	22,358	258,723
Realised gains	647,443	-	-	138,595	786,038
Fee, commission and forex trading income	745,322	-	-	-	745,322
Project and development management fees	88,681	54,701	-	-	143,382
Share of profit of associates	236,978	457,920	-	-	694,898
Discontinued operations	135,600	-	-	-	135,600
Unrealised value movements	(876,565)	4,114,277	-	531,042	3,768,754
Gross return	13,105,492	4,904,599	281,123	854,011	19,145,226
Finance costs	(1,359,990)	(1,164,043)	(35,317)	(14,332)	(2,573,682)
Portfolio costs	(11,524,427)	(1,439,225)	(517,988)	(221,597)	(13,703,236)
Net return	221,075	2,301,331	(272,182)	618,083	2,868,308
Tax	50,232	(541,912)	1,328	-	(490,352)
Total return	271,307	1,759,419	(270,854)	618,083	2,377,956
Gross Return on opening shareholder funds (%)	199%	17%	31%	51%	51%
Return on opening shareholder funds (%)	4%	6%	-30%	37%	6%
Opening net asset value					
Total assets	39,426,406	44,067,380	1,802,749	3,089,073	88,385,608
Borrowings	(12,533,378)	(6,247,065)	(839,641)	(1,366,294)	(20,986,378)
Other liabilities	(16,021,168)	(1,778,569)	(61,872)	(63,417)	(17,925,026)
Non-controlling interest	(4,289,278)	(7,888,331)	-	-	(12,177,609)
Net asset value attributable to equity holders	6,582,582	28,153,415	901,236	1,659,362	37,296,595
Closing net asset value					
Total assets	44,578,672	47,294,509	1,743,994	2,670,909	96,288,084
Borrowings	(7,268,482)	(13,764,044)	(3,431,042)	-	(24,463,568)
Other liabilities	(16,426,017)	(2,083,837)	(2,318,459)	(99,039)	(20,927,352)
Non-controlling interest	(4,769,684)	(7,657,632)	-	-	(12,427,316)
Net asset value attributable to equity holders	16,114,489	23,788,996	(4,005,507)	2,571,870	38,469,848

2 RESULTS OF OPERATIONS (CONTINUED)

2.1 Segment information (continued)

Group - Old basis

Year ended 31 March 2018	Financial Services					Energy Ksh'000	Real Estate Ksh'000	Quoted equity Ksh'000	Others Ksh'000	Total Ksh'000
	Ksh'000	FMCG Ksh'000								
Dividend income	-	-	-	-	-	-	63,605	207,464	271,069	
Interest income	1,927,108	-	-	-	-	2,703	98,412	34	2,028,257	
Lease rentals	17,926	-	-	-	-	-	-	-	17,926	
Fund management income	124,125	-	-	-	-	-	-	-	124,125	
Sales income	-	8,571,143	-	-	-	260,648	-	1,339,341	10,171,132	
Other income	30,217	52,707	-	-	-	14,250	22,358	139,191	258,723	
Realised gains	647,443	-	-	-	-	-	138,595	-	786,038	
Fee, commission and forex trading income	745,322	-	-	-	-	-	-	-	745,322	
Project and development management fees	-	-	-	-	-	54,701	-	88,680	143,381	
Discontinued operations	135,600	-	-	-	-	-	-	-	135,600	
Share of profit of associates	-	236,979	-	-	-	457,920	-	-	694,898	
Unrealised value movements	-	(404,353)	-	-	-	4,114,277	531,042	(472,211)	3,768,755	
Gross return	3,627,741	8,456,476	-	4,904,499	-	4,904,499	854,011	1,302,498	19,145,226	
Finance costs	(812,480)	(75,592)	(363)	(1,164,043)	(363)	(1,164,043)	(14,332)	(506,872)	(2,573,682)	
Portfolio costs	(3,508,359)	(7,312,595)	(700)	(1,439,225)	(700)	(1,439,225)	(221,597)	(1,220,760)	(13,703,236)	
Net return	(693,098)	1,068,289	(1,063)	2,301,231	(1,063)	2,301,231	618,083	(425,133)	2,868,308	
Tax	105,270	(140,566)	-	(541,912)	-	(541,912)	-	86,856	(490,352)	
Total return	(587,828)	927,723	(1,063)	1,759,320	(1,063)	1,759,320	618,083	(338,277)	2,377,956	
Gross return on opening shareholder funds (%)	78%	1756%	0%	17%	0%	17%	51%	576%	51%	
Return on opening shareholder funds (%)	-13%	193%	0%	6%	0%	6%	37%	-150%	6%	
<u>Opening net asset value</u>										
Total assets	25,240,408	9,702,504	3,491,163	44,067,380	3,089,073	3,089,073	2,795,080	88,385,608	88,385,608	
Borrowings	(5,407,027)	(4,903,659)	(839,642)	(6,247,065)	(1,366,294)	(1,366,294)	(2,222,691)	(20,986,378)	(20,986,378)	
Other liabilities	(14,104,188)	(1,463,412)	(61,872)	(1,778,569)	(63,417)	(1,778,569)	(453,568)	(17,925,026)	(17,925,026)	
Non-controlling interest	(1,090,521)	(2,853,809)	-	(7,888,331)	-	(7,888,331)	-	(344,948)	(12,177,609)	
Net asset value attributable to equity holders	4,636,672	481,624	2,589,649	28,153,415	1,659,362	28,153,415	1,659,362	(226,127)	37,296,595	
<u>Closing net asset value</u>										
Total assets	27,019,339	11,158,069	3,502,446	47,294,509	2,670,909	2,670,909	4,642,812	96,288,084	96,288,084	
Borrowings	(4,273,745)	(3,022,725)	-	(13,764,044)	-	(13,764,044)	-	(3,403,054)	(24,463,568)	
Other liabilities	(15,045,591)	(1,049,851)	(1,491,099)	(2,155,030)	(99,039)	(2,155,030)	(1,086,741)	(20,927,351)	(20,927,351)	
Non-controlling interest	(934,524)	(3,473,566)	-	(7,657,632)	-	(7,657,632)	-	(361,595)	(12,427,316)	
Net asset value attributable to equity holders	6,765,479	3,611,928	2,011,347	23,717,803	2,571,870	23,717,803	2,571,870	(208,578)	38,469,849	

2 RESULTS OF OPERATIONS (CONTINUED)

2.1 Segment information (continued)

Group - Old basis

Year ended 31 March 2017	Financial Services					Energy	Real Estate	Quoted Equity		Others	Total
	Ksh'000	FMCG	Ksh'000	Ksh'000	Ksh'000			Ksh'000	Ksh'000		
Dividend income	77,185	-	-	-	-	-	-	90,433	138,748	-	306,366
Interest income	3,013,930	-	-	-	-	-	-	111,119	-	-	3,125,049
Lease rentals	25,777	-	-	-	-	-	-	-	-	-	25,777
Fund management income	527,042	-	-	-	-	-	-	-	-	-	527,042
Sales income	-	8,078,182	-	-	-	-	-	-	1,323,478	-	9,401,660
Other income	32,654	-	-	-	-	-	-	-	217,432	-	250,086
Realised gains	432,441	515,766	-	-	-	13,329	-	87,949	-	-	1,049,485
Fee, commission and forex trading income	580,926	-	-	-	-	-	-	-	-	-	580,926
Project and development management fees	-	-	-	-	-	-	-	-	137,359	-	137,359
Share of profit of associates	307,135	218,626	-	-	-	814,249	-	-	6,925	-	1,346,935
Unrealised value movements	(3,145)	-	-	-	-	6,322,718	-	(150,983)	(1,587,706)	-	4,580,883
Gross return	4,993,945	8,812,574	-	-	-	7,150,296	-	138,518	236,236	-	21,331,568
Finance costs	(854,311)	(150,626)	-	-	-	-	-	-	(43,433)	-	(1,048,370)
Portfolio costs	(3,831,018)	(5,338,358)	(1,495)	(1,495)	(1,495)	(648,579)	(83,895)	(83,895)	(3,307,808)	(13,211,153)	(13,211,153)
Net return	308,617	3,323,590	(1,495)	(1,495)	(1,495)	6,501,717	54,623	54,623	(3,115,005)	-	7,072,045
Tax	(110,643)	(318,599)	-	-	-	102,028	(66,440)	(66,440)	(239,258)	(632,912)	(632,912)
Total return	197,974	3,004,991	(1,495)	(1,495)	(1,495)	6,603,745	(11,817)	(11,817)	(3,354,263)	-	6,439,133
Gross Return on opening shareholder funds	50%	190%	0%	0%	0%	60%	2%	2%	-24%	62%	62%
Return on opening shareholder funds (%)	2%	65%	0%	0%	0%	56%	0%	0%	345%	19%	19%
Opening net asset value											
Total assets	27,911,646	11,295,017	4,001,820	4,001,820	4,001,820	25,347,435	8,687,885	8,687,885	809,733	-	78,053,536
Borrowings	(4,479,976)	(2,975,117)	(1,410,676)	(1,410,676)	(1,410,676)	(4,358,175)	(2,218,898)	(2,218,898)	(913,378)	-	(16,356,220)
Other liabilities	(12,430,574)	(1,558,023)	-	-	-	(3,577,682)	(3,355)	(3,355)	(869,433)	-	(18,439,067)
Non-controlling interest	(1,032,391)	(2,130,331)	-	-	-	(5,586,741)	-	-	-	-	(8,749,463)
Net asset value attributable to equity holders	9,966,705	4,631,546	2,591,144	2,591,144	2,591,144	11,824,837	6,465,632	6,465,632	(973,078)	-	34,508,786
Closing net asset value											
Total assets	25,240,408	9,702,504	3,491,163	3,491,163	3,491,163	44,067,380	3,089,073	3,089,073	2,795,080	-	88,385,608
Borrowings	(5,407,027)	(4,903,659)	(839,642)	(839,642)	(839,642)	(6,247,065)	(1,366,294)	(1,366,294)	(2,222,691)	-	(20,986,378)
Other liabilities	(14,104,188)	(1,463,412)	(61,872)	(61,872)	(61,872)	(1,778,569)	(63,417)	(63,417)	(453,568)	-	(17,925,026)
Non-controlling interest	(1,090,521)	(2,853,809)	-	-	-	(7,888,331)	-	-	(344,948)	-	(12,177,609)
Net asset value attributable to equity holders	4,636,672	481,624	2,589,649	2,589,649	2,589,649	28,153,415	1,659,362	1,659,362	(226,127)	-	37,296,595

2 RESULTS OF OPERATIONS (CONTINUED)

2.1. Segment information (continued)

Company - New basis

Year ended 31 March 2018

	Growth	Real Estate	Development	Marketable securities	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	2,033,390	-	-	6,755	2,040,145
Interest income	11,470	885,983	10,222	439,320	1,346,996
Other income	139,635	(1,657)	-	(4,943)	133,034
Realised gains	-	-	-	8,678	8,678
Unrealised value movements	66,057	3,725,076	(187,853)	32,450	3,635,730
Gross return	2,250,552	4,609,402	(177,631)	482,261	7,164,584
Finance costs	(802,932)	(792,640)	(36,497)	(14,332)	(1,646,400)
Portfolio costs	(417,928)	(413,649)	(15,176)	(5,959)	(852,712)
Net return	1,029,692	3,403,113	(229,304)	461,970	4,665,471
Tax	5,624	238	5,557	93	11,513
Total return	1,035,316	3,403,351	(223,747)	462,063	4,676,984
Gross Return on opening shareholder funds (%)	12%	24%	-7%	11%	16%
Return on opening shareholder funds (%)	5%	18%	-8%	11%	10%
Opening net asset value					
Total assets	26,450,295	25,947,637	3,491,163	5,680,939	61,570,034
Borrowings	(6,203,126)	(6,247,065)	(839,642)	(1,366,294)	(14,656,126)
Other liabilities	(1,278,146)	(827,271)	(329)	(535)	(2,106,280)
Net asset value attributable to equity holders	18,969,024	18,873,301	2,651,192	4,314,111	44,807,628
Closing net asset value					
Total assets	25,090,254	30,302,259	5,301,266	5,393,477	66,087,257
Borrowings	(2,225,361)	(9,186,220)	(3,430,500)	-	(14,842,631)
Other liabilities	(961,438)	(1,311,142)	(42,773)	(243,190)	(2,558,543)
Net asset value attributable to equity holders	21,903,455	19,804,897	1,827,443	5,150,287	48,686,083

2 RESULTS OF OPERATIONS (CONTINUED)

2.1 Segment information (continued)

Company - Old basis

Year ended 31 March 2018

	Financial Services	FMCG	Energy	Real Estate	Quoted Equity	Others	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	1,422,522	379,596	-	-	6,755	231,272	2,040,145
Interest income	9,300	-	-	885,983	439,320	12,392	1,346,996
Other income	139,635	-	-	(1,657)	(4,943)	-	133,034
Realised gains	-	-	-	-	8,678	-	8,678
Unrealised value movements	(900,494)	1,579,493	-	3,725,076	32,450	(800,794)	3,635,730
Gross return	670,963	1,959,089	-	4,609,402	482,261	(557,131)	7,164,583
Finance costs	(183,477)	(497,534)	(363)	(792,641)	(14,332)	(158,054)	(1,646,400)
Portfolio costs	(76,292)	(278,352)	(151)	(413,648)	(5,959)	(78,311)	(852,712)
Net return	411,194	1,183,204	(514)	3,403,113	461,970	(793,496)	4,665,471
Tax	1,195	3,438	2	5,557	93	1,227	11,513
Total return	412,389	1,186,642	(512)	3,408,670	462,063	(792,269)	4,676,984
Gross Return on opening shareholder funds (%)	10%	22%	0%	24%	11%	-16%	16%
Return on opening shareholder funds (%)	6%	13%	0%	18%	11%	-22%	10%
Opening net asset value							
Total assets	8,292,096	12,415,245	3,491,163	25,947,637	5,680,939	5,742,953	61,570,033
Borrowings	(1,836,786)	(2,985,927)	(839,642)	(6,247,065)	(1,366,294)	(1,380,412)	(14,656,126)
Other liabilities	29,241	(487,679)	(329)	(827,272)	(535)	(819,708)	(2,106,282)
Net asset value attributable to equity holders	6,484,551	8,941,639	2,651,192	18,873,300	4,314,110	3,542,833	44,807,625
Closing net asset value							
Total assets	6,930,634	14,218,907	1,426,615	30,302,259	5,400,634	7,808,208	66,087,257
Borrowings	(1,050,503)	(1,551,595)	-	(9,186,220)	-	(3,054,314)	(14,842,631)
Other liabilities	(322,993)	(570,011)	-	(1,311,142)	(243,185)	(111,212)	(2,558,543)
Net asset value attributable to equity holders	5,557,139	12,097,301	1,426,615	19,804,897	5,157,449	4,642,682	48,686,083

2 RESULTS OF OPERATIONS

2.1 Segment information (continued)

Company - Old basis

Year ended 31 March 2017

	Financial Services	FMCG	Energy	Real Estate	Quoted Equity	Others	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Dividend income	748,957	376,053	-	360,000	6,728	273,338	1,765,076
Interest income	151,875	-	-	681,381	483,886	9,297	1,326,439
Other income	436	2,650	36,859	47,127	-	58,990	146,062
Realised gains	-	1,062,765	-	-	-	-	1,062,765
Unrealised value movements	(1,297,142)	1,927,992	-	5,696,505	(206,278)	(1,532,813)	4,588,264
Gross return	(395,874)	3,369,460	36,859	6,785,013	284,336	(1,191,188)	8,888,606
Finance costs	(219,852)	(357,397)	(100,500)	(746,953)	(163,537)	(165,323)	(1,753,562)
Portfolio costs	(97,795)	(112,580)	(80,291)	(88,294)	(4,681)	(413,934)	(797,575)
Net return	(713,521)	2,899,483	(143,932)	5,949,766	116,118	(1,770,445)	6,337,469
Tax	(1,603)	(52,824)	-	(58,894)	(41,824)	(22,794)	(177,939)
Total return	(715,124)	2,846,659	(143,932)	5,890,872	74,294	(1,793,239)	6,159,530
Gross Return on opening shareholder funds (%)	-5%	43%	2%	54%	7%	-21%	23%
Return on opening shareholder funds (%)	-9%	36%	-8%	47%	2%	-32%	16%
<u>Opening net asset value</u>							
Total assets	8,940,893	9,179,885	3,113,924	17,099,649	6,126,621	7,081,810	51,542,782
Borrowings	(1,147,842)	(936,345)	(1,410,676)	(3,847,848)	(2,218,898)	(913,378)	(10,474,987)
Other liabilities	(72,874)	(362,429)	-	(719,884)	3,739	(602,806)	(1,754,254)
Net asset value attributable to equity holders	7,720,177	7,881,111	1,703,248	12,531,917	3,911,462	5,565,626	39,313,541
<u>Closing net asset value</u>							
Total assets	8,292,096	12,415,245	3,491,163	25,947,637	5,680,939	5,742,953	61,570,033
Borrowings	(1,836,786)	(2,985,927)	(839,642)	(6,247,065)	(1,366,294)	(1,380,412)	(14,656,126)
Other liabilities	29,241	(487,679)	(329)	(827,272)	(535)	(819,708)	(2,106,281)
Net asset value attributable to equity holders	6,484,551	8,941,639	2,651,192	18,873,300	4,314,110	3,542,833	44,807,626

2 RESULTS OF OPERATIONS (CONTINUED)

2.2 Revenue

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

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

The Group's revenue comprises of the following:

Type	Nature	Description	Recognition
Sale of goods	Beverages	Beverage sales relate to sales by Almasi Beverages Limited and King Beverages Limited who deal in Soft drinks, Coca Cola and Alcoholic beverages respectively.	Revenues from the various sources are recognised in the period in which the company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.
	Educational materials	Sale of educational material is through Longhorn Publishers Limited.	
	Agricultural products	The Group exports exotic herbs through Greenblade Growers Limited.	
Financial services	<ol style="list-style-type: none"> Interest income Fund management income Fees, commissions and trading income Leasing income 	<ol style="list-style-type: none"> Interest income relates to income earned by the Sidian Bank Limited and fixed income investments by the asset management subsidiaries. Fund management income relates to management fees earned by Nabo Capital Limited and GenAfrica Investment Management Limited who are asset managers. Fees, commissions and trading income is the non funded income earned by Sidian Bank Limited. Leasing income relates to rental and finance lease income earned on operating and finance leases provided by Zohari Leasing Limited. 	<ul style="list-style-type: none"> Interest income is accrued using the effective interest rate method, by reference to the principal outstanding and the interest rate applicable. Fund management income is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided. Fees and commissions are recognised on an accrual basis when the service has been provided. Loan commitment fees for advances are credited to income upon first utilisation of the facility and are charged on an annual basis.
Sale of services	<ol style="list-style-type: none"> Project management fees Utilities 	<ol style="list-style-type: none"> Project management fees relate to fees earned by Athena Properties Limited on Real Estate projects. Utilities relate to income earned by Two Rivers Power Company Limited and Two Rivers Water and Sanitation Company Limited on the provision of electricity and water at the Two Rivers Mall. 	<ul style="list-style-type: none"> Project management fees are recognised in the period in which the services are rendered, by reference to completion of the specific project assessed on the basis of the actual service provided as a percentage of the total service to be provided. Electricity and water revenue are recognised when electricity and/or water is consumed by the user and is stated net of value added tax and other Government levies.
Investment income		<ol style="list-style-type: none"> Dividend income Gains on disposal of investments 	<ul style="list-style-type: none"> Dividend income from investments is recognised when the shareholders' right to receive payment has been established. Gains on disposal of investments are recognised when the Company has no unfulfilled obligation that could affect the completion of the transaction.

2 RESULTS OF OPERATIONS (CONTINUED)

2.2 Revenue (continued)	Notes	Group		Company	
		2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Sale of goods and services:					
- Beverage business		8,571,143	8,078,182	-	-
- Publishing business		1,280,482	1,248,058	-	-
- Agribusiness		58,859	15,731	-	-
- Utilities		260,648	59,689	-	-
Total from continuing operations		10,171,132	9,401,660	-	-
Financial services:					
- Banking subsidiary:					
- Interest income		1,889,529	2,833,062	-	-
- Fees, commission and forex trading income		745,322	580,926	-	-
- Other income		21,880	7,102	-	-
- Asset management subsidiaries:					
- Fund management income		124,125	90,409	-	-
- Interest income		35,976	57,376	-	-
- Other income		7,710	21,116	-	-
- Leasing:					
- Interest income		1,603	7,108	-	-
- Lease rentals		17,926	25,777	-	-
- Other income		627	4,436	-	-
Total from continuing operations		2,844,698	3,627,312	-	-
Discontinued operations		542,494	447,652	-	-
		3,387,192	4,074,964	-	-
Others:					
Project, development management and other fees		143,352	137,359	-	-
Other income		30	-	-	-
		13,701,706	13,613,983	-	-
Investment income					
Dividend income		271,069	306,366	2,040,145	1,765,076
Interest income from investing and financing activities		101,149	216,484	1,346,996	1,326,439
Gain on disposal of investments	2.7	786,038	1,033,361	8,678	1,062,765
Gain on disposal of investment property		-	13,328	-	-
Unrealised gains on investment property	5.1	4,181,985	6,452,042	-	-
Unrealised gains/(loss) on government securities		711	2,795	-	-
Other income		228,506	217,432	133,034	146,062
		5,569,458	8,241,808	3,528,853	4,300,342
Dividend income					
Subsidiaries		-	-	1,714,179	1,400,870
Associates		-	-	150,544	141,545
Unquoted investments		207,464	215,933	168,667	215,933
Quoted investments		63,605	90,433	6,755	6,728
		271,069	306,366	2,040,145	1,765,076
2.3 Expenses					
2.3.1 Cost of sales					
Beverage business		5,824,010	5,310,057	-	-
Publishing business		495,225	524,335	-	-
Utilities business		205,236	20,344	-	-
Agribusiness		61,988	14,727	-	-
		6,586,459	5,869,463	-	-

2 RESULTS OF OPERATIONS (CONTINUED)

2.3 Expenses (continued)	Group		Company	
	2018	2017	2018	2017
2.3.1 (b) Operating and administrative expenses	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Employee benefits expense (Note 2.3.2)	2,228,130	2,273,016	313,935	435,614
Directors' fees and expenses	98,493	68,798	23,990	29,777
Auditor's remuneration	57,515	37,106	9,299	7,246
Office rent and service charge	243,378	198,229	16,283	7,119
Depreciation and amortisation	601,224	436,766	6,227	8,646
AGM and annual report printing	30,030	35,459	30,030	35,459
Business development costs	64,991	89,720	11,892	40,681
Advertising and PR costs	13,319	204,232	3,252	7,701
Share registration costs	15,963	11,188	15,963	11,188
Listing expenses	6,699	6,037	5,247	5,408
Consultancy	377,772	145,515	160,315	52,549
Impairment charges	549,599	181,300	-	-
Donations	20,789	59,355	6,644	18,096
Selling and distribution	1,364,473	1,057,780	-	-
Other costs	995,231	976,386	249,636	138,090
	6,667,606	5,780,887	852,713	797,574
Analysed as below:				
Trading subsidiaries	2,515,764	2,335,144	-	-
Financial services subsidiaries	2,123,637	2,323,867	-	-
Other	2,028,205	1,121,876	852,712	797,574
	6,667,606	5,780,887	852,712	797,574

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

2.3.2 Employee benefits expense

Short term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period. A liability is recognised for accumulated leave when there is a present legal or constructive obligation as a result of past service rendered by employees.

A liability for unvested short-term benefits is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- There is a formal plan and the amounts to be paid can be reliably estimated; or
- Achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be reliably estimated.

Retirement benefits obligations

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

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

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

Performance bonus

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

Determination of the bonus pool is as follows:

a. Private equity (Growth) and marketable securities portfolios

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

2 RESULTS OF OPERATIONS (CONTINUED)

2.3.2 Employee benefits expense (continued)

Performance bonus (continued)

Elements of cash return for the two portfolios are:

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

b. Real estate portfolio

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

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

The bonus entitlement for a particular year is paid out to staff in three tranches over a period of three years. The vesting conditions are:

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

The performance hurdle rates described above were not met in the year ended 31 March 2018 and accordingly, no bonus pool has been accrued in relation to the year then ended. However, the above vesting conditions that are required to unlock bonus tranches for the previous years ended 31 March 2017 and 31 March 2016 were met. The bonus accrual set out below for the year ended 31 March 2018 relates to the vested tranches arising from those prior years.

Other entitlements

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

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Salaries	1,661,771	1,433,371	189,569	104,885
Performance bonus	131,443	390,468	92,381	286,323
Retirement benefit scheme contributions	69,830	60,511	10,444	9,813
National Social Security Fund contributions (NSSF)	8,665	4,587	84	54
Accrued leave	29,104	20,348	3,172	9,821
	1,900,813	1,909,285	295,650	410,896
Staff medical expenses	185,518	93,844	7,290	7,781
Other staff costs	141,799	269,887	10,995	16,937
	2,228,130	2,273,016	313,935	435,614
Average number of employees	2,759	2,654	50	42

2.4 Finance costs

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

2 RESULTS OF OPERATIONS (CONTINUED)

2.4 Finance costs (continued)

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Financial services:				
- Interest on customer deposits	491,776	676,795	-	-
- Interest on bank and other borrowings	320,705	317,266	-	-
	812,481	994,061	-	-
Others:				
- Interest on bank and other borrowings	1,159,438	362,941	595,741	225,409
- Commitment and other fees	67,816	23,978	57,775	23,978
- Forex (gains)/ losses on borrowings	(187,918)	102,541	(121,122)	59,541
- Bond issue costs	77,750	124,352	77,750	124,352
- Interest on corporate bonds	1,036,256	1,320,281	1,036,256	1,320,281
	2,153,342	1,934,093	1,646,400	1,753,561
Less: amounts capitalised on qualifying assets (Note 5.1)	(392,141)	(885,722)	-	-
	1,761,201	1,048,371	1,646,400	1,753,561
Total finance costs	2,573,682	2,042,432	1,646,400	1,753,561
Analysed as below:				
Financial services subsidiaries	812,481	994,061	-	-
Other entities*	1,761,201	1,048,371	1,646,400	1,753,561
	2,573,682	2,042,432	1,646,400	1,753,561

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

2.5 Cash generated from operations

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Reconciliation of profit before income tax to cash generated from operations:				
Profit before income tax from:				
Continuing operations	3,146,650	8,735,647	1,029,740	1,749,207
Discontinued operations	201,264	207,556	-	-
Profit before income tax including discontinued operations	3,347,913	8,943,203	1,029,740	1,749,207
Adjustments for:				
Finance costs	2,573,682	2,042,432	1,646,400	1,753,561
Depreciation on property, plant and equipment	1,444,507	1,143,699	5,869	7,871
Amortisation of intangible assets	130,904	121,136	358	775
Gains on disposal of investments	(786,219)	(1,033,362)	(8,678)	(1,062,765)
Fair value gains on investment property	(4,181,985)	(6,452,042)	-	-
Unrealised exchange gains	(228,506)	(146,062)	44,821	(146,062)
Fair value (loss)/gain on government securities through profit and loss	1,051	(2,795)	-	-
Gain on disposal of investment property	-	(13,328)	-	-
Share of profit from joint ventures	(457,920)	(814,249)	-	-
Share of profit from associates	(236,978)	(532,686)	-	-
Changes in working capital:				
- inventories	(66,519)	(55,990)	-	-
- receivables and prepayments	(1,690,453)	(1,894,246)	1,991,396	6,051
- payables and accrued expenses	(253,628)	1,503,792	84,215	(124,771)
- biological assets	8,634	(8,634)	-	-
- finance lease receivable	2,947	(7,921)	-	-
- deferred income	(21,221)	-	-	-
- loans and advances	861,287	320,266	-	-
- customer deposits	3,033,646	(2,241,115)	-	-
	3,481,142	872,098	4,794,121	2,183,867

2 RESULTS OF OPERATIONS (CONTINUED)



2.6 Earnings per share

Basic earnings per share

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

	2018	2017
	Ksh	Ksh
Basic and diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	3.81	10.78
From discontinued operations	0.15	0.16
Total basic and diluted earnings per share attributable to the ordinary equity holders of the company	3.96	10.93
Reconciliation of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basic and diluted earnings per share:		
- From continuing operations	2,534,454	7,170,406
- From discontinued operations	99,463	103,445
	2,633,917	7,273,851
Weighted average number of ordinary shares in issue (thousands)	665,442	665,442

2.7 Gain on disposal of investments

	Group			Cost	Company	
	Carrying value	Proceeds	Gain on disposal		Proceeds	Gain on disposal
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Year ended 31 March 2018						
Quoted investments	531,026	669,801	138,775	10,887	19,565	8,678
Associates	1,262,140	1,909,584	647,444	-	-	-
	1,793,167	2,579,385	786,219	10,887	19,565	8,678
Reserves released on disposal:						
Quoted investments			34,124			(7,399)
Associates			-			-
			34,124			(7,399)
Gains during the year			820,343			1,279
Year ended 31 March 2017						
Quoted investments	938,235	1,023,389	85,154	-	-	-
Associates	947,553	1,895,761	948,208	17,235	1,080,000	1,062,765
	1,885,788	2,919,150	1,033,362	17,235	1,080,000	1,062,765
Reserves released on disposal:						
Quoted investments			(117,008)			-
Associates			-			(720,765)
			(117,008)			(720,765)
Gains during the year			916,354			342,000



3 TAXATION

3. Taxation

3.1 Income tax expense

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

Current tax

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

Deferred tax

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

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

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

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

3.1 Income tax expense (continued)

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
a) Income tax expense				
Current income tax	369,294	602,853	27,164	167,474
Deferred income tax	121,058	(36,469)	(38,677)	10,465
	490,352	566,384	(11,513)	177,939
b) Tax rate reconciliation				
The table below explains the differences between the expected tax expense at the Kenyan statutory tax rate of 30% and the Group's total tax expense.				
Accounting profit before tax	3,146,650	8,735,647	1,029,740	1,749,207
Tax at the applicable rate of 30% (2017: 30%)	943,995	2,620,694	308,922	524,762
Tax effect of:				
Income not taxable	(754,185)	(1,803,077)	(612,044)	(529,523)
Income subject to capital gains tax rate*	(486,994)	(849,767)	-	(266,051)
Expenses not deductible for tax	343,024	380,798	22,640	245,549
Unrecognised deferred tax assets	318,808	217,736	268,968	203,202
Adjustment in respect of prior periods	85,904	-	-	-
Differences in overseas tax rates	39,800	-	-	-
	490,352	566,384	(11,513)	177,939
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	1,062,694	725,786	896,560	677,342
Potential tax benefit at 30%	318,808	217,736	268,968	203,203

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

3 TAXATION (CONTINUED)

3.1 Income tax expense (continued)

d) Unrecognised temporary differences

Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

Foreign currency translation

Undistributed earnings

Unrecognised deferred tax liabilities relating to the above temporary differences

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Foreign currency translation	46,371	131,046	-	-
Undistributed earnings	2,655,955	2,655,955	-	-
	2,702,326	2,787,001	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	270,233	278,700	-	-

Temporary differences of Kshs 46 Million (2017 – Kshs 131 Million) have arisen as a result of the translation of the financial statements of the group's subsidiaries in Mauritius, Uganda and Tanzania. However, a deferred tax liability has not been recognised as the liability will only eventuate in the event of disposal of the subsidiaries, and no such disposals are expected in the foreseeable future.

e) Taxation payable

At start of year

Charge for the year - continuing operations

Charge for the year - discontinued operations

Payments during the year

Reclassified to liabilities held for sale

Prior year under/(over) provision

Analysed as:

Current income tax recoverable

Current income tax payable

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	(97,268)	154,298	53,597	(35,216)
Charge for the year - continuing operations	369,294	602,853	27,164	167,474
Charge for the year - discontinued operations	60,141	65,152	-	-
Payments during the year	(780,613)	(919,571)	(57,009)	(78,661)
Reclassified to liabilities held for sale	18,729	-	-	-
Prior year under/(over) provision	(3,775)	-	-	-
	(433,492)	(97,268)	23,752	53,597
Analysed as:				
Current income tax recoverable	(459,008)	(328,116)	-	-
Current income tax payable	25,516	230,848	23,752	53,596
	(433,492)	(97,268)	23,752	53,596

3.2 Deferred income tax

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2017: 30%) and the capital gains tax rate of 5% (2017: 5%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	2,027,254	2,289,815	1,523,490	1,176,238
Deferred income tax on acquisition of subsidiary	-	(14,474)	-	-
Charge/(credit) to profit or loss	121,058	(35,094)	(38,677)	10,465
(Credit)/charge to other comprehensive income	9,332	(212,993)	365,156	336,787
Reclassified to liabilities held for sale	4,640	-	-	-
	2,162,284	2,027,254	1,849,969	1,523,490
Deferred income tax assets and liabilities are analysed as follows:				
Deferred income tax assets	(460,088)	(237,282)	-	-
Deferred income tax liabilities	2,622,372	2,264,536	1,849,969	1,523,490
	2,162,284	2,027,254	1,849,969	1,523,490

Group

	At start of year Ksh'000	On acquisition/ disposal of subsidiary Ksh'000	Charged/ (credited) to P/L Ksh'000	Charged/ (credited) to OCI Ksh'000	At end of year Ksh'000
Year ended 31 March 2018					
Property, plant and equipment:					
- on historical cost basis	482,384	710	411,224	-	894,318
- on revaluation surplus	129,210	-	-	(23,797)	105,414
Tax losses	(830,910)	-	(827,676)	-	(1,658,586)
Other deductible differences	(239,894)	3,930	(157,384)	-	(393,348)
Exchange differences	(13,081)	-	(50,612)	-	(63,693)
Fair value gains on investment property	2,613,312	-	1,035,039	-	3,648,351
Fair value gains on investments	(113,767)	-	(289,533)	33,129	(370,171)
	2,027,254	4,640	121,058	9,332	2,162,284
Year ended 31 March 2017					
Property, plant and equipment:					
- on historical cost basis	324,871	13,997	143,516	-	482,384
- on revaluation surplus	171,157	-	(41,947)	-	129,210
Tax losses	(889,314)	-	58,404	-	(830,910)
Other deductible differences	(298,058)	(28,457)	86,621	-	(239,894)
Exchange differences	(19,524)	(14)	6,457	-	(13,081)
Fair value gains on investment property	2,588,087	-	25,225	-	2,613,312
Fair value gains on investments	412,596	-	(313,371)	(212,992)	(113,767)
	2,289,815	(14,474)	(35,095)	(212,992)	2,027,254

3 TAXATION (CONTINUED)

3.2 Deferred taxes (continued)

Company

	At start of year	Charged/ (credited) to P/L	Charged/ (credited) to OCI	At end of year
Year ended 31 March 2018				
Property and equipment	1,819	(1,595)	-	224
Other deductible differences	(3,480)	(28,945)	-	(32,425)
Fair value gains on investments	1,525,151	-	365,156	1,890,307
Tax losses	-	(8,137)	-	(8,137)
	<u>1,523,490</u>	<u>(38,677)</u>	<u>365,156</u>	<u>1,849,969</u>
Year ended 31 March 2017				
Property and equipment	42	1,777	-	1,819
Other deductible differences	(12,168)	8,688	-	(3,480)
Fair value gains on investments	1,188,364	-	336,787	1,525,151
	<u>1,176,238</u>	<u>10,465</u>	<u>336,787</u>	<u>1,523,490</u>

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

4. Working

4.1 Inventories

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

	Group	
	2018	2017
	Ksh'000	Ksh'000
Beverage business:		
- Raw materials	681,076	420,559
- Finished products	188,610	218,392
- Bottles, crates and crowns	63,930	27,604
- Spare parts and other inventories	327,044	360,288
- Provision for obsolescence	(8,100)	(61,277)
Publishing business:		
- Educational materials	499,050	727,632
- Provision for obsolescence	(61,825)	(67,824)
Agribusiness:		
- Consumables	2,691	583
	1,692,476	1,625,957

Inventories are held in Almasi Beverages Limited, King Beverages Limited, Longhorn Publishers Limited and Greenblade Growers Limited. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Ksh. 6,586,459,000 (2017:Ksh 5,869,463,000).

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

4.2 Receivables and prepayments

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

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

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Trade receivables	2,926,501	2,127,341	-	-
Less: Provision for impairment	(549,599)	(181,300)	-	-
Net trade receivables	2,376,902	1,946,041	-	-
VAT recoverable	950,716	854,886	-	776
Other receivables*	1,470,156	659,878	300,343	260,836
Reclassification to assets held for sale	(299,059)	-	-	-
Prepayments	679,976	703,844	70,147	2,468
Due from related parties	7.2	-	297,786	-
Dividend receivable	31,620	80,967	242,236	73,828
	5,210,311	4,245,616	910,512	337,908
Amounts due from joint ventures	2,874,414	2,447,715	-	-
Less: Provision for impairment	(2,207,439)	(2,207,439)	-	-
	666,975	240,276	-	-
	5,877,286	4,485,892	910,512	337,908

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

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

4 WORKING CAPITAL (CONTINUED)

4.2 Receivables and prepayments (continued)

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Movement in provision for impairment				
At start of year	258,015	28,304	-	-
On acquisition of subsidiary	-	48,303	-	-
Charge in the year	306,837	181,408	-	-
Write back of provisions	(15,253)	-	-	-
At end of year	549,599	258,015	-	-

4.3 Cash and cash equivalents

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

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Banking subsidiary:				
- Bank balances	4,411,186	4,462,027	-	-
Others:				
- Call deposits (maturing within 90 days)	978,786	520,437	820,950	2,179,075
- Bank balances	632,050	656,319	256,716	267,997
	6,022,022	5,638,783	1,077,666	2,447,072
Reclassified to assets held for sale	(202,203)	-	-	-
	5,819,819	5,638,783	1,077,666	2,447,072
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:				
Call deposits and bank balances	6,022,022	5,638,783	1,077,666	2,447,072
Bank overdrafts	(1,947,576)	(982,157)	(1,947,576)	(982,157)
	4,074,446	4,656,626	(869,910)	1,464,915

At 31 March 2018 the Company had undrawn committed borrowing facilities amounting to Kshs 52,424,000 (2017: Kshs 17,843,000). The effective interest rate for the bank overdraft is 14% (2017: 14%). The overdraft facility is secured by a floating debenture over the corporate bonds and quoted shares.

4 WORKING CAPITAL (CONTINUED)

4.4 Trade and other 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.

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

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Trade payables	1,160,404	1,622,768	-	-
Amounts due to property contractors	1,321,113	562,980	-	-
Accruals	855,642	232,471	10,075	41,168
Other payables*	1,267,271	2,236,207	78,286	51,608
Leave pay accrual	49,387	42,524	14,625	14,949
Reclassified to liabilities held for sale	(183,446)	-	-	-
Dividends payable	30,015	23,473	-	-
Amounts due to related parties	72,796	-	293,798	10,000
Bonus accrual	426,451	716,285	133,900	328,744
	4,999,634	5,436,708	530,684	446,469

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

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

4.5 Deferred income

	Group	
	2018 Ksh'000	2017 Ksh'000
Deferred income	90,239	111,460
The deferred income will be amortised as follows:		
Within 1 year	28,196	23,387
Within 2 to 5 years	59,073	59,677
After 5 years	2,970	28,396
	90,239	111,460
Almasi Bottlers Limited	82,579	111,460
Zohari Leasing Limited	7,660	-
	90,239	111,460

Almasi Beverages Limited

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

Zohari Leasing Limited

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

5 INVESTMENTS

5.1 Investment properties

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

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

	Group	
	2018 Ksh'000	2017 Ksh'000
At start of year	27,311,091	16,514,196
Acquisitions	-	1,465,718
Capitalised subsequent expenditure	1,098,049	3,054,953
Capitalised borrowing costs	392,141	885,722
Transfers to other assets	(96,153)	-
Transfers to property, plant and equipment	(154,451)	(790,878)
Fair value gains to profit or loss	4,181,985	6,452,042
Currency translation differences	(13,995)	(270,662)
At end of year	32,718,667	27,311,091

Capitalised borrowing costs

Capitalised borrowing costs relate to interest costs incurred during the development phase of Pearl Marina Estates Limited and Vipingo Development Limited. An average cost of debt of 12.89% (2017: 14%) was used as a basis for capitalisation.

Cashflows

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

Actual cash payments	361,238	2,305,561
Accrued invoices at year end	736,811	2,215,110
	1,098,049	4,520,671

5.2 Unquoted investments

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	4,226,166	5,977,198	3,796,836	5,545,001
Additions	263,727	37,993	217,261	-
Reclassification from associates	294,863	-	294,863	-
Transfers from other assets	44,000	-	44,000	-
Fair value (losses)/gains to other comprehensive income	(465,781)	(1,789,025)	(466,180)	(1,748,165)
At end of year	4,362,975	4,226,166	3,886,780	3,796,836

The Group's unquoted investments relate to investments in General Motors East Africa, Nas Servair, Africa Crest Education (ACE) Holdings and Nabo Unit Trusts Fund.

Other than Africa Crest Education (ACE) Holdings, the fair value of unquoted investments is estimated using the earnings multiples method. The earning multiples are derived from comparable listed companies at the year-end, adjusted for points of difference between the comparable company and the company being valued.

Africa Crest Education (ACE) Holdings is carried at cost as the fair value cannot be reliably determined at this stage given the level of development of the asset. This is a private equity investment with no quoted market. See detailed disclosure under Note 1.5.2.

5.3 Quoted investments

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	1,223,152	1,369,032	99,957	156,119
Additions	386,106	1,169,312	-	-
Disposals	(422,593)	(938,235)	(10,887)	-
Reserves released on disposal	(34,124)	(117,008)	(8,587)	-
Currency translation differences	1,963	-	-	-
Fair value gains/(losses) to other comprehensive income	584,324	(259,949)	17,651	(56,162)
At end of year	1,738,828	1,223,152	98,134	99,957

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

6.1 Interest in subsidiaries

The companies interest in subsidiaries is as set out below:

	Ownership %	Cost			Cumulative fair value gains			Fair value	
		01-Apr-17	31-Mar-18	01-Apr-17	In the year	31-Mar-18	31-Mar-17	31-Mar-18	
		Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	
Athena Properties Limited	100%	114,735	114,735	(89,642)	(25,093)	(114,735)	-	25,093	
Rasimu Limited	100%	100	100	755,669	(45,587)	710,082	710,182	755,769	
Centum BVI Limited	100%	8	8	(8)	-	(8)	-	-	
Two Rivers Development Limited	58.33%	1,216,458	1,216,458	11,099,531	41,417	11,140,948	12,357,405	12,315,989	
Uhuru Heights Limited	100%	100	100	261,249	20,202	281,451	281,551	261,349	
eTransact Limited	100%	100	100	(100)	-	(100)	-	-	
Centum Exotics Limited	100%	100	100	(100)	23,366	23,266	23,366	-	
Centum Development Limited	100%	91	91	860,805	2,676,460	3,537,265	3,537,356	860,896	
Nabo Capital Limited	100%	438,000	438,000	(27,198)	(7,003)	(34,201)	403,799	410,802	
Investpool Holdings Limited	100%	68	68	2,117,079	(2,117,147)	(68)	-	2,117,147	
GenAfrica Investment Management Limited	73.35%	1,079,453	1,079,453	324,730	920,047	1,244,777	2,324,230	1,404,183	
Mvuke Limited	100%	100	100	(100)	-	(100)	-	-	
Centum Business Solutions Limited	100%	100	100	17,419	(17,519)	(100)	-	17,519	
King Beverage Limited	100%	68,000	68,000	(68,000)	-	(68,000)	-	-	
Almasi Beverages Limited	53.85%	3,254,023	3,261,043	4,462,449	973,333	5,435,782	8,696,825	7,716,472	
Bakki Holdco Limited	100%	3,447,650	3,728,036	(215,417)	377,206	161,789	3,889,825	3,232,233	
Vipingo Development Limited	100%	364	364	3,950,499	1,195,330	5,145,829	5,146,193	3,950,863	
Vipingo Estates Limited	100%	386,209	386,209	703,419	(82,462)	620,957	1,007,166	1,089,628	
Greenblade Growers Limited	100%	210,072	258,482	(2,968)	(195,192)	(198,160)	60,322	207,104	
Mwaya Investments Company Limited	100%	1,000	1,000	(1,000)	-	(1,000)	-	-	
Longhorn Publishers Limited	60.20%	749,866	749,866	(11,803)	24,602	12,799	762,665	738,063	
Zohari Leasing Limited	100%	214,428	214,428	(6,647)	5,194	(1,453)	212,975	207,781	
Tribus TSG Limited	100%	-	100	-	-	-	100	-	
		11,181,025	11,516,940	24,129,866	3,767,153	27,897,019	39,413,960	35,310,891	

Reclassification to assets held for sale:

GenAfrica Investment Management Limited		(1,079,453)	-	(324,730)	(920,047)	(1,244,777)	(2,324,230)	(1,404,183)
		10,101,572	335,915	23,805,136	2,847,106	26,652,242	37,089,730	33,906,708

6 GROUP COMPOSITION (CONTINUED)

6.1 Interest in subsidiaries (continued)

The companies interest in subsidiaries is as set out below:

	Company	Ownership %	Cost		Cumulative fair value gains				Fair Value	
			01-Apr-16	Additions	31-Mar-17	01-Apr-16	In the year	31-Mar-17	31-Mar-16	31-Mar-17
			Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Athena Properties Limited		100%	114,735	-	114,735	337,493	(427,135)	(89,642)	25,093	452,228
Rasimu Limited		100%	100	-	100	719,899	35,770	755,669	755,769	719,999
Centum BVI Limited		100%	8	-	8	(8)	-	(8)	-	-
Two Rivers Development Limited		58%	1,216,458	-	1,216,458	9,516,587	1,582,944	11,099,531	12,315,999	10,733,045
Uhuru Heights Limited		100%	100	-	100	207,023	54,226	261,249	261,349	207,123
eTransact Limited		100%	100	-	100	(100)	-	(100)	-	-
Centum Exotics Limited		100%	100	-	100	146,277	(146,377)	(100)	(0)	146,377
Centum Development Limited		100%	91	-	91	1,064,023	(203,218)	860,805	860,896	1,064,114
Nabo Capital Limited		100%	438,000	-	438,000	390,470	(417,668)	(27,198)	410,802	828,470
Kilele Holdings Limited		100%	68	-	68	2,119,142	(2,063)	2,117,079	2,117,147	2,119,210
GenAfrica Investment Management Limited		73%	1,079,453	-	1,079,453	78,120	246,610	324,730	1,404,183	1,157,573
Mvuke Limited		100%	100	-	100	(100)	-	(100)	0	-
Centum Business Solutions Limited		100%	100	-	100	-	17,419	17,419	17,519	100
King Beverage Limited		100%	68,000	-	68,000	(68,000)	-	(68,000)	-	-
Almasi Beverages Limited		52%	2,173,633	1,080,390	3,254,023	1,371,738	3,090,711	4,462,449	7,716,472	3,545,371
Bakki Haldco Limited		100%	3,447,650	-	3,447,650	520,535	(735,952)	(215,417)	3,232,233	3,968,185
Vipingo Development Limited		100%	100	264	364	-	3,950,499	3,950,499	3,950,863	100
Vipingo Estates Limited		100%	386,209	-	386,209	-	703,419	703,419	1,089,628	386,209
Greenblade Growers Limited		100%	89,059	121,013	210,072	(6,609)	3,641	(2,968)	207,104	82,450
Mwaya Investments Company Limited		100%	1,000	-	1,000	(382)	(618)	(1,000)	-	618
Longhorn Publishers limited		60%	-	749,866	749,866	-	(11,803)	(11,803)	738,063	-
Zohari Leasing Limited		100%	-	214,428	214,428	-	(6,647)	(6,647)	207,781	-
			9,015,064	2,165,961	11,181,025	16,396,108	7,733,758	24,129,866	35,310,891	25,411,172

6 GROUP COMPOSITION (CONTINUED)

6.1 Interest in subsidiaries (continued)

i) Incorporation and principal activity

Company	Country of incorporation	Classification	Principal activity
Athena properties Limited	Kenya	Investment operations	End-to-end project and development management services for real estate projects
Rasimu Limited	Kenya	Investment operations	Investment holding company. At 31 March 2018, the company's sole holding was a 3.65% stake in Two Rivers Development Limited
Pearl Marina Estates Limited	Uganda	Investment operations	Real estate development in Uganda
Two Rivers Development Limited	Kenya	Investment operations	Real estate development. The company is developing the Two Rivers project in Nairobi. The company holds a joint controlling stake of 50% at Two Rivers Lifestyle Center Limited and a 100% stake in Two Rivers Luxury Apartments Limited, Two Rivers Power Company Limited, Two Rivers Water and Sewerage Company Limited, Two Rivers Property Owners Limited, Two Rivers Office Suites Limited, Two Rivers Development Phase 2 Limited and Two Rivers Theme Park Limited.
Uhuru Heights Limited	Kenya	Investment operations	The company is an investment holding company. At 31 March 2018, the company's holdings were a 1.05% stake in Two Rivers Development Limited and investment property
Centum Exotics Limited	Mauritius	Investment operations	The company is engaged in investment in quoted private equity investments. At 31 March 2018, the company held 100% stake in Oleibon Investments Limited.
Centum Development Limited	Mauritius	Investment operations	The company is an investment holding company for real estate development. At 31 March 2018, the company's sole holding was in Pearl Marina Estates Limited
Nabo Capital Limited	Kenya	Financial services	The company is involved in fund management and transaction advisory services.
Investpool Holdings Limited	Mauritius	Investment operations	Investment Holding Company. At 31 March 2018, the company held 100% of Kilele Holdings Limited that is a private equity holding company and Mvuke Limited that is a special purpose vehicle to explore Geothermal opportunities in Africa.
GenAfrica Asset Managers Limited	Kenya	Financial services	Provision of fund management services. Currently carried as asset held for sale.
Centum Business Solutions Limited	Kenya	Investment operations	Provision of shared services to Centum Investment Company Plc and its subsidiaries.
King Beverages Limited	Kenya	Trading	Importation, distribution and sale of alcoholic beverages
Almasi Beverages Limited	Kenya	Trading	Investment holding company for Mount Kenya Bottlers, Kisii Bottlers and Rift Valley Bottlers Limited. The principal activity of these subsidiaries is to bottle and market soft drinks under a franchise from the Coca-Cola Company.
Bakki Holdco Limited	Kenya	Financial services	Holding company for the Group's investment in Sidian Bank Limited.
Vipingo Development Limited	Kenya	Investment operations	Real estate development
Vipingo Estates Limited	Kenya	Investment operations	Real estate development
Greenblade Growers Limited	Kenya	Trading	Agricultural production

6 GROUP COMPOSITION (CONTINUED)

6.1. Interest in subsidiaries (continued)

i) Incorporation and principal activity

Company	Country of incorporation	Classification	Principal activity
Shefa Holdings Limited	Mauritius	Investment operations	Private equity investments
Zohari Leasing Limited	Kenya	Financial services	Leasing services
Mvuke Limited	Kenya	Investment operations	Investment holding company for Akiira Geothermal Limited.
eTransact Limited	Kenya	Investment operations	Dormant entity
Centum BVI Limited	British Virgin Islands	Investment operations	Dormant entity
Mwaya Investment Company Limited	Mauritius	Investment operations	Private equity investments
Longhorn Publishers Limited	Kenya	Trading	Public limited liability company involved in publishing and distribution of learning materials in Kenya and East Africa.
Tribus TSG Limited	Kenya	Investment operations	Training, security and governance consultancy services.

6.1 Interest in subsidiaries (Continued)

ii) Significant restrictions

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

iii) Non controlling interests

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

	GenAfrica Asset Managers Limited		Sidian Bank Limited		Almasi Beverages Limited		Two Rivers Development Limited		Longhorn Publishers Limited	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised balance sheet										
Current assets	501,261	323,072	9,969,025	9,132,090	3,782,809	3,142,448	6,475,132	862,144	1,291,622	1,340,811
Current liabilities	(202,174)	(51,161)	(17,485,705)	(13,258,526)	(2,011,450)	(1,587,328)	(1,764,236)	(1,528,066)	(440,639)	(767,974)
Net current assets	299,087	271,911	(7,516,680)	(4,126,437)	1,771,359	1,555,120	4,710,896	(665,922)	850,983	572,837
Non current assets	76,434	38,185	11,864,531	11,902,945	7,108,083	6,419,125	22,481,143	25,121,730	632,197	293,867
Non current liabilities	(883)	-	(718,503)	(3,900,043)	(1,352,756)	(1,790,476)	(8,814,081)	(5,525,329)	(574,159)	-
Net non current assets	75,551	38,185	11,146,028	8,002,903	5,755,328	4,628,649	13,667,061	19,596,401	58,038	293,867
Net assets	374,638	310,096	3,629,348	3,876,466	7,526,687	6,183,769	18,377,957	18,930,479	909,021	866,704
Accumulated non controlling interests	99,841	82,641	834,024	1,007,881	3,473,566	2,853,809	7,658,095	7,888,331	361,790	344,948
Summarised income statement										
Income	542,494	447,652	2,659,267	3,421,090	8,348,883	7,959,353	313,277	837,622	1,280,482	1,248,058
Profit for the year	134,235	141,029	(439,245)	(221,714)	920,563	765,469	(1,004,590)	1,948,984	106,756	136,482
Other comprehensive income	-	-	-	-	(394,057)	170	-	129,324	-	-
Total comprehensive income	134,235	141,029	(439,245)	(221,714)	526,505	765,639	(1,004,590)	2,078,308	106,756	136,482
Profit allocated to non controlling interests	35,774	37,584	(100,938)	(57,646)	242,982	353,342	(418,613)	812,064	42,489	54,320
Dividends paid to non controlling interests	44,985	31,980	-	-	196,301	68,131	-	-	41,389	37,951

6.2 Investment in associates and joint ventures

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

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

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

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

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

6.2.1 Investment in associates

Set out below are the associates of the Group at 31 March 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest	
		2018	2017
Nairobi Bottlers Limited	Kenya	27.62%	27.62%
UAP Financial Services Limited	Uganda	29.00%	29.00%
Platcorp Holdings Limited	Mauritius	-	27.63%
Akiira Geothermal Limited	Kenya	37.50%	37.50%
Africa Crest Education (ACE) Holdings	Dubai	-	40.00%

*The Group disposed of its entire stake in Platcorp Holdings Limited during the year.

6 GROUP COMPOSITION (CONTINUED)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Movements in investments in associates is as follows:

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	4,135,409	4,477,705	4,686,675	5,655,429
Share of profits after taxation	236,978	532,686	-	-
Fair value gain/(loss)	-	-	689,661	(283,617)
Dividends received	(150,544)	(277,326)	-	-
Additions during the year	81,149	633,998	-	294,863
Reclassification to unquoted investments	(294,863)	-	(294,863)	-
Disposals at cost	-	-	-	(17,235)
Disposal on acquisition of control	-	(284,101)	-	(242,000)
Disposal at share of net assets	(1,262,140)	(947,553)	-	-
Reserves released on disposal	-	-	-	(720,765)
	2,745,989	4,135,409	5,081,473	4,686,675

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

The Group used audited financial statements for associates for the year ended 31 December 2017 to account for the Group's investment in associates using the equity method. Significant transactions (if any) in the intermediate period are adjusted.

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

Disposal of associates

Year ended 31 March 2018

On 21 March 2018, Kilele Holdings Limited (a wholly owned subsidiary) sold its entire 27.63% equity investment in Platcorp Holdings Limited for cash.

The gains on disposal are as shown below:

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Proceeds on disposal	1,909,584	1,895,760	-	1,080,000
Carrying value	(1,262,140)	(947,553)	-	(17,235)
Gain on disposal	647,444	948,207	-	1,062,765

Year ended 31 March 2017

Centum Investment Company Plc disposed off its 26.43% investment in KWAL Holdings Limited.

Kilele Holdings Limited sold 9.27% of its investment in Platcorp Holdings Limited.

6 GROUP COMPOSITION (CONTINUED)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Summarised financial information of associates

Set out below is the summarised financial information of the associates that are material to the Group. The summarised financial information is adjusted to reflect adjustments made by the Group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy. There were no modifications for differences in accounting policy in 2018 and 2017.

	Fast moving consumer goods		Financial services		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Summarised statement of financial position								
Cash and cash equivalent	145,807	154,471	-	1,443,934	-	-	145,807	1,598,405
Other current assets	4,718,817	3,277,195	-	982,404	-	-	4,718,817	4,259,599
Total current assets	4,864,624	3,431,666	-	2,426,338	-	-	4,864,624	5,858,004
Non current assets	11,697,527	10,698,639	-	8,483,580	-	-	11,697,527	19,182,219
Financial liabilities (excluding trade payables)	(2,514,787)	(1,955,624)	-	-	-	-	(2,514,787)	(1,955,624)
Other current liabilities	(5,495,149)	(4,189,571)	-	(1,145,670)	-	-	(5,495,149)	(5,335,241)
Total current liabilities	(8,009,936)	(6,145,195)	-	(1,145,670)	-	-	(8,009,936)	(7,290,865)
Financial liabilities	(1,756,140)	(1,866,667)	-	(7,669,834)	-	-	(1,756,140)	(9,536,501)
Other non current liabilities	(1,981,091)	(1,598,359)	-	-	-	-	(1,981,091)	(1,598,359)
Total non current liabilities	(3,737,231)	(3,465,026)	-	(7,669,834)	-	-	(3,737,231)	(11,134,860)
Net assets	4,814,984	4,520,084	-	2,094,414	-	-	4,814,984	6,614,498
Reconciliation to carrying amounts:								
Opening net assets at 1 April:	4,520,084	6,307,273	2,094,413	1,572,152	-	438,395	6,614,497	8,317,820
Profit for the year	857,993	791,551	-	872,142	-	-	857,993	1,663,693
Other comprehensive income	-	-	-	-	-	-	-	-
Derecognition of net assets on disposal*	-	(2,134,827)	(2,094,413)	-	-	(438,395)	(2,094,413)	(2,573,222)
Dividends paid	(563,093)	(443,913)	-	(349,881)	-	-	(563,093)	(793,794)
Closing net assets	4,814,984	4,520,084	-	2,094,413	-	-	4,814,984	6,614,497

6 GROUP COMPOSITION (CONTINUED)

6.2 Investment in associates and joint ventures (continued)

6.2.1 Investment in associates (continued)

Summarised financial information of associates (continued)

	Fast moving consumer goods		Financial services			Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	
Summarised statement of comprehensive income									
Revenue	15,593,512	14,573,005	-	-	-	-	15,593,512	14,573,005	
Interest income	-	-	-	4,044,279	-	-	-	4,044,279	
Interest expense	(352,898)	(235,281)	-	(1,212,541)	-	-	(352,898)	(1,447,822)	
Income tax expense	(454,687)	(371,676)	-	(439,754)	-	-	(454,687)	(811,430)	
Profit/(loss) for the period	857,993	791,551	-	872,142	-	-	857,993	1,663,693	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income	857,993	791,551	-	872,142	-	-	857,993	1,663,693	
Dividends received from associates	150,544	141,545	-	135,781	-	-	150,544	277,326	

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

*The net assets derecognised on disposal relate to the net assets of Platcorp Holdings Limited that was disposed off during the year.

6 GROUP COMPOSITION (CONTINUED)

6.2 Investment in associates and joint ventures (continued)

6.2.2 Investment in joint ventures

Set out below are the joint ventures of the Group at 31 March 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest	
		2018	2017
Two Rivers Lifestyle Centre Limited	Mauritius	50%	50%
Amu Power Company Limited	Kenya	51%	51%

Movements in joint ventures are as follows:

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	9,384,701	8,570,126	2,144,452	2,144,126
Share of profits after tax	457,920	814,249	-	-
Foreign exchange loss	(44,821)	36,859	(44,821)	36,859
Disposal	-	(36,533)	-	(36,533)
	9,797,800	9,384,701	2,099,631	2,144,452

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

The Group used audited financial statements of Two Rivers Lifestyle Centre Limited for the year ended 31 March 2018 to account for the Group's joint ventures using the equity method. Amu Power Company Limited is carried at cost and still in the development phase. This is a private equity investment with no quoted market. Significant transactions in the intermediate period are adjusted.

i) Summarised financial information for joint ventures

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

6 GROUP COMPOSITION (CONTINUED)

6.2 Investment in associates and joint ventures (continued)

6.2.2 Investment in joint ventures (continued)

i) Summarised financial information for joint ventures (continued)

	Two Rivers Lifestyle Centre Limited	
	2018	2017
	Ksh'000	Ksh'000
Summarised balance sheet		
Current assets:		
- Cash and cash equivalent	30,394	175,042
- Other current assets	2,172,057	1,650,829
Total current assets	2,202,451	1,825,871
Non current assets	22,480,598	21,242,177
Current liabilities:		
- Financial liabilities (excluding trade payables)	(111,835)	(2,516,789)
- Other current liabilities	(1,671,216)	(1,706,817)
Total current liabilities	(1,783,051)	(4,223,606)
Non current liabilities		
- Financial liabilities (excluding trade payables)	(7,877,795)	(7,374,704)
- Other current liabilities	(2,636,626)	-
Total non current liabilities	(10,514,421)	(7,374,704)
Net assets	12,385,577	11,469,738
Reconciliation to carrying amounts:		
At start of year	11,469,738	9,841,240
Profit/loss for the year	915,839	1,628,498
Other comprehensive income	-	-
Capital contribution	-	-
Dividends paid	-	-
At end of year	12,385,577	11,469,738
Group's share in %	50%	50%
Group's share in Kes	6,192,789	5,734,869
Goodwill	-	-
Carrying amount	6,192,789	5,734,869
Summary statement of comprehensive income		
Income	871,861	600,764
Interest income	584	10,831
Depreciation and amortisation	(48,241)	(5,865)
Interest expense	(597,927)	(74,942)
Income tax credit/(expense)	1,459,356	1,396,503
Profit for the year	915,839	1,628,498
Other comprehensive income	-	-
Total comprehensive income	915,839	1,628,498

ii) Other joint ventures

In addition to the interest in joint ventures disclosed above, the Group also has interests in Amu Power Company Limited.

The carrying amount of the investment is at the historical cost and represents the Group's investments in the company's power project. The management considers the cost to be the estimate of fair values.



6.3 Discontinued operations

a) Description

On 20 March 2018 the Group announced its intention to exit the asset management business and initiated an active program to locate a buyer for its subsidiary, GenAfrica Asset Managers Limited. At 31 March 2018, a buyer had been identified and a memorandum of understanding signed between the parties. The associated assets and liabilities are consequently presented as held for sale. See note 8.6.

b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the 12 months ended 31 March 2018 and 31 March 2017.

	Note	2018 Ksh'000	2017 Ksh'000
Revenue	2.2	542,494	447,652
Operating and administrative expenses		(341,230)	(240,096)
Profit before tax		201,264	207,556
Income tax expense		(65,664)	(66,527)
Profit after income tax of discontinued operation		135,600	141,029
Other comprehensive income		-	-
Total comprehensive income of discontinued operation		135,600	141,029
Net cash inflow from operating activities		170,430	-
Net cash inflow from investing activities		(46,393)	-
Net cash outflow from financing activities		(70,000)	-
Net increase in cash generated by the subsidiary		54,037	-

c) Assets and liabilities classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2018:

	2018 Ksh'000	2017 Ksh'000
Assets classified as held for sale		
Property and equipment	18,794	-
Intangible assets	57,640	-
Trade and other receivables	299,059	-
Cash and cash equivalents	202,203	-
Total assets of disposal group held for sale	577,695	-
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	(183,446)	-
Current tax liabilities	(18,729)	-
Deferred tax liabilities	(883)	-
Total liabilities of disposal group held for sale	(203,058)	-

7 OTHER FINANCIAL ASSETS AND LIABILITIES

7. Other financial assets and liabilities

7.1 Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the bank as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the bank's loans and advances are included in the loans and receivables category.

	Group	
	2018	2017
	Ksh'000	Ksh'000
Term loans	11,809,445	12,631,375
Overdrafts	822,227	797,913
Gross loans and advances	<u>12,631,672</u>	<u>13,429,288</u>
Provision for impaired loans and advances	(859,551)	(795,880)
	<u>11,772,121</u>	<u>12,633,408</u>
Analysis of gross loans and advances by maturity		
Maturing within one year	1,790,219	2,435,631
Between two and three years	4,151,554	2,443,672
Over 3 years	6,689,899	8,549,985
	<u>12,631,672</u>	<u>13,429,288</u>

Loans and advances are held by Sidian Bank Limited.

The aggregate amount of non-performing advances was Ksh 2,614,882,587 (2017: Ksh 3,373,284,000) against which provisions of Ksh 859,551,000 (2017: ksh 795,880,000) in addition to the suspended interest as shown above. The weighted average effective interest rate on loans and advances as at 31 March 2018 was 14% (2017: Shs 14%).

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

	Group	
	2018	2017
	Ksh'000	Ksh'000
Fair value of collateral held	<u>27,847,691</u>	<u>26,577,236</u>

7.1 Loans and advances (continued)

Impairment of loans and advances

The bank assesses at each reporting date whether there is objective evidence that a loan or group of loans is impaired. A loan or group of loans is impaired if objective evidence indicates that a loss event has occurred after initial recognition which has a negative effect on the estimated future cash flows of the loan or group of loans that can be estimated reliably.

Criteria that are used by the bank in determining whether there is objective evidence of impairment include:

- known cash flow difficulties experienced by the borrower;
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- breaches of loan covenants or conditions;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the bank would not otherwise consider.

The bank first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Non-performing loans include those loans for which the bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. The impairment of non-performing loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as specifically impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

The calculation of the present value of the estimated future cash flows of collateralised financial assets recognised on an amortised cost basis includes cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If the bank determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of financial loans with similar credit risk characteristics and collectively assesses for impairment. Loans that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment for impairment.

Impairment of groups of loans that are assessed collectively is recognised where there is objective evidence that a loss event has occurred after the initial recognition of the group of loans but before the reporting date. In order to provide for latent losses in a group of loans that have not yet been identified as specifically impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods (time period between the loss trigger events and the date on which the bank identifies the losses). Groups of loans are also impaired when adverse economic conditions develop after initial recognition, which may impact future cash flows. The carrying amount of groups of loans is reduced through the use of a portfolio credit impairment account and the loss is recognised as a credit impairment charge in profit or loss.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired (including loans that have been written off), are reflected within credit impairment charges in profit or loss.

Previously impaired loans are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

7 OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

7.1 Loans and advances (continued)

Renegotiated loans (continued)

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Collateral on loans and advances

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, business holding approved collateral must ensure that they are legally perfected devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

Valuation of collateral taken will be within agreed parameters and will be conservative in value. The valuation is performed only on origination or in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.

The Group will consider all relevant factors, including local market conditions and practices, before any collateral is realized.

7 OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)



7.1 Loans and advances (continued)

Charge to profit or loss:	Group		
	2018 Ksh'000	2017 Ksh'000	
Provision in the year	463,544	326,645	
Recoveries on amounts previously provided for	(14,373)	(12,693)	
	449,171	313,952	
Statement of financial position:			
	Individually assessed Ksh'000	Collectively assessed Ksh'000	Total Ksh'000
Year ended 31 March 2018			
At start of year	691,267	104,613	795,880
Provision for impairment losses	456,210	7,334	463,544
Loans written off in the year	(399,873)	-	(399,873)
	56,337	7,334	63,671
At end of year	747,604	111,947	859,551
Year ended 31 March 2017			
At start of year	588,282	106,082	694,364
Provision for impairment losses	337,535	(10,890)	326,645
Loans written off in the year	(234,550)	9,421	(225,129)
	102,985	(1,469)	101,516
At end of year	691,267	104,613	795,880

The directors believe that the net recoverable amounts are reasonable based on past experience.

7 OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

7.2 Government securities and corporate bonds:

	Notes	Group		Company	
		2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Government securities at fair value through profit or loss	7.2.1	401,555	51,662	-	-
Government securities at amortised cost	7.2.2	3,151,297	2,225,716	-	-
Corporate bonds at amortised cost	7.2.3	143,694	744,120	-	-
Commercial papers at amortised cost	7.2.4	359,881	-	297,786	-
		<u>4,056,427</u>	<u>3,021,498</u>	<u>297,786</u>	<u>-</u>

7.2.1 Government securities at fair value through profit or loss

At start of year	51,662	584,739	-	-
Additions	398,739	199,705	-	-
Disposals	(50,922)	(736,317)	-	-
Accrued interest	3,127	740	-	-
Fair value gains/(losses)	(1,051)	2,795	-	-
At end of year	<u>401,555</u>	<u>51,662</u>	<u>-</u>	<u>-</u>

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

7.2.2 Government securities at amortised cost	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	2,225,716	2,502,497	-	-
Additions	1,886,843	10,400	-	-
Disposals	(1,202,244)	(363,815)	-	-
Accrued interest	240,981	76,634	-	-
At end of year	<u>3,151,296</u>	<u>2,225,716</u>	<u>-</u>	<u>-</u>

7.2.3 Corporate bonds at amortised cost

At start of year	744,120	903,593	-	-
Additions	-	157,460	-	-
Impairment of Chase Bank Bond	(200,000)	-	-	-
Accrued interest	5,990	(747)	-	-
Maturities	(406,415)	(316,186)	-	-
At end of year	<u>143,695</u>	<u>744,120</u>	<u>-</u>	<u>-</u>

7 OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)



7.2.4 Commercial papers at amortised cost

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	-	-	-	-
Additions	340,942	-	287,442	-
Accrued interest	18,939	-	10,344	-
At end of year	<u>359,881</u>	<u>-</u>	<u>297,786</u>	<u>-</u>

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

Year ended 31 March 2018

	0 - 180 days Ksh'000	181 days - 1 year Ksh'000	1 - 5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Government securities at fair value through profit and loss	-	-	-	401,555	401,555
Government securities at amortised cost	-	3,151,296	-	-	3,151,296
Corporate bonds at amortised cost	-	-	143,695	-	143,695
Commercial papers at amortised cost	-	359,881	-	-	359,881
	<u>-</u>	<u>3,511,178</u>	<u>143,695</u>	<u>401,555</u>	<u>4,056,427</u>

Year ended 31 March 2017

Government securities at fair value through profit and loss	-	-	-	51,662	51,662
Government securities at amortised cost	653,186	10,400	-	1,562,130	2,225,716
Corporate bonds at amortised cost	-	62,986	681,134	-	744,120
	<u>653,186</u>	<u>73,386</u>	<u>681,134</u>	<u>1,613,792</u>	<u>3,021,498</u>

Customer deposits

	Group	
	2018 Ksh'000	2017 Ksh'000
Call and fixed deposits	5,971,952	4,341,785
Current and demand accounts	4,595,765	3,537,076
Savings accounts:		
- micro savers	1,175,773	1,401,649
- others	1,088,905	518,239
	<u>12,832,395</u>	<u>9,798,749</u>
Analysis of customer deposits by maturity:		
Payable within one year	12,558,952	6,051,961
Between one year and three years	273,443	3,746,788
	<u>12,832,395</u>	<u>9,798,749</u>

Customer deposits are held in Sidian Bank Limited

8 NON FINANCIAL ASSETS

8.1 Property, plant and equipment

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

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

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

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

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

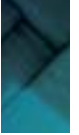
Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

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

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

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

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



8.1 Property, plant and equipment (continued)

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill arising from business combinations is allocated to CGUs or the group of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

8 NON FINANCIAL ASSETS (CONTINUED)

8.1 Property, plant and equipment (continued)

Group	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Bottles, coolers, crates	Work in progress*	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2017								
Cost or valuation	2,394,628	3,478,588	1,208,331	416,748	473,595	1,657,991	2,762,077	12,391,958
Accumulated depreciation	(91,218)	(558,588)	(439,430)	(156,540)	(229,629)	(844,545)	-	(2,319,950)
Net book amount	2,303,410	2,920,000	768,901	260,208	243,966	813,446	2,762,077	10,072,008
Year ended 31 March 2016								
Opening net book amount	2,303,410	2,920,000	768,901	260,208	243,966	813,446	2,762,077	10,072,008
Additions	29,552	733,135	163,836	324,183	43,149	288,549	169,653	1,752,058
Transfers**	-	2,157,247	-	-	-	-	(2,157,247)	-
Disposals	(370)	153,996	(5,089)	(114,331)	(187)	(30,072)	(251,365)	(247,418)
Reclassification to assets classified as held for sale	(280,000)	(746)	(628)	(3,153)	(14,267)	-	-	(298,794)
Revaluation deficit	(404,353)	-	-	-	-	-	-	(404,353)
Depreciation released on revaluation	126,441	-	-	-	-	-	-	126,441
Depreciation released on disposal	-	43,876	4,939	6,180	32	-	-	110,027
Depreciation charge	(49,239)	(493,945)	(84,759)	(112,177)	(41,160)	(663,226)	-	(1,444,507)
Closing net book amount	1,725,441	5,513,562	847,200	415,910	231,533	408,697	523,118	9,665,461
At 31 March 2018								
Cost or valuation	1,739,457	6,513,597	1,348,240	620,913	495,232	1,916,468	523,118	13,157,025
Accumulated depreciation	(14,016)	(1,000,035)	(501,040)	(205,003)	(263,699)	(1,507,771)	-	(3,491,564)
Net book amount	1,725,441	5,513,562	847,200	415,910	231,533	408,697	523,118	9,665,461

The revaluation surplus relates to land and buildings of Almasi Beverages Limited and Longhorn Publishers Limited. They were valued by an independent valuer.

*relates to installation works at Two Rivers Theme Park Limited and Almasi Bottlers Limited.

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

8 NON FINANCIAL ASSETS (CONTINUED)

8.1 Property, plant and equipment (continued)

Group	Land and buildings	Factory, plant and equipment	Office furniture and fittings	Motor vehicles	Computers	Bottle coolers	Work in progress	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2016								
Cost or valuation	1,097,857	2,352,360	861,897	263,626	329,369	1,024,132	2,216,925	8,146,166
Accumulated depreciation	(27,661)	(261,385)	(313,132)	(48,616)	(112,660)	(378,838)	-	(1,142,292)
Net book amount	1,070,196	2,090,975	548,765	215,010	216,709	645,294	2,216,925	7,003,874
Year ended 31 March 2017								
Opening net book amount	1,070,196	2,090,975	548,765	215,010	216,709	645,294	2,216,925	7,003,874
Additions	36,426	1,098,708	330,676	153,493	112,050	652,808	1,454,284	3,638,444
Transfers	725,662	17,317	-	12,339	-	25,065	(909,132)	(128,750)
Disposals	(5,226)	-	(6)	(43,140)	-	(44,014)	-	(92,386)
Revaluation surplus	64,226	-	-	-	-	-	-	64,226
Recognition on acquisition of subsidiary	450,000	2,886	6,272	5,427	7,734	-	-	472,319
Depreciation released on disposal	423	-	-	13,544	-	44,014	-	57,981
Depreciation charge	(38,296)	(289,886)	(116,806)	(96,464)	(92,526)	(509,721)	-	(1,143,699)
Closing net book amount	2,303,410	2,920,000	768,901	260,208	243,966	813,446	2,762,077	10,072,008
At 31 March 2017								
Cost or valuation	2,394,628	3,478,588	1,208,331	416,748	473,595	1,657,991	2,762,077	12,391,958
Accumulated depreciation	(91,218)	(558,588)	(439,430)	(156,540)	(229,629)	(844,545)	-	(2,319,950)
Net book amount	2,303,410	2,920,000	768,901	260,208	243,966	813,446	2,762,077	10,072,008

8 NON FINANCIAL ASSETS (CONTINUED)

8.1 Property, plant and equipment (continued)

Group

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

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

	2018 Ksh'000	2017 Ksh'000
Land and buildings:		
Cost	1,633,181	1,787,159
Accumulated depreciation	(90,064)	(93,913)
Net book amount	1,543,117	1,693,246

Fair value hierarchy

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

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
31 March 2018				
Land and buildings	-	-	1,725,441	1,725,441
31 March 2017				
Land and buildings	-	-	2,303,410	2,303,410

The following table presents the changes in level 3 items for the year ended 31 March 2018 and 31 March 2017 for recurring fair value measurements:

	2018 Ksh'000	2017 Ksh'000
At start of year	2,303,410	1,070,196
Additions	29,552	762,088
Disposals	(370)	(4,803)
Revaluation surplus	(404,353)	64,226
Reclassification to assets classified as held for sale	(280,000)	-
Depreciation released on revaluation	126,441	-
Recognition on acquisition of subsidiary	-	450,000
Depreciation charge	(49,239)	(38,296)
At end of year	1,725,441	2,303,410

8 NON FINANCIAL ASSETS (CONTINUED)



8.1 Property, plant and equipment (continued)

Company

Property and equipment

	Motor Vehicles Ksh'000	Computers Ksh'000	Furniture & Fittings Ksh'000	Total Ksh'000
At 1 April 2017				
Cost	27,536	-	-	27,536
Accumulated amortisation	(4,691)	-	-	(4,691)
Net book amount	22,845	-	-	22,845
Year ended 31 March 2018				
Opening net book amount	22,845	-	-	22,845
Additions	-	3,722	112,338	116,060
Depreciation charge	(5,633)	(166)	-	(5,799)
Closing net book amount	17,212	3,556	112,338	133,106
At 31 March 2018				
Cost	27,536	3,722	112,338	143,596
Accumulated amortisation	(10,324)	(166)	-	(10,490)
Net book amount	17,212	3,556	112,338	133,106
At 1 April 2016				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Net book amount	-	-	-	-
Year ended 31 March 2017				
Opening net book amount	-	-	-	-
Additions	27,536	-	-	27,536
Depreciation charge	(4,691)	-	-	(4,691)
Closing net book amount	22,845	-	-	22,845
At 31 March 2017				
Cost	27,536	-	-	27,536
Accumulated amortisation	(4,691)	-	-	(4,691)
Net book amount	22,845	-	-	22,845

8 NON FINANCIAL ASSETS (CONTINUED)

8.2 Intangible assets and goodwill

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill on subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Computer software

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

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into cash-generating units. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

8 NON FINANCIAL ASSETS (CONTINUED)

8.2 Intangible assets and goodwill (continued)

	Group			Company
	Goodwill	Computer software	Total	Computer software
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 1 April 2016:				
Cost	3,167,397	812,287	3,979,684	2,327
Accumulated amortisation and impairment	-	(368,320)	(368,320)	(989)
Net book amount	3,167,397	443,967	3,611,364	1,338
Year ended 31 March 2017				
Opening net book amount	3,167,397	443,967	3,611,364	1,338
Additions - acquisitions	361,335	176,803	538,138	-
Recognition on acquisition of subsidiary	-	9,025	9,025	-
Disposals	-	(212,995)	(212,995)	-
Amortisation released on disposal	-	176,397	176,397	-
Amortisation charge	-	(121,136)	(121,136)	(775)
Closing net book amount	3,528,732	472,061	4,000,793	563
At 31 March 2017				
Cost	3,528,732	785,120	4,313,852	2,327
Accumulated amortisation and impairment	-	(313,059)	(313,059)	(1,764)
Net book amount	3,528,732	472,061	4,000,793	563

Goodwill on acquisition

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

	2018 Ksh'000	2017 Ksh'000
Almasi Beverages Limited	1,351,539	1,351,539
Sidian Bank Limited	848,648	848,648
GenAfrica Investment Management Limited*	-	967,210
Longhorn Publishers Limited	361,335	361,335
	2,561,522	3,528,732

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

The computation of the recoverable amounts for the purposes of Goodwill testing is done on fair value less cost to sell basis or value in use calculations using discounted cashflows as follows:

*GenAfrica goodwill has been reclassified to assets held for sale.

8 NON FINANCIAL ASSETS (CONTINUED)

8.2 Intangible assets and goodwill (continued)

Cash generating unit	Method used and assumptions
Almasi Beverages Limited	<p>Method Used to determine recoverable amount:</p> <p>Fair value less cost to sell</p> <p>The Fair value of the entity was determined using multiples as described in note 1.5.2</p> <p>Assumptions:</p> <ol style="list-style-type: none"> 1. Comparative multiples 2. Illiquidity discount <p><i>Significant estimate: Impact of possible changes in key assumptions:</i></p> <ol style="list-style-type: none"> 1. Comparative multiples If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 428 million lower. 2. Illiquidity discount If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above unchanged, the headroom would Ksh 428 million higher. <ol style="list-style-type: none"> 2. Illiquidity discount The maximum illiquidity discount has been used for purposes for determining the fair value. If the discount used was 5% lower, the headroom would have been Ksh 186 million higher.
GenAfrica Asset Managers Limited	<p>Method Used:</p> <p>Fair value less cost to sell</p> <p>Assumptions:</p> <p>There were no assumptions used in determining the fair value.</p> <p>The recoverable amount was based on the recent price offered for the purchase of interest in GenAfrica as described in note 1.5.2</p>

8 NON FINANCIAL ASSETS (CONTINUED)

8.2 Intangible assets and goodwill (continued)

Cash generating unit	Method used and assumptions
Sidian Bank Limited	<p>Method Used to determine recoverable amount:</p> <p>Fair value less cost to sell</p> <p>The Fair value of the entity was determined using recent transactions adjusted for control premium as described in note 1.5.2</p> <p>Assumptions:</p> <ol style="list-style-type: none"> 1. Comparative multiples 2. Control premium <p>1. Comparative multiples If the comparative multiple applied in the valuation had been 5% lower than management have estimated and all other assumptions in the table above unchanged, the headroom would have been Ksh 194 million lower.</p> <p>If the comparative multiple applied in the valuation had been 5% higher than management have estimated and all other assumptions in the table above unchanged, the headroom would have been Ksh 194 million higher.</p> <ol style="list-style-type: none"> 2. Control premium If the premium used was 5% higher, the headroom would have been Ksh 32 million higher. <p>If the premium used was 5% lower, the headroom would have been Ksh 32 million lower.</p>
Longhorn Publishers Limited	<p>Method Used to determine recoverable amount:</p> <p>Value in use</p> <p>Assumptions:</p> <ol style="list-style-type: none"> 1. Sales volume - Average annual growth rate over the five-year forecast period; based on past performance and management expectations of market development. 2. Sales price - Average annual growth rate over the five-year forecast period; based on current industry trends and including long term country inflation forecast. 3. Budgeted average gross margin - Based on past performance and management expectations of the future. 4. Annual capital expenditure - Expected cash costs in the CGUs. This is based on the historical experience of management, the planned refurbishment, or sustaining expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure. 5. Long term growth rate - This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is based on long term growth rate forecasts for the industry.

8 NON FINANCIAL ASSETS (CONTINUED)

8.2 Intangible assets and goodwill (continued)

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

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

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

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

8 NON FINANCIAL ASSETS (CONTINUED)



8.3 Leases

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

	Group	
	2018	2017
	Ksh'000	Ksh'000
Finance lease receivable	4,974	7,921
The finance lease receivables relate to Zohari Leasing Limited which is the Lessor. The maturity of the lease receivable is as below:		
Non current:		
Gross finance lease receivable	3,697	7,774
Unearned finance income	(655)	(1,708)
	3,042	6,066
Current:		
Gross finance lease receivable	2,984	3,379
Unearned finance income	(1,052)	(1,525)
	1,932	1,855
	4,974	7,921
Gross receivable from finance lease:		
- No later than 1 year	2,984	3,379
- Later than 1 year no later than 5 years	3,697	7,774
- Later than 5 years	-	-
	6,681	11,153
Unearned future finance income on finance lease	(1,707)	(3,232)
	4,974	7,921

8.4 Prepaid operating lease rentals

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

	Group	
	2018	2017
	Ksh'000	Ksh'000
At		
Cost:		
At start of year	47,118	11,309
	-	35,809
At end of year	47,118	47,118
Amortisation:		
At start of year	(2,321)	(2,148)
Charge for the year	(316)	(173)
At end of year	(2,637)	(2,321)
Net book amount	44,481	44,797

8 NON FINANCIAL ASSETS (CONTINUED)

8.5 Biological assets

Biological assets comprise growing produce on herb bushes and are held at Greenblade Growers Limited.

Biological assets are measured on initial recognition and at each reporting date at fair value less costs to sell. Any gains or losses arising on initial recognition of biological assets and from subsequent changes in fair value less costs to sell are recognised in the profit or loss in the year in which they arise.

The Group's biological assets have maturities of less than 12 months and management has assessed the fair value of growing produce on herb bushes and concluded that it approximates the cost.

	Group	
	2018	2017
	Ksh'000	Ksh'000
At start of year	8,634	-
Additions	-	8,634
Disposals	(8,634)	-
At end of year	-	8,634

8.6 Assets classified as held for sale

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

8 NON FINANCIAL ASSETS (CONTINUED)



8.6 Assets classified as held for sale (continued)

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

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

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

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

Group	2018 Ksh'000	2017 Ksh'000
Non current assets held for sale:		
- Land and buildings	280,000	-
- Investment in subsidiaries:		
GenAfrica Asset Managers Limited		
- Total assets	1,544,905	-
- Total liabilities	(203,057)	-
Net assets	<u>1,341,848</u>	-
	<u>1,621,848</u>	-
Company		
Investment in subsidiary:		
- GenAfrica Asset Managers Limited	2,324,230	-
	<u>2,324,230</u>	-

8 NON FINANCIAL ASSETS (CONTINUED)

8.6 Assets classified as held for sale (continued)

(i) Land and buildings

In November 2017, the directors of Longhorn Publishers Limited proposed to sell a parcel of land together with the office building. The directors were authorised by the shareholders to execute the sale during the annual general meeting held on 8 December 2017. There are several interested parties and the sale is expected to be completed before the end of July 2018.

(ii) GenAfrica Asset Manager Limited

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

	2018 Ksh'000	2017 Ksh'000
Intangible assets	57,640	-
Intangible assets (goodwill)	967,210	-
Equipment	18,794	-
Receivables, prepayments and other assets	299,059	-
Cash and cash equivalent	202,203	-
Total assets	1,544,905	-
Payables and accrued expenses	(183,446)	-
Current income tax payable	(18,729)	-
Deferred tax liabilities	(883)	-
Total liabilities	(203,057)	-
Net assets	1,341,848	-

9 FINANCING STRUCTURE AND COMMITMENTS

9.1 Borrowings

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

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

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Unsecured:				
Term loans	1,375,748	618,101	-	-
Corporate bonds	6,405,286	10,555,710	6,405,286	10,555,710
Total unsecured borrowings	7,781,034	11,173,811	6,405,286	10,555,710
Secured:				
Bank borrowings	13,904,351	6,750,970	8,437,345	4,100,416
Short term borrowings	2,778,183	3,061,597	-	-
Total secured borrowings	16,682,534	9,812,567	8,437,345	4,100,416
Total borrowings	24,463,568	20,986,378	14,842,631	14,656,126
Analysed as below:				
Banking subsidiary	3,209,313	3,570,241	-	-
Other	21,254,255	17,416,137	14,842,631	14,656,126
	24,463,568	20,986,378	14,842,631	14,656,126

The classification of the Group's borrowings is as follows:

Current	5,959,928	12,452,772	1,947,576	8,572,095
Non current	18,503,640	8,533,606	12,895,055	6,084,031
	24,463,568	20,986,378	14,842,631	14,656,126

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Kenya shillings	15,705,973	15,832,804	9,043,917	11,537,867
United States dollar	8,498,491	5,153,574	5,798,714	3,118,259
Euro	259,104	-	-	-
	24,463,568	20,986,378	14,842,631	14,656,126

The group has the following undrawn committed facilities:

Oiko Credit	-	300,000	-	-
Kenya Commercial Bank Limited	-	240,690	-	-
The Co-Operative Bank of Kenya Limited	28,955	17,843	28,955	17,843
Stanbic Bank Limited - Kenya	23,469	-	-	-
	52,424	558,533	28,955	17,843

9 FINANCING STRUCTURE AND COMMITMENTS (CONTINUED)

9.1 Borrowings (continued)

a) Term loans

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
European Investment Bank	-	90,194	-	-
Oiko Credit	235,022	418,450	-	-
Commercial paper and Guaranteed loan notes	930,689	109,458	-	-
Pamiga Finance SA	210,038	-	-	-
	1,375,749	618,102	-	-
Movement in term loans was as follows:				
At start of year	618,102	659,325	-	-
Received during the year	974,980	402,401	-	-
Revaluation gain	4,700	-	-	-
Accrued interest	234,792	62,588	-	-
Repayments during the year	(456,825)	(506,212)	-	-
At end of year	1,375,749	618,102	-	-

Oiko Credit

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

Pamiga Finance SA

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

Commercial Papers and Guaranteed loan notes

These are short term facilities issued by Two Rivers Development Limited. The papers are priced at 14.5% and 19% respectively.

b) Bank borrowings

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Kenya Commercial Bank Limited	128,551	440,677	-	-
The Co-operative Bank of Kenya Limited	1,471,045	982,157	1,471,045	982,157
FirstRand Bank Limited (through its Rand Merchant Bank Division)	5,086,563	3,118,259	5,086,563	3,118,259
Coca Cola Export Corporation	1,341,167	1,477,055	-	-
Stanbic Bank Kenya Limited	4,808,929	-	1,879,737	-
Chase Bank Kenya Limited	513,396	573,490	-	-
Commercial Bank of Africa Limited	259,104	-	-	-
Standard Chartered Bank Kenya Limited	97,983	159,332	-	-
NIC Capital Limited	197,095	-	-	-
Barclays Bank of Kenya	517	-	-	-
	13,904,350	6,750,970	8,437,345	4,100,416



9.1 Borrowings (continued)

b) Bank borrowings (continued)

	Group		Company	
	2018	2017	2018	2017
Movement in bank borrowings is as follows:	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At start of year	6,750,970	2,549,113	4,100,416	-
On acquisition of subsidiary	-	222,741	-	-
Received during the year	11,000,155	4,162,648	7,537,497	3,998,797
Revaluation gain/(loss)	(275,121)	76,926	(231,991)	53,510
Accrued interest	139,504	87,711	114,823	48,108
Repayments during the year	(3,711,158)	(348,169)	(3,083,400)	-
At end of year	13,904,350	6,750,970	8,437,345	4,100,416

Kenya Commercial Bank Limited

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

The Co-operative Bank of Kenya Limited

Centum Investment Company Plc secured an overdraft/guarantee line facility to be used in financing working capital requirements. The facility is secured by floating debentures over the Group's corporate bonds and quoted shares. The facility attracts interest at 14% and is renewable after every 12 months.

Coca Cola Export Corporation

The loan from Coca Cola Export Corporation was availed to Almasi Bottlers Limited to buy crates and bottles. The total loan availed was US\$ 2,300,000. The loan is unsecured and interest determined based on LIBOR plus 3% per annum. The effective interest rate as at 31 March 2018 was 3.69%.

Chase Bank Kenya Limited

1. Two Rivers Development Limited

The loan was advanced for infrastructure development. The US Dollar denominated loan attracts interest at 8.5%. The Loan matures in 2027 and has a two year moratorium on principal.

2. Longhorn Publishers Limited

The company has an asset financing facility for acquisition of vehicles. The loan is secured by the Company vehicles and attracts interest at 15.75%. The loan tenor is 60 months.

First Rand Bank Limited

Centum Investment Company Plc retired its 18 month loan facility of USD 30,000,000 facility in September 2017 and subsequently obtained a USD 50,000,000 facility that matures over 4 years. The facility has an interest rate of 6.3% plus US LIBOR per annum. The facility was secured by a charge over the company's shares in Nairobi Bottlers Limited, Almasi Beverages Limited and Zohari Leasing Limited.

Standard Chartered Bank Kenya Limited

The loan was advanced to Longhorn Publishers Limited for working capital financing and is secured by the company's buildings. The loan attracts interest at 14% and matures in 12 months.

Commercial Bank of Africa Limited

The facility is a EUR 2,181,991 loan advanced to Two Rivers Power Company Limited to finance the installation of solar equipment. The loan is priced at 3% plus 6 months Euribor and has a tenor of 120 months inclusive of 24 month moratorium on principal.

NIC Capital Limited

The facility was advanced to Longhorn Publishers Limited to finance working capital requirements. It is priced at 17% pa for a tenor of 1 year.

9 FINANCING STRUCTURE AND COMMITMENTS (CONTINUED)

9.1 Borrowings (continued)

b) Bank borrowings (continued)

Stanbic Bank Kenya Limited

1. Centum Investment Company Plc

Stanbic Bank Kenya Limited advanced an overdraft facility of USD 5,000,000 and a revolving credit facility of USD 15,000,000 to Centum Investment Company Plc. Both facilities are equally split between Kenya Shillings (KES) and United States Dollars (USD). The KES facilities are priced at Central Bank Rate (CBR) plus 3.65% while the USD facilities are priced at 3 months LIBOR plus 5.5%. The facility was secured by a charge over the company's shares in Isuzu East Africa Limited, Vipingo Development Limited and NAS Servair Limited.

2. Two Rivers Development Limited

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

c) Corporate bond

	Group and Company	
	2018	2017
	Ksh'000	Ksh'000
At start of year	10,555,710	10,474,987
Accrued interest	227,687	45,707
Amortisation of bond issue costs	(64,606)	(44,523)
Additional accrued interest on Equity linked note	42,015	79,539
Repayments during the year	(4,355,520)	-
	<u>6,405,286</u>	<u>10,555,710</u>

On 18 September 2017, Centum Investment Company Plc redeemed the 5 year Ksh 4,167,900,000 bond issued in 2012 which comprised of fixed rate notes of Ksh 2,917,530,000 at an interest rate of 13.5% and equity linked notes of Ksh 1,250,370,000 at 12.75%. The investors in the equity linked notes were paid an additional Ksh 191,000,000 representing a total equity upside of 15% of the par value in line with the terms of the issue.

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

The carrying amounts of borrowings approximate to their fair value.

d) Net debt reconciliation

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

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Cash and cash equivalent	6,022,022	5,638,783	1,077,666	2,447,072
Liquid investments*	1,738,828	1,223,152	98,134	99,957
Borrowings - repayable within one year (including overdraft)	(5,959,928)	(12,452,772)	(1,947,576)	(8,572,095)
Borrowings - repayable after one year	(18,503,640)	(8,533,606)	(12,895,055)	(6,084,031)
Net debt	<u>(16,702,718)</u>	<u>(14,124,443)</u>	<u>(13,666,831)</u>	<u>(12,109,097)</u>

Group	Cash and cash equivalent Ksh'000	Liquid investments* Ksh'000	Borrowings due within 1 year Ksh'000	Borrowings due after 1 year Ksh'000	Total Ksh'000
Net debt at 1 April 2017	5,638,783	1,223,152	(12,452,772)	(8,533,606)	(14,124,443)
Cashflows	383,111	(36,487)	6,492,845	(9,665,636)	(2,826,167)
Foreign exchange adjustments	-	1,963	-	275,121	277,084
Other non cash movements	-	550,200	-	(579,392)	(29,192)
Net debt at 31 March 2018	<u>6,021,894</u>	<u>1,738,828</u>	<u>(5,959,927)</u>	<u>(18,503,513)</u>	<u>(16,702,718)</u>

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

9 FINANCING STRUCTURE AND COMMITMENTS (CONTINUED)



9.1 Borrowings (continued)

d) Net debt reconciliation (continued)

	Cash and cash equivalent Ksh'000	Liquid investments* Ksh'000	Borrowings due within 1 year Ksh'000	Borrowings due after 1 year Ksh'000	Total Ksh'000
Net debt at 1 April 2016	10,197,460	1,369,032	(2,867,048)	(13,489,172)	(4,789,728)
Cashflows	(4,558,677)	231,077	-	(3,710,668)	(8,038,268)
Foreign exchange adjustments	-	-	-	(76,926)	(76,926)
Other non cash movements	-	(376,957)	(9,585,724)	8,743,160	(1,219,521)
Net debt at 31 March 2017	5,638,783	1,223,152	(12,452,772)	(8,533,606)	(14,124,443)

Company	Cash and cash equivalent Ksh'000	Liquid investments* Ksh'000	Borrowings due within 1 year Ksh'000	Borrowings due after 1 year Ksh'000	Total Ksh'000
Net debt at 1 April 2017	2,447,072	99,957	(8,572,095)	(6,084,031)	(12,109,097)
Cashflows	(1,369,406)	19,565	7,438,920	(7,537,497)	(1,448,418)
Foreign exchange adjustments	-	-	-	(231,991)	(231,991)
Other non cash movements	-	(21,388)	(814,402)	958,464	122,674
Net debt at 31 March 2018	1,077,666	98,134	(1,947,577)	(12,895,054)	(13,666,831)

Net debt at 1 April 2016	3,916,200	156,119	-	(10,474,987)	(6,402,668)
Cashflows	(1,469,128)	-	-	-	(1,469,128)
Foreign exchange adjustments	-	-	-	53,510	53,510
Other non cash movements	-	(56,162)	(8,572,095)	4,337,446	(4,290,811)
Net debt at 31 March 2017	2,447,072	99,957	(8,572,095)	(6,084,031)	(12,109,097)

9.2 Capital commitments

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

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Authorised and contracted for	-	123,039	-	-
Authorised but not contracted for	-	717,810	-	-
	-	840,849	-	-

9.3 Contingent liabilities

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

a) Litigations

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

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

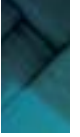
9 FINANCING STRUCTURE AND COMMITMENTS (CONTINUED)

9.3 Contingent liabilities (continued)

b) Letters of credit and performance bonds

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

	Group	
	2018	2017
	Ksh'000	Ksh'000
Letters of credit and performance bonds	6,667,984	1,065,581



10 Financial risk

10.1 Financial risk management and financial instruments

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held to maturity, financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of financial assets at initial recognition.

i) 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 are accounted for as current assets, except for maturities greater than 12 months after the end of the reporting period. These are non-current assets and are carried at amortised cost.

ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors may have positive intention and ability to hold to maturity, other than:

- (a) those that the Group upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Group designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

iii) Available for sale

Available-for-sale financial assets are non-derivative financial assets and are accounted in non-current assets unless the investment matures or the directors intend to dispose of the investments within 12 months of the end of the reporting period.

(iv) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed and can only be applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consists of debt host and an embedded derivatives that must be separated.

Financial liabilities

The Group's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised costs.

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

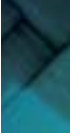
Financial instruments by category

a) Financial assets

	Group				Company			
	At fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	At fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
At 31 March 2018								
Government securities	401,555	3,151,296	-	-	-	-	-	-
Corporate bonds and commercial papers	-	503,576	-	-	-	-	-	-
Loans and advances	-	-	11,772,121	-	-	-	-	-
Finance lease receivables	-	-	4,974	-	-	-	-	-
Call deposits	-	-	978,786	-	-	-	820,950	-
Bank balances	-	-	5,043,236	-	-	-	256,716	-
Trade and other receivables	-	-	5,197,310	-	-	-	542,579	-
Shareholder loans advanced to subsidiaries	-	-	-	-	-	-	13,385,790	-
Quoted investments	-	-	-	1,738,828	-	-	-	98,134
Unquoted investments	-	-	-	4,362,975	-	-	-	3,886,780
Non financial assets								
Investment in subsidiaries	-	-	-	-	-	-	-	39,413,960
Investment in associates	-	-	-	-	-	-	-	5,081,473
Investment in joint ventures	-	-	-	-	-	-	-	2,099,631
	401,555	3,654,872	22,996,427	6,101,803	-	-	15,006,035	50,579,978
At 31 March 2017								
Government securities	51,662	2,225,716	-	-	-	-	-	-
Corporate bonds	-	744,119	-	-	-	-	-	-
Loans and advances	-	-	12,633,408	-	-	-	-	-
Finance lease receivables	-	-	7,921	-	-	-	-	-
Call deposits	-	-	520,437	-	-	-	2,179,075.091	-
Bank balances	-	-	5,118,346	-	-	-	267,997	-
Trade and other receivables	-	-	3,782,048	-	-	-	334,665	-
Shareholder loans advanced to subsidiaries	-	-	-	-	-	-	12,722,835	-
Unquoted investments	-	-	-	4,226,166	-	-	-	3,796,836
Quoted investments	-	-	-	1,223,152	-	-	-	99,957
Non financial assets								
Investment in subsidiaries	-	-	-	-	-	-	-	35,310,891
Investment in associates	-	-	-	-	-	-	-	4,686,675
Investment in joint ventures	-	-	-	-	-	-	-	2,144,452
	51,662	2,969,835	22,062,160	5,449,318	-	-	15,504,572	46,038,811

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 2018 and 2017 are shown under respective notes.



10.1 Financial risk management and financial instruments (continued)

Risk management framework

Introduction

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

The key types of risk include:

- a) Market risk - currency risk, interest rate risk and price risk;
- b) Credit risk; and
- c) Liquidity risk.

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

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

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

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

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

- identified, analysed and produced a risk management strategy for those risks which might inhibit it from achieving its strategic objectives and which would threaten its ongoing survival as a leading investment Company;
 - raised awareness of and integrated risk management into its management policies.
- Promoted an understanding of the importance and value of risk management, particularly associated with investment opportunities; and
- established risk management roles responsibilities for its board of directors, audit risk committee and the risk department.

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

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

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk

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

i) Interest rate risk

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

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

As at 31 March 2018, Group and Company held deposits of Kshs 6,015,894,000 and Kshs 1,077,666,000 respectively (2017: Kshs 5,638,782,000 and Kshs 2,447,072,000 respectively) and the Company had unutilised bank credit facilities of Kshs 52,424,000 (2017: Kshs 17,843,000).

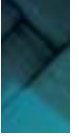
As at 31 March 2018, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Kshs 117 million (2017: Kshs 64 million) for Group and Ksh 82 million (2017: Ksh 87 million) for Company respectively as a result of exposures in bank deposits and borrowings.

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

ii) Price risk

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

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

**10.1 Financial risk management and financial instruments (continued)****Risk management framework (continued)****a) Market risk (continued)****ii) Price risk (continued)**

At 31 March 2018, if the prices at the Nairobi Securities Exchange and other exchanges had appreciated/depreciated by 5% with all other variables held constant, the impact on the Group and Company comprehensive income and equity would have been Kshs 86,938,806 (2017: Kshs 61,157,600) and Kshs 4,906,759 (2017: Kshs 4,997,880) higher/lower respectively.

iii) Investment holding period risk

91% and 99% (2017: 94% and 98%) of the Group and Company's investments respectively are not traded on any formal exchange. Disposal of these investments is constrained in many instances by pre-emptive rights, shareholder agreements and the absence of willing trade buyers or an active secondary market. The timing of realised proceeds on disposal may pose a risk to the Group.

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

iv) Concentration risk

82% (2017: 87%) of the Group's assets are located in Kenya with 16% (2017: 12%) in the wider East African Region and 2% (2017: 1%) outside East Africa.

Investment portfolio sectoral allocation

The allocation of Centum's investments to the different sectors is as disclosed in note 2. Each investment asset is considered independently by the Board's Investment Committee and the Board of Directors according to a structured process that includes extensive due diligence, industry analysis, consideration of existing assets and future capital commitments. Whereas sector limits are in place, concentration in the financial, beverages and industrial and allied sectors have mainly been brought about by organic growth and appreciation of market value. To reduce exposure to country risk the Group is actively looking for regional investment opportunities.

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk

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

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

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

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

The mean exchange rates ruling at 31 March 2018 and 31 March 2017 were:

	2018	2017
	Ksh'000	Ksh'000
1 US dollar (USD)	100.85	103.35
1 Euro (Eur)	124.74	115.69
1 British pound (GBP)	142.31	134.25
1 Ugandan shilling (UGX)	0.03	0.03
1 Tanzania shilling (Tshs)	0.04	0.05
1 Ghana cedi (Ghc)	22.69	23.86
1 Morocco dirham (Mad)	10.94	10.59



10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

a) Market risk (continued)

v) Foreign exchange risk (continued)

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

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Financial assets				
Balances due from banks (Usd)	2,564,275	702,339	-	-
Balances due from banks (Eur)	531,370	255,295	-	-
Balances due from banks (Gbp)	6,019	276,831	-	-
Balances due from banks (Zar)	688	-	-	-
Balances due from banks (UgX)	514	-	-	-
Balances due from banks (Tzs)	68	-	-	-
Investment in Funds (Usd)	-	-	-	-
Cash and equivalents (Usd)	209,024	265,355	158,318	67,138
Cash and equivalents (Eur)	35,831	15,839	-	-
Cash and equivalents (Gbp)	6,398	11,018	-	-
Cash and equivalents (UgX)	-	-	-	-
	3,354,188	1,526,677	158,318	67,138
Financial liabilities				
Customer deposits (Usd)	1,341,127	94,364	-	-
Customer deposits (Eur)	65,219	2,438	-	-
Customer deposits (Gbp)	561	65,884	-	-
Borrowings (Usd)	8,498,491	5,153,574	-	3,118,259
Borrowings (Eur)	-	-	-	-
	9,905,398	5,316,260	-	3,118,259

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

v) Foreign exchange risk (continued)

If all other variables were held constant, at 31 March 2018, the impact on profit and equity of the Shilling weakening or strengthening by 5% against the above currencies would have been as below:

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
1 US dollar (USD)	(353,316)	(214,012)	7,916	(152,556)
1 Euro (Eur)	25,099	13,435	-	-
1 British pound (GBP)	593	11,098	-	-
1 Ugandan shilling (UGX)	-	-	-	-
1 Egyptian pound (EGP)	31,216	14,605	-	-
1 Ghana cedi (Ghc)	26,825	8,638	-	-
1 Morocco dirham (Mad)	-	-	-	-
	(269,583)	(166,236)	7,916	(152,556)

b) Liquidity risk

This is the risk that the Group will encounter difficulties in meeting its financial commitments from its financial liabilities, including off balance sheet items. Prudent liquidity risk management includes maintaining sufficient cash to meet its obligations. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The Group manages liquidity risk by:

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

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

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

As at 31 March 2018, over 12% (2017: over 11%) of the Group's assets were held in quoted securities which are quickly convertible to cash. The Group also had Kshs 52,424,300 (2017: Kshs 17,843,000) unutilised credit facility (Note 9.1).

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities.

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Group							
At 31 March 2018	Up to 1 month	1-3 months	3-12 months	1-3 years	3- 5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Loans and advances	509,172	459,126	657,781	4,329,624	3,741,389	2,075,029	11,772,121
Finance lease receivable	-	-	2,984	1,990	-	-	4,974
Government securities at fair value through profit and loss	-	296,230	-	-	-	105,325	401,555
Government securities at amortised cost	-	-	1,459,609	-	-	1,691,688	3,151,297
Corporate bonds at amortised cost	-	-	-	37,704	105,990	-	143,694
Receivables and prepayments	-	1,164,894	3,341,672	700,394	-	666,975	5,873,935
Cash and cash equivalent	4,305,176	978,786	373,778	162,079	-	-	5,819,819
	4,814,348	2,899,036	5,835,825	5,231,791	3,847,379	4,539,017	27,167,396
Financial liabilities							
Customer deposits	3,647,736	8,245,109	939,550	-	-	-	12,832,395
Borrowings	2,390,091	372,273	4,973,059	16,518,107	210,038	-	24,463,568
Other liabilities and accrued expenses	1,160,404	855,642	2,667,786	315,802	-	-	4,999,634
Unclaimed dividends	-	154,139	-	-	-	-	154,139
	7,198,231	9,627,163	8,580,396	16,833,909	210,038	-	42,449,737
Financial guarantees	-	1,142,797	1,955,630	3,566,217	3,340	-	6,667,984
Net liquidity	(2,383,883)	(7,870,924)	(4,700,201)	(15,168,335)	3,634,001	4,539,017	(21,950,325)
At 31 March 2017							
	Up to 1 month	1-3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Financial assets							
Loans and advances	1,220,329	128,407	969,354	3,755,703	3,741,889	2,817,725	12,633,408
Finance lease receivables	-	-	3,379	4,541	-	-	7,921
Government securities at fair value through profit and loss	-	-	-	-	-	51,662	51,662
Government securities at amortised cost	-	321,302	342,284	-	-	1,562,130	2,225,716
Corporate bonds at amortised cost	-	-	62,986	381,134	300,000	-	744,120
Receivables and prepayments	601,706	634,447	1,498,476	1,510,987	-	240,276	4,485,891
Cash and cash equivalent	5,118,346	520,437	-	-	-	-	5,638,783
	6,940,381	1,604,593	2,876,480	5,652,366	4,041,889	4,671,793	25,787,501
Financial liabilities							
Customer deposits	2,597,758	2,691,735	762,468	3,746,788	-	-	9,798,749
Borrowings	3,171,744	60,693	9,195,416	8,435,652	122,874	-	20,986,379
Other liabilities and accrued expenses	1,622,768	232,471	2,865,183	716,286	-	-	5,436,708
Unclaimed dividends	-	82,725	-	-	-	-	82,725
	7,392,270	3,067,624	12,823,066	12,898,726	122,874	-	36,304,562
Financial guarantees	64,921	73	421,140	579,447	-	-	1,065,581
Net liquidity	(516,810)	(1,463,104)	(10,367,727)	(7,825,807)	3,919,015	4,671,793	(11,582,641)

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

b) Liquidity risk (continued)

Company At 31 March 2018	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Due from subsidiary companies	-	-	-	13,385,790	-	-	13,385,790
Receivables and prepayments	312,383	-	300,343	-	-	-	612,726
Cash and cash equivalent	256,716	820,950	-	-	-	-	1,077,666
	569,099	820,950	300,343	13,385,790	-	-	15,076,182
Financial liabilities							
Payables and accruals	88,361	14,625	-	133,900	-	-	236,886
Due to subsidiary companies	-	293,798	-	-	-	-	293,798
Borrowings	-	-	1,947,576	12,895,055	-	-	14,842,631
Unclaimed dividends	-	154,139	-	-	-	-	154,139
	88,361	462,562	1,947,576	13,028,955	-	-	15,527,454
Net liquidity	480,738	358,388	(1,647,233)	356,835	-	-	(451,272)
At 31 March 2017							
Company At 31 March 2017	Up to 1 month Ksh'000	1-3 months Ksh'000	3-12 months Ksh'000	1-3 years Ksh'000	3-5 years Ksh'000	Over 5 years Ksh'000	Total Ksh'000
Financial assets							
Due from subsidiary companies	-	-	-	12,722,835	-	-	12,722,835
Receivables and prepayments	77,072	-	260,836	-	-	-	337,908
Cash and cash equivalent	267,997	2,179,075	-	-	-	-	2,447,072
	345,069	2,179,075	260,836	12,722,835	-	-	15,507,815
Financial liabilities							
Payables and accruals	92,776	14,949	-	328,744	-	-	436,469
Due to subsidiary companies	-	10,000	-	-	-	-	10,000
Borrowings	-	-	8,572,095	6,084,031	-	-	14,656,126
Unclaimed dividends	-	82,725	-	-	-	-	82,725
	92,776	107,674	8,572,095	6,412,775	-	-	15,185,320
Net liquidity	252,293	2,071,401	(8,311,259)	6,310,060	-	-	322,495

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; and
- Impaired.

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

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.

Included under receivables and other assets are deposits due from a local bank that is currently under receivership by the Kenya Deposit Insurance Corporation (KDIC). Because of the receivership, the deposits with the bank are not earning any interest income.

At year end, there was uncertainty on the timing and quantum of the amounts that could be recovered by the depositors of the bank.

The directors have used the best available information on the financial status of the bank to make judgements and estimate of the potential losses on the receivables from the bank. The potential losses have been estimated through discounting the financial assets for a period of 12 months using the original effective interest rates.

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk (continued)

i) Receivables and other assets

The amount that best represents the Group and Company's maximum exposure to credit risks at 31 March 2018 and 31 March 2017 is made up as follows:

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Cash and cash equivalent	6,022,022	5,638,783	1,077,666	2,447,072
Amounts due from related parties	-	-	13,385,790	12,722,835
Trade receivables	2,376,902	1,946,041	-	-
Loans and advances to customers	11,772,121	12,633,408	-	-
Other receivables	2,452,492	1,595,731	542,579	334,665
	22,623,537	21,813,963	15,006,035	15,504,572
Items not recognised in the statement of financial position:				
Letters of credit, guarantees and performance bonds	6,616,884	896,748		
	28,877,625	23,511,875		

ii) Loans and advances

The Group's internal risk ratings scale is as follows:

- Grade 1 - Normal
- Grade 2 - Watch
- Grade 3 - Substandard
- Grade 4 - Doubtful
- Grade 5 - Loss

Impairment and provisioning policies

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loans and advances portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures. The second component is in respect of losses that have been incurred but have not been identified in relation to the loans and advances portfolio that is not specifically impaired. The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the impairment provision is composed largely of the bottom three grades.

The table below summarise the Group's loans and advances and the associated impairment provision for each internal rating category:

	Group	
	2018 Ksh'000	2017 Ksh'000
Grade 1 - Normal	9,195,750	11,070,736
Grade 2 - Watch	821,040	377,548
Grade 3 - Substandard	409,376	178,450
Grade 4 - Doubtful	2,009,623	1,792,825
Grade 5 - Loss	195,884	438,652
	12,631,672	13,858,211
Less: Allowance for impairment	(859,551)	(1,224,803)
Net	11,772,121	12,633,408

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk (continued)

ii) Loans and advances (continued)

Grade 1 - Normal

All loans are performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by the current sound net worth and paying capacity of the borrower.

Grade 2 - Watch

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2018 Ksh'000	2017 Ksh'000
Past due upto 30 days	682,237	199,429
Past due 31 - 60 days	134,841	94,874
Past due 61 - 90 days	686,199	88,304
Renegotiated 1 - 90 days	-	594,370
	<u>1,503,277</u>	<u>976,978</u>

Grade 3, 4 and 5 - Substandard, Doubtful and Loss

	2018 Ksh'000	2016 Ksh'000
Grade 3 - Substandard	409,376	178,450
Grade 4 - Doubtful	2,009,623	1,792,825
Grade 5 - Loss	195,884	425,032
	<u>2,614,883</u>	<u>2,396,307</u>

Individually assessed impaired loans and advances:

Micro	419,004	340,456
SME	2,195,878	2,055,851
	<u>2,614,883</u>	<u>2,396,307</u>
Fair value of collateral held	<u>3,171,556</u>	<u>3,200,943</u>

Collateral on loans and advances

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired or when a borrower has cleared a loan and would like to obtain another facility at the time when the validity of the valuation has since expired.



10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

c) Credit risk (continued)

ii) Loans and advances (continued)

Analysis of gross loans and advances by performance

	2018 Ksh'000	2017 Ksh'000
Current	8,691,610	10,471,307
1 - 30 days	682,237	599,429
31 - 60 days	134,841	192,059
61 - 90 days	686,199	151,870
91 - 180 days	409,376	178,450
181 - 360 days	1,009,623	1,232,106
over 360 days	195,884	425,032
Sub total	11,809,769	13,250,253
Renegotiated/rescheduled loans		
1 - 90 days	234,301	33,619
Over 90 days	587,602	560,719
Sub total	821,903	594,338
Grand total	12,631,672	13,844,591

According to Central Bank of Kenya prudential guidelines, loans and advances overdue by above 90 days are considered non-performing. The provisions made amount to 7% of gross advances. These provisions are considered adequate in view of the realisable value of securities held.

Renegotiated/rescheduled loans are tracked and monitored the same way classified loans are, whether they are performing normally or not.

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Group	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
31 March 2018				
Financial assets:				
Unquoted equity instruments	-	-	4,362,975	4,362,975
Quoted equity instruments	1,738,828	-	-	1,738,828
Government securities at fair value through profit and loss	-	401,555	-	401,555
<hr/>				
31 March 2017				
Financial assets:				
Unquoted equity instruments	-	-	4,226,166	4,226,166
Quoted equity instruments	1,223,152	-	-	1,223,152
Government securities at fair value through profit and loss	-	51,662	-	51,662
<hr/>				

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

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

31 March 2018	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Loans and advances	11,772,121	11,772,121	-	-	11,772,121
Finance lease receivable	4,974	4,974	-	-	4,974
Cash and cash equivalent	5,819,819	5,819,819	-	-	5,819,819
Other assets	6,336,294	6,336,294	-	-	6,336,294
	23,933,208	23,933,208	-	-	23,933,208
Financial liabilities					
Customer deposits	12,832,395	12,832,395	-	-	12,832,395
Borrowings	24,463,568	24,463,568	-	-	24,463,568
Dividend payable	154,139	154,139	-	-	154,139
Other liabilities	5,115,389	5,115,389	-	-	5,115,389
	42,565,491	42,565,491	-	-	42,565,491
31 March 2017					
Financial assets					
Loans and advances	12,633,408	12,633,408	-	-	12,633,408
Finance lease receivable	7,921	7,921	-	-	7,921
Cash and cash equivalent	5,638,783	5,638,783	-	-	5,638,783
Other assets	4,814,008	4,814,008	-	-	4,814,008
	23,094,120	23,094,120	-	-	23,094,120
Financial liabilities					
Customer deposits	9,798,749	9,798,749	-	-	9,798,749
Borrowings	20,986,378	20,986,378	-	-	20,986,378
Dividend payable	82,725	82,725	-	-	82,725
Other liabilities	5,667,556	5,667,556	-	-	5,667,556
	36,535,408	36,535,408	-	-	36,535,408

Reconciliation of level 3

	Note
Loans and advances	7.1
Finance lease receivable	8.3
Cash and cash equivalent	4.3

10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

d) Fair value hierarchy (continued)

Company

	Level 1 Ksh'000	Level 2 Ksh'000	Level 3 Ksh'000	Total Ksh'000
31 March 2018				
Financial assets:				
Investment in subsidiaries	-	-	39,413,960	39,413,960
Investment in associates	-	-	5,081,473	5,081,473
Unquoted equity instruments	-	-	3,886,780	3,886,780
Quoted equity instruments	98,134	-	-	98,134
31 March 2017				
Financial assets:				
Investment in subsidiaries	-	-	35,310,891	35,310,891
Investment in associates	-	-	4,686,675	4,686,675
Unquoted equity instruments	-	-	3,796,836	3,796,836
Quoted equity instruments	99,957	-	-	99,957

There were no transfers into or out of level 3 in 2018 and 2017. The following is a movement of financial assets classified under level 3.

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	4,226,166	5,977,198	43,793,862	36,611,062
Additions	263,727	37,993	335,915	2,460,498
Disposals	-	-	-	(17,235)
Disposals on acquisition of control	-	-	-	(242,000)
Translation differences	-	-	(44,821)	36,859
Reserves released on disposal	-	-	-	(720,765)
Reclassification	-	-	-	(36,533)
Fair value gains/(losses)	(465,781)	(1,789,025)	3,990,634	5,701,976
At end of year	4,024,112	4,226,166	48,075,590	43,793,862
Total (losses)/gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income	(465,781)	(1,789,025)	3,990,634	5,701,976

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

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
5% change in market value	7,866	7,230	191,187	294,811

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

e) Capital management

The Group's objectives when managing capital are:

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

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.

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

	Group		Company	
	2018	2017	2018	2017
	Ksh'000	Ksh'000	Ksh'000	Ksh'000
Share capital	332,721	332,721	332,721	332,721
Share premium	589,753	589,753	589,753	589,753
Investment revaluation reserve	2,389,857	2,803,798	33,828,338	30,192,608
Retained earnings	34,358,987	32,771,793	13,136,740	12,894,016
Dividends proposed	798,530	798,530	798,530	798,530
Non controlling interest	12,427,316	12,177,609	-	-
Equity	50,897,164	49,474,204	48,686,082	44,807,628
Total borrowings	24,463,568	20,986,378	14,842,631	14,656,126
Less: cash and bank balances	(6,022,022)	(5,638,783)	(1,077,666)	(2,447,072)
Net borrowings	18,441,546	15,347,595	13,764,965	12,209,054
Gearing (%)	36.23%	31.02%	28.27%	27.25%



10 FINANCIAL RISK (CONTINUED)

10.1 Financial risk management and financial instruments (continued)

Risk management framework (continued)

e) Capital management (continued)

Loan covenants

Group

Sidian Bank Limited

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

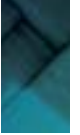
All the other subsidiaries have complied with their debt covenants.

Company

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

- a) interest cover: the ratio of internally generated funds to finance charges is equal to or more than 1.5:1; and
- b) Net debt to equity cover: the ratio of consolidated total net debt to equity shall not exceed 1:2.

The Company was in compliance with the debt covenants.



11.1 Ordinary share capital and share premium

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.

	Number of shares (in thousands)	Ordinary shares Ksh'000	Share premium Ksh'000
At 1 April 2016, 31 March 2017 and 31 March 2018	665,442	332,721	589,753

The total authorised number of ordinary shares is 800,000,000 with a par value of Ksh 0.50 per share. 665,441,714 shares were issued and fully paid up as at 31 March 2018 and 2017.

11.2 Other reserves

	Investment revaluation Ksh'000	Group Currency translation Ksh'000	Total other reserves Ksh'000	Company Investment revaluation Ksh'000
At 1 April 2016	4,561,515	113,442	4,674,957	25,604,346
Reserves released on disposal	(117,008)	-	(117,008)	(720,765)
Revaluation surplus on property and equipment	64,226	-	64,226	-
Fair value losses in associates	-	-	-	(283,617)
Fair value gains in subsidiaries	-	-	-	7,733,758
Fair value losses in unquoted investments	(1,789,025)	-	(1,789,025)	(1,748,165)
Fair value gains in quoted investments	(259,949)	-	(259,949)	(56,162)
Currency translation differences	-	17,604	17,604	-
Deferred tax on revaluation gains	212,993	-	212,993	(336,787)
At 31 March 2017	2,672,752	131,046	2,803,798	30,192,608
Reserves released on disposal	(34,124)	-	(34,124)	(7,399)
Revaluation surplus on property and equipment	(404,353)	-	(404,353)	-
Fair value losses in associates	-	-	-	689,661
Fair value gains in subsidiaries	-	-	-	3,767,153
Fair value losses in unquoted investments	(465,781)	-	(465,781)	(466,180)
Fair value gains in quoted investments	584,324	-	584,324	17,651
Currency translation differences	-	(84,675)	(84,675)	-
Deferred tax on revaluation gains	(9,332)	-	(9,332)	(365,156)
At 31 March 2018	2,343,486	46,371	2,389,857	33,828,338

Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets and are distributable upon realisation. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, which is effectively realised, is reduced from the investment revaluation reserve and is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

Currency translation reserve

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

11 EQUITY STRUCTURE (CONTINUED)

11 Equity structure (continued)

11.3 Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

	2018 Ksh'000	2017 Ksh'000
i) Dividends paid		
Final dividend in respect of the prior year	710,733	605,442

ii) Dividends proposed

The directors have recommended the payment of a final dividend of Sh.1.2 per fully paid ordinary share (2017: Sh. 1.2) in respect of the year ended 31 March 2018. The aggregate amount of the proposed dividend expected to be paid out in December 2018 out of retained earnings at 31 March 2018, but not recognised as a liability at year end, is

798,530	798,530
---------	---------

iii) Unclaimed dividend

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
At start of year	82,725	6,777	82,725	6,777
Dividend - 2018	87,797	75,948	87,797	75,948
Dividend paid	(16,383)	-	(16,383)	-
At end of year	154,139	82,725	154,139	82,725

12.1 Related party transactions

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

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

The following transactions were carried out with related parties:

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
i) Purchase of goods and services				
Office rent (paid to entity controlled by a director)	15,524	17,427	16,283	7,119
Management fees paid to a subsidiary	-	-	49,418	111,886
	15,524	17,427	65,701	119,005

	Company	
	2018 Ksh'000	2017 Ksh'000
ii) Interest and dividend income		
Interest income earned on advances and deposits placed with a subsidiaries	1,323,666	1,265,723
Dividend income earned from subsidiaries and associate	1,864,724	1,542,415

iii) Key management compensation

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

	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Salaries	203,131	223,289	98,687	102,164
Performance bonus	306,325	380,735	223,521	267,149
Retirement benefit scheme contribution	11,499	10,952	6,567	7,271
	520,955	614,976	328,776	376,584

12 RELATED PARTIES (CONTINUED)

12.1 Related party transactions (continued)

iv) Directors remuneration	Group		Company	
	2018 Ksh'000	2017 Ksh'000	2018 Ksh'000	2017 Ksh'000
Fees and expenses for services as a non-executive director	98,493	71,038	23,990	22,090
Other included in key management compensation above	258,201	375,627	177,558	219,169
	356,695	446,666	201,548	241,259

The amount described as 'Other included in key management compensation above' at Company level relates to the Group CEO and is analysed under Directors Remuneration Report on page 86. The same amount under Group consolidated column includes the remuneration of the Group CEO together with the remuneration of subsidiary companies' Managing Directors who serve as Board of Directors members in their respective subsidiaries.

v) Outstanding related party balances

Amounts due to subsidiaries	-	-	-	10,000
Amounts due from related parties	666,975	240,276	13,385,790	12,722,835

vi) Shareholder loans advanced to related parties

Two Rivers Development Limited	-	-	-	2,146,245
Two Rivers Lifestyle Centre Limited	666,975	240,276	-	-
Uhuru Heights Limited	-	-	574,074	574,051
eTransact Limited	-	-	7,157	7,157
Centum Exotics Limited	-	-	3,565,550	3,133,910
Centum Development Limited	-	-	3,926,414	3,317,069
Nabo Capital Limited	-	-	90,005	354,309
Centum Business Solutions Limited	-	-	399,320	201,356
Mvuke Limited	-	-	1,490,777	1,346,710
King Beverage Limited	-	-	471,203	310,391
Vipingo Development Limited	-	-	2,500,062	672,263
Rasimu Limited	-	-	32,047	27,776
Investpool Holdings Limited	-	-	-	533,722
Shefa Holdings Limited	-	-	6,734	3,816
Mwaya Investments Company Limited	-	-	3,612	1,625
Greenblade Growers Limited	-	-	124,952	61,938
Bakki Holdco Limited	-	-	1,266	858
Vipingo Estates Limited	-	-	5,470	5,470
Athena Properties Limited	-	-	150,256	2,678
Two Rivers Luxury Apartments Limited	-	-	36,890	21,491
	666,975	240,276	13,385,790	12,722,835

I/We: _____
Share A/C no. _____
of [address] _____

Being a member(s) of Centum Investment Company PLC 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 51st Annual General Meeting of the Company, to be held on Friday, 14 September 2018 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 Voting Form.

As witness I/We lay my/our hands this _____
day of _____ 2018

Signature (s): _____

NOTES:

1. This proxy form is to be delivered to the Secretary's office not later than 10:00 a.m. on Wednesday 12 September 2018.
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 authorized 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 section 295 and 303 of the Companies Act (No. 17 of 2015).

Mimi/Sisi: _____
Nambari ya akaunti ya hisa _____
Anwani _____

Kwa kuwa Mwanachama/Wanachama wa Centum Investment Company PLC 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 51 utakaofanyika Ijumaa, 14 Septemba 2018 katika sehemu ya Two Rivers, Limuru Road, Nairobi 11:00 a.m. ama siku yoyote ile endapo mkutano huo utahairishwa.

Mimi/sisi ninamuagiza/tunamuagiza mwakilishi kupiga kura kuunga mkono/kupinga dhidi ya maazimio jinsi ilivyoelekezwa katika fomu ya upigaji kura.

Kama shahidi, mim nimetia kidole /sisi tumetia kidole _____ Tarehe _____ ya _____ 2018

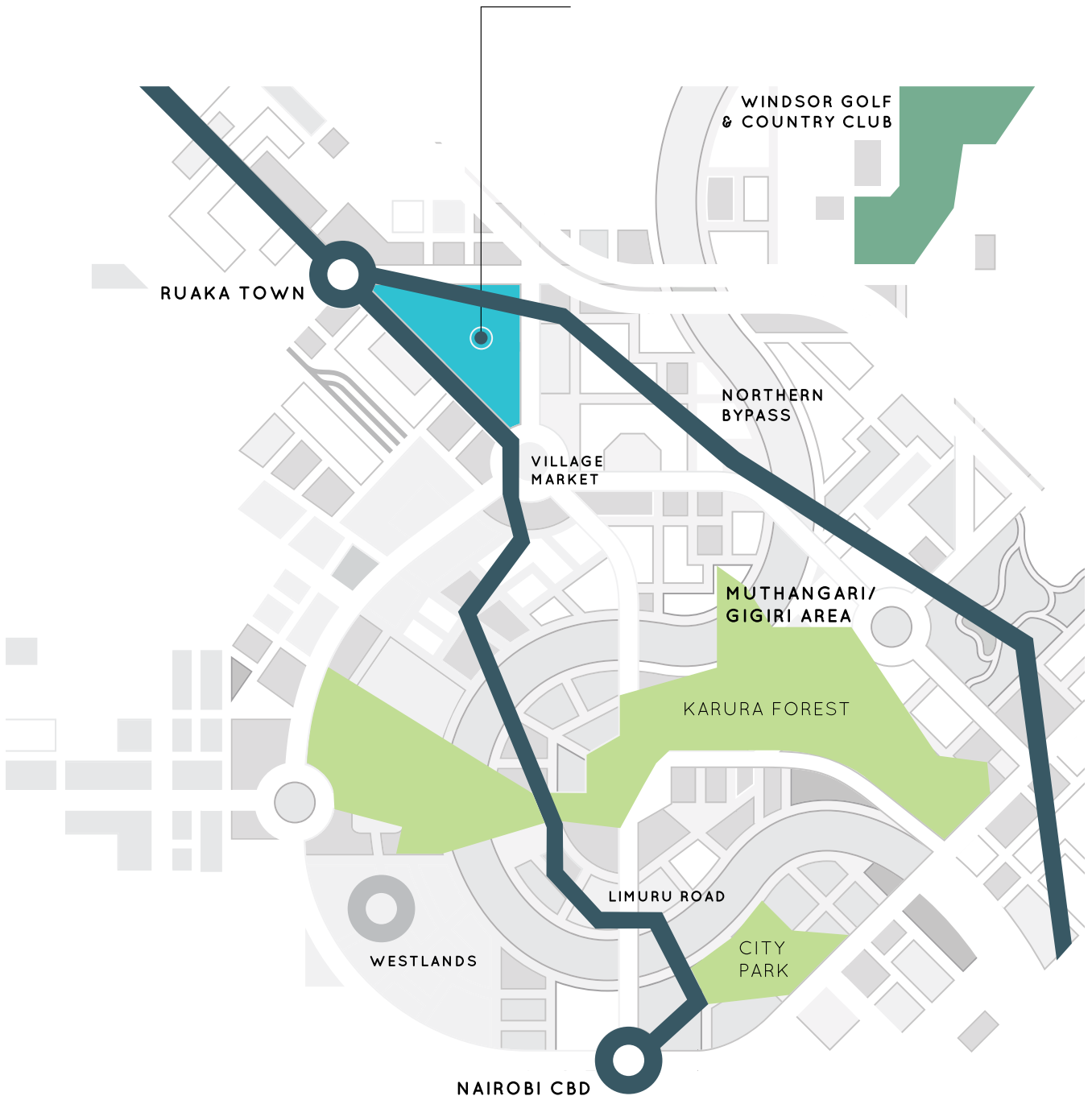
Sahihi: _____

MAELEZO:

1. Ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kuwasilishwa kwa katibu wa Kampuni kabla ya saa nne asubuhi Jumatano, 12 Septemba, 2018.
2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo na afisa au mwanasheria aliyeidhinishwa.
3. Kuna fomu ambayo inafaa kutumika kuunga mkono, kupinga au ya kutoshiriki dhidi ya maazimio yatakayopendekezwa.
Iwapo kura yako ya kuunga mkono au kupinga haitakataliwa au kura yako kukosa kuzuiliwa basi itaeleweka kwamba umemuidhinisha mwakilishi wako kupiga kura jinsi atakavyotaka.
4. Upigaji kura utafanyika iwapo kura itaitishwa katika mkutano kuambatana na kifungu 295 na 303 cha Sheria za Kampuni (Nambari 17 ya 2015).

The Company Secretary
Centum Investment Company Plc
9th Floor South Tower Two Rivers, Limuru Road
P.O.Box 10518, 00100 Nairobi, Kenya

MAP TO AGM VENUE



RUAKA TOWN

WINDSOR GOLF & COUNTRY CLUB

NORTHERN BYPASS

VILLAGE MARKET

MUTHANGARI/GIGIRI AREA

KARURA FOREST

LIMURU ROAD

WESTLANDS

CITY PARK

NAIROBI CBD



9TH FLOOR SOUTH TOWER
TWO RIVERS, LIMURU ROAD
P.O. BOX 10518-00100 NAIROBI
WWW.CENTUM.CO.KE