CENTUM

*tangible wealth*


Centum Investment Company Limited
Annual Report and Financial Statements
Year ended 31 March 2016


## Our Vision

To be Africa's foremost investment channel

## Our Mission

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

## Our Values

We deliver to promise
We have unity of purpose
We are partners
We invest responsibly

CENTUM
3.0
AGRIBUSINESS
EDUCATION
FINANCIAL SERVICES
FMCG
HEALTHCARE
ICT
POWER
REAL ESTATE

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# CORPORATE INFORMATION

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

**COMPANY SECRETARY**
Loise Gakumo
Certified Public Secretary (Kenya)
International House
Mama Ngina Street
P.O.Box 10518-00100
Nairobi

**AUDITOR**
PricewaterhouseCoopers
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P. O. Box 43963-00100
Nairobi

**BANKERS**
Sidian Bank Limited
K-Rep Center, Kilimani
P.O. Box 25363-00603
Nairobi

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

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

**LAWYERS**
Coulson Harney Advocates
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road
PO Box 10643-00100
Nairobi

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

K N Associates
3rd Floor, Ngong Lane Plaza, Ngong Lane
Off Ngong Road
P.O. Box 27547-00100
Nairobi

Anjarwalla & Khanna
3rd Floor, The Oval,
Ring Rd Parklands/Jalaram Rd, Westlands
PO Box 200-00606
Nairobi

**BOARD OF DIRECTORS**
J N Muguiyi-Chair
J B McFie- Deputy Chair
J M Mworia - Managing Director
C J Kirubi
Industrial & Commercial Development Corporation (ICDC)
K Wanderi (Alternate to ICDC)
H C Njoroge
The Permanent Secretary, Ministry of Trade
M M Byama (Alternate to Permanent Secretary, Ministry of Trade)
I Khan
L Macharia

**INVESTMENT COMMITTEE**
C J Kirubi-Chair
K Wanderi
J M Mworia
L Macharia
I Khan
H C Njoroge

**AUDIT AND RISK COMMITTEE**
I Khan- Chair
L Macharia
H C Njoroge
M M Byama
J M Mworia

**NOMINATION AND GOVERNANCE COMMITTEE**
L Macharia-Chair
K Wanderi
J N Muguiyi
C J Kirubi
J M Mworia
M M Byama

**BRANDING COMMITTEE**
H C Njoroge- Chair
C J Kirubi
J M Mworia

**ICT COMMITTEE**
H C Njoroge- Chair
J M Mworia
David Bunei
Chiota Wadzanai

# NOTICE OF THE 49TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of Centum Investment Company Limited (the "Company") will be held on **Thursday, 29th September 2016 from 11:00 am at Two Rivers Development, Limuru Road** (please see map below), **Nairobi.**

## AGENDA:

### 1. CONSTITUTION OF THE MEETING

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

### 2. CONFIRMATION OF MINUTES

To confirm minutes of the AGM held on Tuesday, 29th September 2015.

### 3. ORDINARY BUSINESS

**i. Report of the Auditors and Consolidated Financial Statements for the financial year ended 31st March 2016**

To receive, consider and approve the Consolidated Financial Statements for the financial year ended 31st March 2016, together with the Directors' and Auditors' report thereon.

**ii. Declaration of Dividend**

To declare a first and final dividend of KShs. 1.00 per ordinary share for the financial year ended 31st March 2016, payable on or about the 31st of October 2016, net of withholding tax, to shareholders on the Register and to approve the closure of the Register of Members as of the close of business on 3rd October 2016.

**iii. Remuneration of Directors**

To confirm the remuneration of the Directors for the year ended 31st March 2016.

**iv. Election of Directors**

a. In accordance with Article 86 and 88 of the Company's Articles of Association, **Dr. Laila Macharia,** an independent director retires by rotation, and being eligible, offers herself for re-election.

b. In accordance with Articles 86 and 88 of the Company's Articles of Association, **Mr. James Muguiyi,** a director retires by rotation and although eligible, does not offer himself for re-election.

c. In accordance with Articles 86 and 88 of the Company's Articles of Association, the **Principal Secretary – Ministry of Industry, Trade and Cooperatives,** a director retires by rotation and although eligible does not offer itself for re-election.

**v. Appointment and Remuneration of Auditors**

To appoint PricewaterhouseCoopers (PWC) as Auditors for the Company in accordance with sections 721 (2) and 724 of the Companies Act, No. 17 of 2015 and to authorize the directors to fix their remuneration.

### 4. SPECIAL BUSINESS

**A. Ordinary Resolutions**

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

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

For the purposes of Regulation 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 **Zohari Leasing Limited** (incorporated in Kenya) as wholly-owned subsidiary of the Company be ratified.

b) THAT the incorporation of **Rea Power Company Limited** (incorporated in Kenya) as wholly-owned subsidiary of the Company be ratified.

c) THAT the incorporation of **Le Marina Limited** (incorporated in Uganda) as wholly-owned subsidiary of Centum Development Limited (a subsidiary of the Company) be ratified.

d) THAT the incorporation of **Two Rivers Development Phase Two Limited** (incorporated in Kenya) as a wholly-owned subsidiary of Two Rivers Development Limited (a subsidiary of the Company) be ratified.

e) THAT the acquisition of 100% shares of **Vipingo Estates Limited** by Vipingo Development (a subsidiary of the Company) be ratified.

f) THAT the acquisition of a 29% additional shareholding in **Longhorn Publishers Limited** (resulting in Longhorn Publishers Limited becoming a subsidiary in which the Company holds an aggregate of 60.29% of the issued share capital) be ratified.

**B. Special Resolutions**

To consider and if found fit, to pass the following resolutions as special resolutions:

i. "That the name of the Company be and is hereby changed from **"Centum Investment Company Limited"** to **"Centum Investment Company Plc"** with effect from the date set out in the Certificate of Change of Name issued in that regard by the Registrar of Companies.

ii. That Article 6 be deleted and replaced with the following new Article:

*"Subject to the Act and to any rights attaching to existing shares, any share may be issued which can be redeemed or is liable to be redeemed at the option of the Company or the holder. The Board may determine the terms, conditions and manner of redemption of any redeemable shares which are issued. Such terms and conditions shall apply to the relevant shares as if the same were set out in these Articles."*

iii. That Articles 43 to 46 (both inclusive), be deleted in their entirety.

iv. That Articles 51 and 52 be deleted and replaced with the following new Articles:

*"51. An annual general meeting shall be held once a year, at such time (consistent with the terms of the Act) and place as may be determined by the Board. All General Meetings other than annual general meetings shall be called Extraordinary General meetings.*

*52. The Board may, whenever it thinks fit, and shall on requisition in accordance with the Companies Act, proceed to convene a general meeting."*

v. That Article 53 be deleted and replaced with the following new Articles:

*"53. A general meeting shall be called by at least such minimum notice as is required or permitted by the Act. The period of notice shall in either case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given to all members other than those who are not entitled to receive such notices from the Company. The Company*

# NOTICE OF THE 49TH ANNUAL GENERAL MEETING

*shall give notice of a general meeting either in hard copy form, in electronic form, by means of a website (in accordance with section 282 of the Act); or partly by one such means and partly by one or more of the other such means.*

*54. Notwithstanding the forgoing provisions, A General Meeting may be convened by shorter notice than that otherwise required if it is agreed by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% of the nominal value of the shares giving that right.*

*55. The accidental omission to give notice of any meeting or to send an instrument of proxy (where this is intended to be sent out with the notice) to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings of that meeting."*

vi. That Article 73 be amended by deleting the words *"twenty four"* wherever they appear and replace them with the words "*forty eight"*.

vii. That the following new Article be inserted immediately after Article 73:

"Subject to the Act, the Board may accept the appointment of a proxy received by electronic means on such terms and subject to such conditions as it considers fit. The appointment of a proxy received by electronic means shall not be subject to the requirements of article 73."

viii. That the Articles of Association of the Company be amended in Article 78 as follows:

*"The number of Directors shall not be less than two and, unless and until otherwise determined by the Company in General Meeting, shall not exceed eleven."*

ix. That Article 139 be amended by deleting it and replacing it with the following new Article:

*Every Director, agent, auditor, Secretary and other officer (each a relevant officer) shall be indemnified out of the Company's assets against all relevant loss including any liability incurred by him in defending any civil or criminal proceedings, in which judgment is given in his favour or in which he is acquitted or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in connection with any application in which the court grants him, in his capacity as a relevant officer, relief from liability for negligence, default, breach of duty or breach of trust in relation to the Company's (or any associated company's) affairs. This Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Act or by any other provision of law. The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.*

x. That the following new Articles be inserted immediately after Article 139:

***(A) Unclaimed Assets***
*The Company shall, as required by the Unclaimed Financial Assets Act, deliver or pay to the Unclaimed Financial Assets Authority any unclaimed assets including but not limited to shares and dividends in the Company presumed to be abandoned or unclaimed in law and any dividends remaining unclaimed beyond prescribed statutory periods and the Board may perform such acts as may be necessary to effect such delivery or payment. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the Member or his or her estate, for the relevant unclaimed assets.*

***(B) Acquisition by the Company of its Own Shares***
*The Company may acquire its own shares in accordance with Part XVI of the Act.*

*xi. That the Articles of the Company be renumbered accordingly following the amendments set out in these Resolutions.*

**5. ANY OTHER BUSINESS**
To transact any other business that may legally be transacted at an Annual General Meeting.

Dated at Nairobi this 26th day of August 2016

**BY ORDER OF THE BOARD**

**Loise W. Gakumo**
**Company Secretary**

## PLEASE NOTE:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy, who need not be a member of the Company.

A Proxy Form is provided with this Notice. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the Proxy Form to the registered office of the Company at International House, 5th floor, Mama Ngina Street, Nairobi, or, to the offices of the Company's share registrars C&R Share Registrars, Bruce House, 6th floor, Standard Street, Nairobi so as to arrive not later than 10.00 a.m. on 27th September 2016.

2. Registration of members and proxies for the Annual General Meeting will commence at 7.00 a.m. on 29th September 2016. To facilitate registration on the day members and proxies should carry their national ID cards or passports and a copy of the Central Depository and Settlement Corporation (CDSC) account statement applicable to the member for the shareholding in the Company.

3. The Map to the venue (Please see map on page 186)

4. There will be buses at the Kenyatta International Conference Centre 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.

The annual report and financial statements of the Company for the year ended 31st March 2016 have been made available on the Company's website **www.centum.co.ke** in the downloads section of the website.

## KWA WENYEHISA

Notisi inatolewa kuwa mkutano wa mwaka wa 49 wa kampuni ya Centum Investment Company Limited utafanyika mnamo **Alhamisi, tarehe 29 Septemba 2016 katika sehemu ya Two Rivers, barabara ya Limuru road,** (tazama ramani uliyopewa ukurasa 186), **Nairobi kuanzia saa 11.00 asubuhi.**

## YATAKAYO KUWEMO (AJENDA)

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

**2. KUIDHINISHA MAJADILIANO YA MKUTANO ULIOPITA**
Kuidhinisha mambo yaliyojadiliwa kwenye mkutano wa mwaka wa 48 uliofanyika Jumanne, 29 Septemba 2015.

**3. SHUGHULI ZA KAWAIDA**

**(i) Ripoti ya wahasibu na taarifa ya fedha iliyojumuishwa ya mwaka uliokwisha 31 Machi 2016**
Kupokea na kutathmini kama inafaa kuidhinisha ripoti ya kifedha pamoja na taarifa ya wakurugenzi na ripoti ya wahasibu ya mwaka uliokwisha 31 Machi 2016.

**(ii) Tangazo ya mgawo wa faida**
Kutangaza mgawo wa faida wa kwanza na mwisho wa shilingi (k) 1.00 kwa kila hisa utakaolipwa baada ya kutozwa ushuru, tarehe au karibu na tarehe 31 Oktoba 2016 kwa wanachama watakaokuwa kwa orodha ya wenyehisa mnamo tarehe 3 Oktoba 2016, na kuidhinisha kufungwa kwa rijista siku hiyo.

**(iii) Mishahara ya wakurugenzi**
Kubainisha malipo kwa wakurugenzi kwa mwaka uliokwisha 31 Machi 2016.

**(iv) Uchaguzi wa wakurugenzi**

a. Kwa mujibu wa vifungu vya 86 na 88 vya kanuni na sheria zakampuni ,**Dr Laila Macharia** ,mkurugenzi huru na anayestaafu kwa zamu anajitolea ili kuchaguliwa tena.
b. Kwamujibu wa vifungu vya 86 na 88 vya kanuni na sheria za kampuni, **bwana James Muguyi,** anayestaafu kwa zamu na hajitolei ili kuchaguliwa tena.
c. Kwamujibu wa vifungu vya 86 na 88 vya kanuni na sheria za kampuni, **katibu mkuu wa wizara ya biashara na ushirika**, na anayestaafu kwa zamui, hajajitolea kuchaguliwa tena

**v) Uteuzi wa Wahasibu na kuidhinisha malipo yao**
Kuteua PricewaterhouseCoopers (PwC) kuwa wahasibu wa kampuni kulingana na sehemu ya 721(ibara ya 2) na ya 724 ya kanuni na sheria za kampuni nambari 17 ya mwaka wa 2015 na kuidhinisha wakurugenzi kuamua malipo yao.

**4. SHUGHULI MAALUM**

**A. Azimio la kawaida**

**(i) Maidhinisho kuambatana na G.06 ya ratiba nambari tano inayohusu masoko ya hisa (hati)(toleo kwa umma, kuorodheshwa na kuajibika) kanuni ya 2002**
Kwa mujibu wa maagizo ya G.06 ya ratiba nambari tano inayohusu masoko ya hisa (hati)(toleo kwa umma, kuorodheshwa na kuajibika) kanuni ya 2002, kuthatmini na ikionekana muafaka, kuidhinisha maazimio yafuatayo yakiwa maazimio ya kawaida kuhusu kampuni na kwa manufaa ya kampuni:

a. Kwamba usajili wa **Zohari Leasing Limited** (usajili nchini Kenya) kama kampuni tanzu, uidhinishwe.
b. Kwamba usajili wa **Rea Power Company Limited** (usajili nchini Kenya) kama kampuni tanzu,uidhinishwe.
c. Kwamba usajili wa **Le Marina Limited** (usajili nchini Uganda) kama kampuni tanzu, uidhinishwe.
d. Kwamba usajili wa **Two Rivers Development Phase Two Limited** (usajili nchini Kenya) kama kampuni tanzu ya Two Rivers Development Limited (kampuni tanzu ya Centum Investment Company Limited), uidhinishwe.
e. Kwamba ununuzi wa asilimia 100 ya hisa za **Vipingo Estates Limited** na Vipingo Development Limited (kampuni tanzu ya Centum Investment Company Limited), uidhinishwe.
f. Kwamba ununuzi wa asilimia 29 ya hisa za **Longhorn Publishers Limited** (jambo lililofanya Longhorn Publishers Limited kuwa kampuni tanzu ambapo, Centum inamiliki kwa jumla asilimia 60.29 ya hisa za kampuni hiyo), uidhinishwe.

**B. Azimio maalum**

Kuthatmini na ikionekana yafaa ,kuidhinisha maazimio yafuatayo kama maazimio maalum:

i. Kwamba jina la kampuni libadilishwe kutoka "**Centum Investment Company Limited**" na kuitwa **"Centum Investment Company PLC"** kutokea tarehe iliyowekwa kwenye cheti cha ubadilishanaji wa majina na ambacho kilitolewa kwa minajili hiyo na afisi ya usajili wa kampuni.

ii. Kwambakifungu cha 6 kiondolewe na kubadilishwa na kifungu kipya kinachofuata:

*"Kutegemea masharti ya sheria na haki kwa wenyehisa walioko,hisa zozote zinaweza kutolewa au kurudishwa kwa kampuni ,au zinaweza kurudishwa kwa hiari ya kampuni au na anayemiliki hisa hizo.*

*Bodi ya wakurugenzi wanaweza kuamua masharti ama maagizo ya kuzingatia kuhusiana na kurudishwa kwa hisa zilizotolewa.Masharti na maagizo hayo yatatumika kwa hisazinazohusika kana kwamba yalikuwa yamewekwa kwenye kifungu hicho"*

iii. Kwamba vifungu vya 43 hadi 46 (pamoja navyo) viondolewe kikamilifu

iv. Kwamba vifungu vya 51 na 52 viondolewe na kubadilishwa na vifungu vipya vifuatavyo:

*"51. Mkutano wa mwaka utafanyika mara moja kwa mwaka,kwa wakati (na kwa kuambatana na masharti ya sheria inayohusika) na katika mahali patakapo amuliwa na Bodi.Mikutano yote ya kawaida yasipokuwa mikutano ya mwaka yataitwa mikutano yasiyokuwa ya kawaida .*

*52.Bodi inaweza ,ikionelea inafaa,na kwa kupitia ombi kulingana na mujibu washeria za kampuni,kufanya mkutano wa mwaka"*

v. Kwamba kifungu cha 53 kiondolewe na kubadilishwa na vifungu vipya vifuatavyo:

*"53.Mkutano wa mwaka unaweza kuitwa kwa muda mfupi uwezekanavyo kulingana au jinsi unavyoruhusiwa na sheria.Siku ya kutoa notisi na siku y akufanyika kwa mkutano wa mwaka haitatiliwa maanane kwa kukadiri muda wa notisi na ambayo itatolewa kwa wanachama wote wasipokuwa wale ambao hawastahili kupokea notisi ya aina hiyo kutoka kwa kampuni.Kampuni itatangaza notisi juu ya mkutano wa mwaka kupitia waraka,kwa njia ya kielektroniki,kwa kupitia tovuti ya mtandao (Kuambatana na sehemu ya 282 ya sheria*

*zakampuni);au kwa kuchanganya matumizi ya njia hizo kwamseto .*

*54 Licha ya maagizo hayo ,mkutano wa kawaida unaweza kuandaliwa kupitia notisi ya muda mfupi kuliko inavyotarajiwa kupitia kuafikiana kwa wanachama walio wengi na ambao wana haki ya kuhudhuria na kupiga kura kwenye mkutano huo ,na kwa kuwa wako wengi kwa kumiliki hisa zisizo pungua asilimia 95 ili kuwapatia haki juu ya swala hilo.*

*55.Ikiwa kwa bahati mbaya notisi juu ya mkutano wowote itakosa kutumwa au kukosa kutuma waraka wa uwakilishi ( kwa kawaida fomu ya uwakilishi huambatanishwa na notisi) au kukosa kuwasilishwa kwa wanaohusika,haitaathiri kufanyika kwa mkutano wa mwaka.*

vi. Kwamba kifungu cha 73 kurekebishwa kwa kuondoa maneno *"twenty four"* mahali popote yanapopatikana na kubadilishwa na maneno *"forty eight"*.

vii. Kwamba kifungu kipya kifuatacho kiwekwe baada ya kifungu cha 73:

"Kwa minajili ya sheria za kampuni,Bodi inaweza kukubali uteuzi wa mwakilishi kwa njia ya kielektroniki kuambatana na masharti na maagizo yanayostahili yatakayowekwa.Uteuzi wa mwakilishi kupitia njia ya kielektroniki hautahitaji kutimizwa kwa masharti ya kifungu cha 73"

viii. Kwamba hati ya Kanuni na Sheria za Kampuni kurekebishwa katika kifungu cha 78 ifuatavyo:

*"Idadi ya wakurugenzi hawatapungua wawili na hadi pale kampuni itakapoamua kwenye mkutano wa kawaida ,hawatakuwa zaidi ya kumi na moja"*

ix. Kwamba kifungu cha 139 kirekebishwe kwa kuondolewa na kubadilishwa na kifungu kipya kifuatacho:

*Kila mkurugenzi,mkala,mkaguzi wa hesabu,katibu na afisa yeyote (kila mmoja akiwa muhimu)atawekewa dhamana ya rasilimali ya kampuni dhidi ya hasara pamoja na kugharamia madeni kutokana na kutetea kortini kesi za aina yote pamoja na ya jinayi,na ambapo maamuzi ya kumwachilia ya yalitolewa bila yeye kupatikana na hatiya yoyote na kulindwa ili kuepusha madeni yanayoweza kumkabili kutokana na utenda kazi wake katika shughuli za kampuni (au kampuni tanzu).Kifungu hiki hakijaidhinisha kuwekwa dhamana ikiwa mhusika atajishughulisha na mambo ambayo ni kinyume na sheria za kampuni au sheria yoyote.Wakurugenzi wanaweza kuweka bima ili kulind afisa yeyote kutokana na athari za hasara zinazoweza kutokea.*

xi. Kwamba kifungu kifuatacho kiwekwe baada ya kifungu cha 139

***(A) Rasilimali Zilizowachwa***
*Kampuni, kulingana na masharti ya sheria za kampuni kuhusiana na rasilimali zilizowachwa ,itawasilisha kwa mamlaka linalohusika malipo ya mauzo ya hisa au mgawo wa faida na ambayo kisheria yanaonekana kuwachwa ,kusahauliwa au baada ya kupitwa na wakati uliowekwa kisheria na kwa hivyo Bodi itafanya kila juhudi kuwasilisha ulipaji huo.Baada ya kuwasilisha malipo hayo kampuni haitakuwa na deni kuhusiana na rasilimali hizo au kuwajibika kwa mwanachama anayehusika au kwa mkala wake.*

*(b)* ***Ununuzi na Kampuni wa Hisa Zake.***
*Kampuni inaweza kununua hisa zake kulingana na sehemu ya XVI ya sheria za kampuni.*

xii. Kwamba vifungu vya hati ya Kanuni na Sheria za Kampuni viorodheshwe upya kufuatia marekebisho yaliyomo kwenye maazimio hayo.

### 5. SHUGHULI ZINGINEZO

Kutetekeleza shughuli zingine ambazo sheria inaruhusu kufanyika katika mkutano wa mwaka

**KWA AMRI YA BODI YA WAKURUGENZI**

**Loise Gakumo**
**Katibu**
**Nairobi**
**26 Agosti 2016**

## Fahamu kwamba

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

   Fomu ya uwakilishi imeambatanishwa pamoja na hii ripoti. Wale wenyehisa ambao hawatahudhuria mkutano wa mwaka wanaombwa kujaza fomu hizo na kuzirudisha kwa makao makuu, ghorofa ya 5, jumba la International Life house, barabara Mama Ngina Street, au katika afisi ya usajili wa hisa zetu, CSR Share Registrars, ghorofa ya 6, jumba la Bruce House, barabara ya standard street, ili zitufikie kabla ya saa nne, tarehe 27 Septemba 2016

2. Usajili wa wanachama na wawakilishi watakaohudhuria mkutano wa mwaka utaanza saa moja tarehe 29 Septemba 2016. Ili kurahisisha usajili wanachama na wawakilishi wanapaswa kubeba vitambulisho vyao au hati za paspoti pamoja na nakala ya stakabadhi ya stetmenti kutoka shirika la CDSC inayobainisha uwanachama katika kampuni.

3. Ramani ya mahali pa mkutano (tazama ramani uliyopewa ukurasa 186).

4. Basi la usafiri litakuwa hapo Kenyatta International Conference Centre 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.

Nakala ya ripoti ya mwaka uliokwisha 31 Machi 2016 inapata kwenye tovuti ya kampuni kwa anwani www.centum.co.ke.

# OVERVIEW OF BUSINESS

**+25%** Profit After Tax

**+12%** Earnings Per Share

**+23%** Net Asset Value Per Share

## FINANCIAL

| | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Consolidated profit after tax (KES '000) | 9,947,630 | 7,942,432 |
| Earnings per Share (KES) | 11.75 | 10.45 |
| Dividends per Share (KES) | 1.00 | - |
| **Net Asset Value per share (KES)** | **59.08** | **48.00** |

## GROUP'S ECONOMIC CONTRIBUTION

**CENTUM GROUP'S CONTRIBUTION TO LOCAL ECONOMY**

**Foreign Direct Investment**
**Kes 13.9 Bn**
Foreign capital attracted to Centum projects as new equity/exit proceeds representing 9% of total 2015 FDI

**Employment**
**8,474**
Employees directly employed by Group or in our 23 portfolio investment companies

**Investment**
**Kes12.2 Bn**
Capital deployment during the year

## OUR BUSINESS MODEL

We are developers of investment grade opportunities of scale under our current strategy period dubbed Centum 3.0. We aim to be active developers in eight sectors, namely Real Estate, Fast Moving Consumer Goods, Financial Services, Power, Education, Agribusiness, Healthcare and ICT.

### We create value for our shareholders through developing investment grade opportunities of scale and availing them to other investors

**OUR BUSINESS MODEL**

**1**

**Project Development**

Conceptualisation of projects

Investment of seed capital to de-risk projects and scale up

Seed capital funded through internally generated funds or Group level debt

Engagement of sector specific experts to support scale up of projects

**2**

**Growth**

Focus on driving growth of project and operationalisation

Third party capital raised at a higher valuation to fund this capital intensive phase

Project specific debt with no recourse to Centum also used to fund growth phase

**3**

**Mature Project**

Enterprise value growth converges on GDP growth

Partial or full exit to realise gains

# CENTUM 3.0
# STRATEGIC PILLARS
# 2014 - 2019

**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 total assets to KES.120Bn [USD 1.2Bn] by 2019 and total AUMs including third party AUMs to KES. 720Bn (USD 7.2Bn)

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

**COST**
Maintain costs below 2.0% of total assets

# OVERVIEW OF BUSINESS

## OUR INVESTMENTS

We are an investment holding company. Highlights of our subsidiaries and other principal investments held are set out below:

| | REAL ESTATE |
|---|---|
| 100% | Athena Properties Limited |
| 100% | Rasimu Limited |
| 58.33% | Two Rivers Development Limited |
| 100% | Uhuru Heights Limited |
| 100% | Vipingo Development Limited |
| 100% | Vipingo Estates Limited |
| 100% | Centum Development Limited |
| 30% | Broll Kenya Limited |

| | FINANCIAL SERVICES |
|---|---|
| 100% | Nabo Capital Limited |
| 100% | Kilele Holdings Limited |
| 100% | Bakki Holdco Limited |
| 29% | UAP Financial Services Limited (Uganda) |
| 73.35% | GenAfrica Asset Managers Limited |

| | FAST MOVING CONSUMER GOODS |
|---|---|
| 100% | King Beverage Limited |
| 52.03% | Almasi Beverages Limited |
| 27.62% | Nairobi Bottlers Limited |
| 26.43% | KWAL Holdings Limited |

| | POWER |
|---|---|
| 100% | Mvuke Limited |
| 51% | Amu Power Limited |

| | AGRIBUSINESS |
|---|---|
| 100% | Greenblade Growers Limited |

| | MARKETABLE SECURITIES |
|---|---|
| 100% | Centum Exotics Limited |

| | OTHERS |
|---|---|
| 100% | Centum Business Solutions Limited |
| 100% | Mwaya Investments Company Limited |
| 31.25% | *Longhorn Publishers Limited |
| 17.82% | General Motors East Africa Limited |
| 15% | SIA Holdings Limited |
| 10% | Capital Challenge Market Fund |
| 100% | Shefa Holdings Limited |

* In May 2016, we increased our shareholding in Longhorn Publishers Limited from 31.25% to 60.29%

In April 2016, we incorporated Zohari Leasing Limited, a wholly owned leasing subsidiary of Centum

### INDIRECT HOLDINGS

| Subsidiary | Entity | % Holding |
|---|---|---|
| **REAL ESTATE** | | |
| Two Rivers Development Limited | Two Rivers Lifestyle Centre Limited | 50% |
| | Two Rivers Power Company Limited | 100% |
| | Two Rivers Water and Sanitation Company Limited | 100% |
| | Two Rivers Luxury Apartments Limited | 100% |
| | Two Rivers ICT Company Limited | 100% |
| | Two Rivers Property Owners Limited | 100% |
| | Two Rivers Office Suites Limited | 100% |
| | Two Rivers Development Phase Two Limited | 100% |
| Centum Development Limited | Pearl Marina Estates Limited | 100% |
| **FINANCIAL SERVICES** | | |
| Kilele Holdings Limited | Platcorp Holdings Limited | 35.63% |
| Bakki Holdco Limited | Sidian Bank Limited | 74.82% |
| **POWER** | | |
| Mvuke Limited | Akiira Geothermal Limited | 37.5% |
| **MARKETABLE SECURITIES** | | |
| Centum Exotics Limited | Oleibon Investments Limited | 100% |

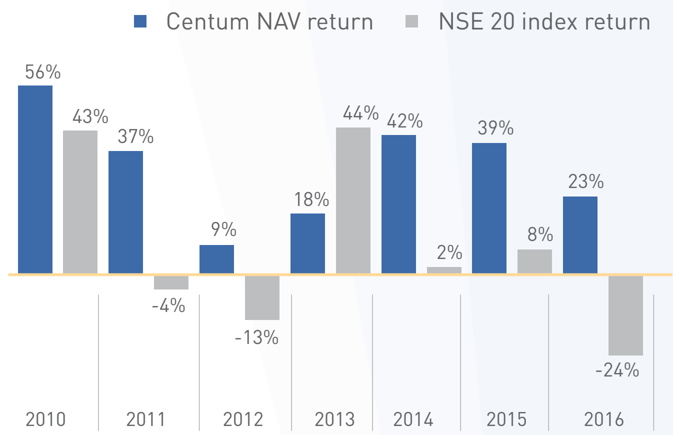
## PERFORMANCE ON CENTUM STRATEGIC PILLARS

| | Centum 3.0 Strategic Objectives | Achievements in FY 2016 |
|---|---|---|
| RETURN | • Generate 35% annualised return between FY2014 and 2019<br>• Consistently outperform the market | • Delivered return of 23% vs. NSE 20 Index return of -24% over the same period<br>• 25% yoy growth in group profitability from KES 7.9 bn to KES 9.9 bn |
| FOCUS | • Develop and scale investments across 8 key sectors<br>• Optimise portfolio in line with sector focus | • Investments in five sectors (Real Estate, Energy, Financial Services, FMCG, Agribusiness)<br>• Investments imminent in two sectors (Healthcare, Education) |
| SCALE | • Grow total assets to KES 120 bn (USD 1.2 bn) by end 2019 | • Total assets of KES 51.5 Bn at 31 March 2016 |
| BRAND | • Develop sector expertise across key sectors<br>• Build a track record of project development in targeted sectors | • Sector specific expertise enhanced in agribusiness, healthcare, retail and leasing sectors<br>• Continued investment in graduate programme as key talent pipeline |
| COSTS | • Maintain costs below 2.00% of total assets | • Cost efficiency of 1.7% achieved |

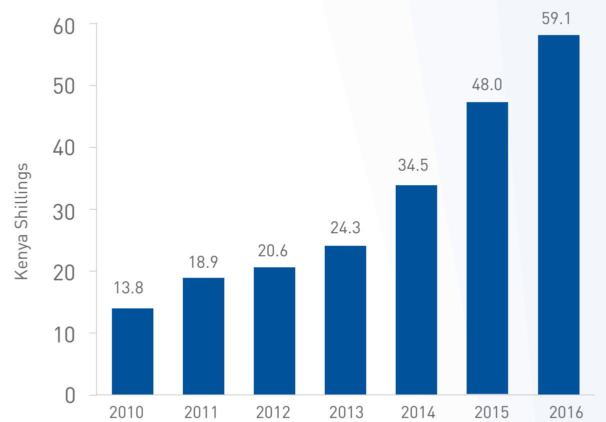
### RETURN

Despite the interest and exchange rate volatility and a tough economic environment during the financial year, our diverse portfolio delivered a 23% return on NAV. This represents an average annualized growth rate of 27% year on year over the past 7 years.

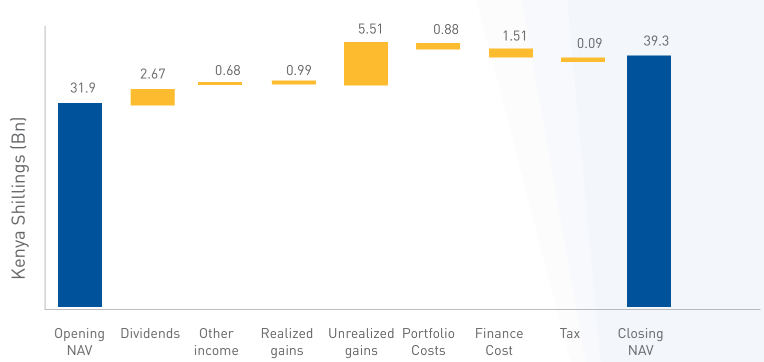
### Comparison of Centum NAV Return and NSE 20 Index Return




Performance of NAV per share over the last seven years is shown below.




### FY 2016 Total Return Attribution



# OVERVIEW OF BUSINESS

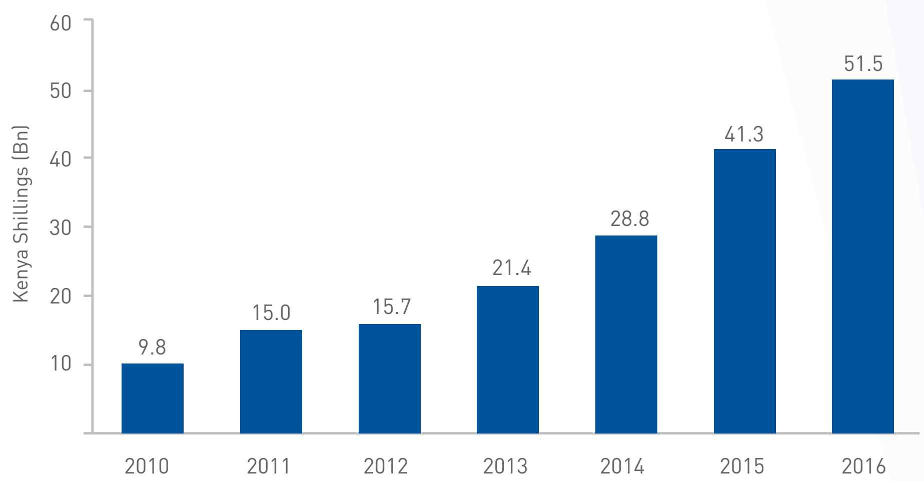
## FOCUS

Our multi-sectoral focus under Centum 3.0 strategy has seen immense transformation in the way we create value for our stakeholders. With a footprint in every key sector of the economy, we have remained true to our guiding principle – creating tangible wealth. We develop opportunities of scale that not only deliver above market returns but also positively transform the economies we operate in. We have developed opportunities in five sectors and plan to further develop opportunities of scale in an additional three sectors during the strategic period.

## SCALE

Our total assets have grown five times in the last seven years to stand at Kes 51.5 billion at 31 March 2016. Our goal is to grow Centum total assets to KES 120 Billion and total AUMs including third party funds to KES 720 billion by 2019.

**TOTAL ASSETS (KES Bn)**



## FIVE YEAR PERFORMANCE HIGHLIGHTS

| | FY2015/16 | FY2014/15 | FY2013/14 | FY2012/13 | FY2011/12 |
|---|---|---|---|---|---|
| **Return** | | | | | |
| Total return (Kshs Million) | 7,375 | 9,003 | 6,800 | 2,451 | 1,133 |
| Return on opening equity (%) | 23.1% | 39.25% | 42.10% | 17.90% | 9.00% |
| Outperformance relative to NSE 20 share index (%) | 47% | 31% | 40% | -26% | 22% |
| Cost efficiency (%) | 1.70% | 2.10% | 1.50% | 2.30% | 1.60% |
| **Financial Position (KES Million)** | | | | | |
| Total Assets | 51,543 | 41,265 | 28,811 | 21,407 | 15,721 |
| Portfolio Value | 47,058 | 37,465 | 29,371 | 19,307 | 14,694 |
| Other assets/liabilities | 2,731 | 2,043 | (943) | 979 | (9) |
| Debt | (10,475) | (7,569) | (5,492) | (4,149) | (1,000) |
| **Net Asset Value (NAV)** | **39,314** | **31,939** | **22,936** | **16,137** | **13,685** |
| Gearing (%) | 16.70% | 12.2% | 23.90% | 25.70% | 7.30% |
| Third party funds (Kshs Million) | 151,754 | 136,549 | 117,834 | 2,393 | 1,393 |
| NAV per share (Kshs) | 59.07 | 48.03 | 34.47 | 24.25 | 20.57 |
| Share price per share (Kshs) | 45.00 | 63.57 | 36.5 | 19.9 | 14.7 |
| Market Capitalization (Kshs Million) | 29,945 | 42,302 | 24,289 | 13,242 | 9,782 |

**Mr. James N. Muguiyi**
**Chairman & Non-Executive Director**
**Age: 72**

Mr. Muguiyi joined the Board in December 2003. He is the immediate former Group Managing Director of UAP Holdings Limited.

He is a fellow of ICPAK, a member of CIMA and the Chartered Institute of Public Finance and Accountancy.

He is a Non Executive Director of UAP Insurance Company Limited, UAP Insurance (Uganda) Limited, UAP Insurance Sudan Limited, UAP Properties Limited, UAP Financial Services Limited, One Network Limited, Aimsoft Kenya Limited, One Solution Limited and Mount Kenya Bottlers Limited.

**Dr. James McFie**
**Non-Executive Director**
**Age: 70**

Dr. McFie joined the Centum Board in August 2014.

He is currently the Director of the Strathmore School of Accountancy, where he has served as a lecturer since 1978 and trained generations of accountants in Kenya.

He also serves as the Chairman of the Board of Directors of Sasini Limited and as a non executive Director of The Standard Group Limited. He has previously served as a Director of the Capital Markets Authority (Kenya) and as a Member of the Value Added Tax Tribunal of Kenya, amongst numerous other responsibilities.

Dr. McFie holds a PhD from Graduate School of Business, University of Strathclyde, Glasgow, Scotland, an MA (Mathematics) degree from Balliol College, Oxford University, England and a BA (Mathematics) degree from Balliol College, Oxford University, England.

**Mr. James M. Mworia**
**Group CEO and Managing Director**
**Age: 38**

Mr. Mworia is the Chief Executive Officer of Centum Group, a position he has held since October 2008.

He has over fifteen years experience and he is the recipient of many regional and international awards in recognition of his outstanding business leadership. The most recent of this was the East Africa Business Leader of the Year 2015 award by the Corporate Council on Africa in Washington DC. He was also selected as a World Economic Forum Young Global Leader for 2016 and ranked as one of the Choiseul 100 African Leaders of Tomorrow 2015.

He is a CFA Charter holder, CPA(K), a Global Chartered Institute of Management Accountant, a holder of LLB from the University of Nairobi and an Advocate of the High Court of Kenya. He is a Fellow of the Archbishop Desmond Tutu African Leadership Institute.

James also serves as the Chairman of Sidian Bank and Almasi Beverages Limited. He is also a non-executive director of the Lewa Conservancy and the Nairobi Securities Exchange.

# OUR BOARD

**Dr. Christopher Kirubi**
**Non-Executive Director**
**Age: 74**

Dr. Kirubi has been a Director of the company since December 1997. He served as Chairman of the Board between 1998 and 2003. He is the Chairman of the Board Investment Committee.

He is a well-known Kenyan industrialist with interests in fast moving consumer goods, media and communications.

Dr. Kirubi is a graduate of INSEAD and the Harvard Business School.

He was appointed a Director by Harvard Business School in 2012, and also serves as the Chairman of DHL World Wide Express Limited, Haco Industries Kenya Limited, Kiruma International Limited, International House Limited, Nairobi Bottlers Limited, Sandvik East Africa Limited and Capital FM and recently Brand Kenya.

He is a Non-Executive Director of Bayer East Africa Limited and Beverage Services of Kenya Limited.

**Kennedy Wanderi**
**Non-Executive Director**
**Age: 49**

Mr. Wanderi joined the board as the representative for Industrial Commercial Development Corporation (ICDC) in 2015.

He has more than 27 years' experience in accounting and finance rising through the ranks at ICDC to his current position as Executive Director. Kennedy has experience developing and operationalizing sound financial management systems, as well as short and long term financial plans.

Mr Wanderi holds a Bachelor's degree in Business Management as well as a MBA in Finance and Banking, both from the Moi University.

He is also a Certified Public Accountant.

**Dr. Laila Macharia**
**Non-Executive Director**
**Age: 45**

Ms. Macharia joined the Board in October 2013.

She is the Founder and Chief Executive Officer of Scion Real Estate Limited, a property investment company based in Nairobi that provides financing for builders in Africa's rapidly growing cities through its Africa Metro Property Facility.

Laila has vast experience managing multi-currency portfolios and transactions in the United States of America and East Africa. While at the New York office of Clifford Chance, a leading global law firm, she coordinated a US$9 billion multi-currency bond program.

Prior to that, she headed the Africa Initiative at the Global Fund for Women in the San Francisco Bay Area.

Laila is currently the Vice Chairperson, Kenya Private Sector Alliance (KEPSA) and a member of Capital Markets Tribunal. She has previously served as the Chairperson, Kenya Property Developers Association.

**Mrs. Margaret M. Byama**
**Non-Executive Director**
**Age: 60**

Mrs. Byama is the representative of the Principal Secretary, Ministry of Trade on the Board, a position she has held since January 2009.

She is the Chief Finance Officer in the Ministry of Trade with over 20 years' experience in public financial management.

Mrs. Byama holds a BA from the University of Nairobi and Certificate in Public Financial Management from Manchester University.

She is the Chairperson of the Wildlife Clubs of Kenya and was the immediate former Chief Executive Officer of the National Humanitarian Fund for Internally Displaced Persons.

**Mr. Imtiaz Khan**
**Non-Executive Director**
**Age: 47**

Mr. Khan joined the Board in November 2008 and serves as the Chairman of the Board Audit and Risk Committee. He is a qualified accountant and holds a MBA with distinction from The London Business School and a Bachelor of Commerce from the University of Nairobi.

He is a specialist in corporate finance and private equity investments with over 20 years' experience undertaking projects in 18 countries across four continents, including Brazil, Russia, India, China and South Africa which are widely regarded as some of the world's leading emerging markets.

He is a founding partner and Executive Co-Director at Cassia Capital Partners Limited, which focuses on private equity investments in East Africa. He also chairs Oltepesi Properties Limited. He represents Cassia Capital Partners Limited on the board of EA Power Limited.

**Mr. Henry Njoroge**
**Non-Executive Director**
**Age: 48**

Mr. Njoroge joined the Board in October 2005 and serves as the Chairman of the Board Branding Committee and ICT Committee.

He is currently Executive Director of Xtranet Communications Limited. Prior to this, he was the Managing Director of Open View Business Systems and UUNET Kenya respectively. He worked at Telcorp and Fintech Kenya, both as General Manager.

He is a Non-Executive Director of X&R Technologies Limited, the sole authorized XEROX distributor and Global Equity Ventures Limited. He is also a Trustee of the Kenya Youth Business Trust, a non-profit organization which empowers youth entrepreneurs through mentorship and micro business loans.

**James M. Mworia**
**Group Chief Executive Officer**
**& Managing Director**

James is the Group Chief Executive Officer of Centum Group, a position he has held since October 2008.

He has over fifteen years experience and he is a recipient of many regional and international awards in recognition of his outstanding business leadership. The most recent of his awards was the East Africa Business Leader of the Year award by the Corporate Council on Africa in Washington DC. He was also selected as a World Economic Forum Young Global Leader for 2016 and ranked as one of the Choiseul 100 African Leaders of Tomorrow 2015

He is a CFA Charter holder, CPA(K), a Global Chartered Institute of Management Accountant, a holder of LLB from the University of Nairobi and an Advocate of the High Court of Kenya. He is a Tutu African Leadership Fellow.

James also serves as the Chairman of Sidian Bank and Almasi Beverages Limited. He is also a non-executive director of the Lewa Conservancy and the Nairobi Securities Exchange.

**Loise Gakumo**
**Chief Legal Advisor**
**& Company Secretary**

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

Prior to her appointment, she served as the Group Legal Manager of the Company.

She has over 13 years extensive work experience in commercial and corporate transactions such as corporate re-organizations, private equity transactions, establishment of REIT schemes, joint venture arrangements, share sale and purchase arrangements, Capital Markets Listing procedures and requirements such as Initial Public Offers, listing by introduction, exchange traded funds, Real Estate (purchase and sale of property) and securitization processes having dealt with several banks and corporate institutions. She was previously engaged as a Senior Associate in Mboya, Wangong'u & Waiyaki Advocates.

Loise holds a Bachelor of Laws degree (LL.B) from University of Nairobi and a Post graduate Diploma in Law from the Kenya School of Law. She 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, 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).

**Fred Murimi**
**Centum Capital Director**

Fred Murimi was appointed to the position of Director for Centum Capital in August 2015. Centum Capital is the division of Centum Investment Company Limited charged with the responsibility of overseeing the execution of Centum 3.0 strategy through the development of the investment grade opportunities in the eight sectors of focus.

Prior to his appointment he served as the Corporate Affairs Director and Company Secretary for the Company.

He has over 12 years' experience in the investment industry and is a Tutu African Leadership Fellow.

He holds a Bachelor of Laws degree (LL.B), a Master of Business Administration (MBA) degree, is a Certified Public Accountant - CPA(K) and as a Certified Public Secretary (CPS) and is a member of the Law Society of Kenya (LSK) and Institute of Certified Public Secretaries of Kenya (ICPSK).

In 2014, he was awarded Certified Secretary of the Year in the Champions of Governance Awards by ICPSK and an advocate of the High Court of Kenya.

**Samuel Kariuki**
**Group Finance Director**

Samuel joined the leadership team as the Group Finance Director in January 2016.

Previously, he worked with PricewaterhouseCoopers (PwC) where he rose through the ranks to an Associate Director and where he gained over 10 years of experience in financial advisory and management, audit and risk assurance.

He holds a Masters of Business Administration in Strategic Planning from Heriot-Watt University (UK) and a Bachelor of Science degree in Applied Accounting from Oxford Brookes University (UK). 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).

Samuel oversees the Finance, Tax and ICT functions of the Group.

**Risper Mukoto**
**Managing Director,**
**Centum Business Solutions**

Risper is the Managing Director of Centum Business Solutions Limited (CBS). Prior to January 2016, she also served as the Group Finance and Operations Director.

CBS is a wholly owned subsidiary of Centum that provides investment enabling solutions to the Centum Group and third parties at a fee. The solutions include legal, finance, tax, marketing, risk, technology and human capital management. She has over 16 years' experience in Financial and Operations management, most of which she served in various positions within Centum.

She is a member of ICPAK and a Fellow of the Association of Certified Chartered Accountants (FCCA). She holds a BA in Business Management from Moi University as well as an MBA from the United States International University-Africa (USIU-A).

She is a Tutu African Leadership Fellow and a Certified Executive Leadership Coach.

**Chris Ochieng**
**Managing Director,**
**Athena Properties Limited**

Chris has been the Managing Director of Athena Properties Limited since January 2015. Athena is a Centum subsidiary that provides real estate development and project management services to Centum and third parties.

Chris is a developer with global experience in the real estate industry having planned, conceptualized and executed mixed use developments and urban nodes in Middle East and Africa.

Prior to this appointment in January 2015, he served as the Deputy Director for Athena Properties. Previously, he worked for Lordship Group, Dubai Sports City, Hedley Engineering, Dubai World Trade Centre and Nakheel. He has over nine years' experience in real estate development

He is a Certified Project Management Professional (PMP) and holds a Bachelor of Science in Civil Engineering.

# LEADERSHIP TEAM

**Pius Muchiri**
**Managing Director,**
**Nabo Capital Limited**

Pius is the Managing Director of Nabo Capital Limited, a wholly owned fund management subsidiary of Centum. Prior to this appointment, he served as the Investment Manager in charge of the quoted investment portfolio.

He has over fourteen years investment management experience gained in various roles within Centum, Toyota East Africa and AAR Healthcare.

He is a member of East African Investment Professionals and holds a Bcom from the University of Nairobi. He is CPA(K) and a CFA.

He is a Tutu African Leadership Fellow and a Certified Executive Leadership Coach.

**Jennifer Kinyoe**
**Managing Director,**
**Zohari Leasing Limited**

Jennifer is the Managing Director of Zohari Leasing Limited, a position she has held since April 2016.

Zohari Leasing is a wholly owned subsidiary of Centum in charge of establishing scalable and integrated leasing business with an attractive return.

Previously, Jennifer served as Chief Executive Officer of Rivieres Finance, also a leasing company. Jennifer has over 15 years of experience in Audit, Corporate leadership and successful operationalization of new businesses.

She is a Certified Public Accountant, an Economics graduate from the University of Nairobi and is about to graduate with an MBA in Strategic Management from the same institution.

**John Ngelu**
**General Manager,**
**King Beverage Limited**

John has more than 10 years' experience in Fast Moving Consumer Goods, P&L Management, Operations, Sales and Marketing. He previously served as the Head of Emerging Business at East Africa Breweries Limited where he leveraged on his expertise to create new businesses in order to tap into a larger consumer base.

He holds a Bachelor's Degree in Economics from University of Nairobi and is currently pursuing a Master's Degree in Business Administration at East and South African Management Institute.

King Beverage is a wholly owned subsidiary of Centum in the FMCG sector that has distributorship for Carlsberg Beer. Carlsberg is the fourth largest brewer in the world.

The Company recently expanded its product scope to respond to its varying consumer needs.

**Titus Karanja**
**Managing Director,**
**Sidian Bank Limited**

Titus was appointed Managing Director of Sidian Bank in July 2015.

He previously served as a Director at Co-operative Bank and has over 13 years of experience in banking and investments.

Sidian Bank is a commercial bank focusing on SMEs with a core focus in micro Finance based products. It offers both retail and corporate services and has over 35 branches across the country.

**Simon Ngigi**
**Managing Director,**
**Longhorn Kenya Limited**

Simon joined Longhorn in 2015 as Managing Director. He has more than 12 years' experience in senior management and a proven track record of turning around businesses to sustainable profitability.

He previously served as Managing Director of East African Publishing House where he oversaw a three fold increase in sales.

Simon holds a Bachelor of Commerce, Accounting from the University of Nairobi, is a Certified Public Accountant and a member of ICPAK.

**Joyce Macharia**
**Managing Director,**
**Almasi Beverages Limited**

Joyce has been Chief Executive Officer of Almasi Beverages Limited since October 2014. Almasi Beverages Limited is a Company which was born out of a merger of three Coca-Cola Franchised Bottling Companies namely Rift Valley Bottlers Limited, Kisii Bottlers Limited and Mount Kenya Bottlers Limited.

Joyce has more than 22 years' experience in the FMCG sector servicing in various capacities within Mount Kenya Bottlers Limited. She served as its Managing Director for nine of these years before joining Almasi.

She holds a Bachelor of Commerce (Hons) – Accounting from the University of Nairobi and Advance Management Program (AMP) from Strathmore Business School.

Joyce is a certified Greenbelt in Operational Excellence. She is also a member of the Institute of Directors, a Certified Trustee and has been recognized by The Coca- Cola Company for driving the Operation Excellence Programme. The Agricultural Society of Kenya awarded Joyce with the Long Service Award for continuous faithful voluntary service to the Society among others.

**Charles Ogalo**
**Managing Director,**
**GenAfrica Asset Managers Limited**

Charles serves GenAfrica as the Managing Director, a position he has held since joining the entity in 1996. GenAfrica is the second largest Asset Manager in the country, specializing in investment management and pension scheme advisory services. Centum holds a 73% stake in GenAfrica.

Prior to taking this position, he served in key senior positions at Kenya Commercial Bank (KCB) with his last posting as Chief Manager, Correspondent Banking and International Trade. During his 11 years' service with KCB, he spent four years as the first London Representative, developing business in Europe and America. He has over 15 year's leadership experience in the banking sector and fund management.

Charles holds a Masters Degree in Economics from Rutgers University and a Bachelor of Arts degree from State University of New York.

**JAMES N. MUGUIYI-**CHAIRMAN

"I would like to acknowledge Centum management and staff, who have collectively and consistently given their best to once again deliver market-beating returns for shareholders"

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDER,

Given the trying investment environment that prevailed over much of the financial year, I am particularly pleased to report that the Group successfully navigated the challenges it faced to once again deliver an impressive set of results for shareholders. The Group saw a 25% increase in Total Assets from KES 41.3 bn in 2015 to KES 51.5 bn at 31st March 2016, with Net Asset Value (NAV) Per Share increasing from KES 48.0 to KES 59.1 over the same period. This represented a 6.7x increase in NAV Per Share over the last seven years, underscoring the Group's continued commitment to growing the value of shareholder funds, market cycles notwithstanding. Centum was also added to the NSE 25 Share Index during the course of the year, reflecting the market's perception of the quality of the company whilst also enhancing the Group's visibility.

## STRATEGIC FOCUS

The period under review marked the Group's second year of execution of the Centum 3.0 strategy, which entails repositioning the Group as a developer of attractive investment opportunities of scale in select focus sectors. Notably, the Group is now active in five of these sectors, with investments imminent in two more sectors. We are particularly encouraged by the quantum of third party capital that the Group has been able to attract to its ongoing projects to date, which validates Centum's growing profile as an investment channel through which investors can access large scale opportunities in the region.

## MARKET RECOGNITION

In addition to the financial results attained, Centum and members of its management received numerous accolades over the course of the year. Some of the noteworthy awards received are highlighted below:

- Group CEO, James Mworia, was named East Africa Business Leader of the Year 2015 at the All Africa Business Leaders Awards. He was also selected as a World Economic Forum Young Global Leader for 2016, and ranked as one of the Choiseul 100 African Leaders of Tomorrow 2015
- Centum was named the Most Trusted Financial Management Firm of the Year in Kenya at the Acquisition International 2015 Mergers and Acquisitions Awards
- Capital Finance International recognized Centum as the Best Private Equity Team East Africa for 2014
- Centum was recognized as the Best Employer of Choice in the Financial Services sector at the Careers in African Employer of Choice Awards 2015
- Centum's ICT team received the Outstanding Innovation and Products and Services Award 2015 at the 20th Annual Kenya ICT Pinnacle Awards

As a Board, we are particularly proud of the Group's achievements in this regard as they provide an objective assessment of the quality of the organization and, in particular, its leadership.

## INVESTMENT IN SOCIO-ECONOMIC DEVELOPMENT

Centum is deeply committed to being a responsible corporate citizen, and playing a meaningful role in socio-economic development through both its core investment activities and its corporate social investment activities. The Group is therefore very proud of the awarding of Vision 2030 flagship project status to Two Rivers, one of our key real estate projects, on the basis of its sustainable approach to resource utilisation.

With respect to corporate social investment, Centum Foundation was established last year as vehicle that would leverage on the Group's core strengths to drive value creation in the broader community by investing in and nurturing innovative business ideas. Specifically, we are seeking to utilize the foundation to promote entrepreneurship, and have invested in three promising businesses to date through the Centum Entrepreneurship Program. Notably, we not only provide capital of up to USD 150k, but also support our investee companies in developing the strategies, structures, processes and relationships that are critical to their sustained growth.

> “We are particularly encouraged by the quantum of third party capital that the Group has been able to attract to its ongoing projects to date

In addition to fostering entrepreneurship, the Group also considers education to be a key focus area for its corporate social investment initiatives. Over the course of the year, we spent a further KES 93 mn on the construction of Mathari Primary School, and have now completed the construction of 36 classrooms, a library and an ICT lab to cater for over 700 children at a total cost of KES 166 mn.

### REVISED DIVIDEND POLICY

While the Group has had a zero divided policy since 2009, in light of the Company's sustained strong performance and healthy liquidity position, the Board of Directors is of the view that the Group has sufficient funding available for its deal pipeline as well as for distribution to shareholders. Consequently, the Board declared a dividend payment equivalent to KES 1.00 per share for the financial year ended 31 March 2016. Furthermore, it is anticipated that the Group will be in a position to sustain dividend payments going forward.

### APPRECIATION

On behalf of the Board of Directors, I would like to acknowledge Centum management and staff, who have collectively and consistently given of their best to once again deliver market-beating returns for shareholders. I would also like to take this opportunity to express my appreciation to my fellow Board members for their continued commitment to providing meaningful oversight and support to the management team. Additionally, I would like to thank the Boards of Directors, management and staff of our investee companies, whose efforts have contributed significantly to the success of Centum Group.

Finally, after 13 years on the Board of Centum, I will be retiring from the Board this year. It has been an immense privilege for me to lead the Board of this organization through such a dynamic phase in its evolution where we have seen the business grow in leaps and bounds to emerge as true national champion. I would like to thank my fellow Board members, the management and staff of Centum and the shareholders for the support over the years; together we have grown Centum into a truly formidable business. I retire from the Board with many fond memories, and with the utmost confidence that Centum will continue to grow from strength to strength in the years to come.

God bless you all.

**James N. Muguiyi**
**Chairman**

**JAMES N. MUGUIYI-**MWENYEKITI

"Ningependa kutambua mchango wa wasimamizi na wafanyakazi wa Centum ambao kwa pamoja wameendelea kujitolea kwa dhati na kwa mara nyingine kuwapatia wenyehisa faida inayoshinda ya Soko"

# TAARIFA YA MWENYEKITI

**MPENDWA MWENYEHISA,**

Kwa niaba ya Bodi ya wakurugenzi na wasimamizi wa Centum,ni fahari kwangu kuwasilisha kwako ripoti ya kampuni ya mwaka pamoja na taarifa za kifedha ya mwaka wa pili kwenye kipindi cha mikakati cha 2015-2019.

Licha ya kuwa tulikabiliwa na changamoto katika mazingira ya uwekezaji mwaka huu, ninafurahi hasa kuripoti kuwa Kampuni kujumuisha mashirika iliweza kudhibiti matatizo hayo na kwa mara nyingine kuweza kuwapatia wenyehisa faida ya kutamaniwa. Thamani ya rasilimali zote za kampuni ziliongezeka kwa asilimia 25 kutoka shilingi (k) bilioni 41.3 mwaka wa 2015 hadi shilingi (k) bilioni 51.5 mnamo 31 Machi 2016, huku thamani ya kila hisa dhidi ya rasilimali halisi ikiongezeka kutoka shilingi (k) 48.0 hadi shilingi(k) 59.1 katika kipindi hicho. Hili ni ongezeko mara 6.7 kwa kipimo cha NAV kwa muda wa miaka saba iliyopita na hivyo kuthibitisha azma yetu ya kukuza thamani ya rasilimali ya mwenyehisa, licha ya misukosuko ya soko. Centum pia ilijumuishwa kwenye orodha ya kampuni 25 bora katika soko la hisa la Nairobi, kwenye mwaka, jambo linalobainisha kuwa kwenye soko kampuni ni thabiti na vile vile inatambuliwa.

Thamani ya rasilimali zote chini ya usimamizi wetu kwa niaba ya mashirika mengine iliongezeka kwa shilingi (KES) bilioni 20 kutoka shilingi (KES) bilioni 179 hadi shilingi bilioni 199.

### MALENGO YA MIKAKATI

Huu mwaka tunaochanganua ni mwaka wa pili katika kutekeleza mikakati ya Centum 3.0 inayohusu mfumo mpya wa uwekezaji katika ujenzi wa miradi katika vitengo teule. Muhimu zaidi ni kwamba kampuni kwa sasa inashiriki katika vitengo tano, na hivi karibuni tutafanya uwekezaji katika vitengo viwili vingine. Tunapata motisha hasa kutokana na jinsi washiriki wanavyovutiwa kuwekeza fedha zao kwenye miradi tunayoendeleza hadi sasa, jambo linalobainisha sifa ya Centum ya kuwa kampuni inayotoa fursa kwa wawekezaji katika kanda hili kununua rasilimali ya thamani kubwa.

### KUTAMBULIWA KWENYE SOKO.

Pamoja na kupata matokeo bora ya kifedha, Centum na wasimamizi walipata tuzo kadhaa kwenye mwaka. Miongoni mwa tuzo hizo ni kama zifuatazo:

- Afisa Mkuu Msimamizi, James Mworia alitajwa kuwa kiongozi wa biashara wa mwaka, tuzo la East Africa Business Leader of the Year 2015, katika hafla ya All Africa Business Leaders Awards. (Pia aliteuliwa kuwa kiongozi chipukizi katika maswala ya kiuchumi mwaka wa 2016, World Economic Forum Young Global Leader for 2016 na kutajwa miongoni mwa viongozi 100 wa Kesho barani Afrika, mwaka wa 2015, Choiseul 100 African Leaders of Tomorrow 2015.)
- Centum ilitajwa kuwa shirika la kuaminika katika usimamizi wa fedha wa mwaka nchini Kenya katika hafla ya Acquisition International 2015 Mergers and Acquisitions Awards.
- Centum ilitambuliwa kama mwajiri bora wa kutamaniwa katika sekta ya huduma za kifedha katika hafla ya Careers in African Employer of Choice Awards 2015
- Shirika la fedha la kimataifa la Capital Finance International lilitambua Centum kama kampuni ya kibinafsi bora katika Afrika ya mashariki, mwaka wa 2014
- Kundi la maafisa wa Centum la mawasiliano na teknolojia walipokea tuzo kwa kutia fora katika ubunifu mwaka wa 2015 katika hafla ya 20th Annual Kenya ICT Pinnacle Awards

Bodi ya wakurugenzi wanajivunia matukio hayo kwa kuwa yanatoa udadisi kikamilifu kuhusiana na hali ya kampuni na hasa uongozi.

### UWEKEZAJI KATIKA WAKFU WA KIJAMII

Centum inazingatia kwa makini maadili ya uwajibikaji kwa jamii na inachangia katika kuwekeza katika shughuli za kijamii na za kiuchumi. Kampuni kujumuisha mashirika inajivunia hadhi ya kuwa mojawapo ya kampuni kwenye rasimu ya 2030 tuliyopewa kutokana na mradi wa Two Rivers, ambao ni mradi wetu kubwa katika kitengo cha Nyumba na ujenzi, kwa msingi ya kuwa kampuni ni thabiti.

Kwa upande wa uwajibikaji kwa jamii,tulianzisha wakfu wa Centum Foundation mwaka uliopita ili kutumia uhusiano ulioko baina yake na kampuni thabiti ya Centum kutoa huduma za manufaa kwa jamii na kukuza ubunifu wa mawazo ya kibiashara. Muhimu zaidi ni kwamba tunatarajia kutumia wakfu huo kukuza taaluma ya kibiashara, na ambapo hadi sasa tumewekeza kwenye kampuni tatu katika kufanikisha mpango huo. Kwa kufahamisha, siyo tu ufadhili wa Dola za kimarekani elfu 150 tunazotoa bali pia kusaidia kampuni hizo katika maswala ya mikakati, utaratibu na mahusiano, ambayo ni muhimu kwa minajili ya ukuaji wa kudumu.

> “Tunapata motisha hasa kutokana na jinsi washiriki wanavyovutiwa kuwekeza fedha zao kwenye miradi tunayoendeleza hadi sasa

Pamoja na kukuza taaluma ya kibiashara, Kampuni pia inatilia maanani uwekezaji katika huduma za elimu katika ikiwa ni njia moja ya kuwajibika kwa jamii. Kwenye mwaka tulifadhili ujenzi wa shule ya msingi ya Mathari Primary School kwa kuchangia shilingi (k) milioni 93 na tumekamilisha ujenzi wa madarasa 36, maktaba, na mahabara ya mawasiliano na teknolojia (ICT) ili kuhudumia watoto zaidi ya 700 kwa gharama ya shilingi (k) milioni 166.

## MABADILIKO YA SERA YA ULIPAJI WA MGAO

Ingawa kampuni haijalipa mgao wa faida tangu hapo 2009, sera hiyo imebadilika kufuatia matokeo bora ya kampuni pamoja na kuwepo kwa pesa za taslimu za kutosha, na kwa hivyo bodi ya wakurugenzi wanaonelea kuwa hali ya fedha ni thabiti ili kufadhili uwekezaji pamoja na ulipaji wa mgao wa faida kwa wenyehisa. Hivyo basi bodi imependekeza malipo ya mgao wa faida ya shilingi (k) 1.00 kwa kila hisa kwa mwaka wa kifedha uliokwisha 31 Machi 2016. Zaidi ya hayo inatarajiwa kwamba Kampuni inayo uwezo wa kulipa mgao wa faida kila mara kwa miaka ijayo. Ningependa kuwashukuru wenye hisa wetu kwa uaminifu na uvumilivu wao kwetu katika nyakati ambazo Kampuni haikulipa mgao wa faida.

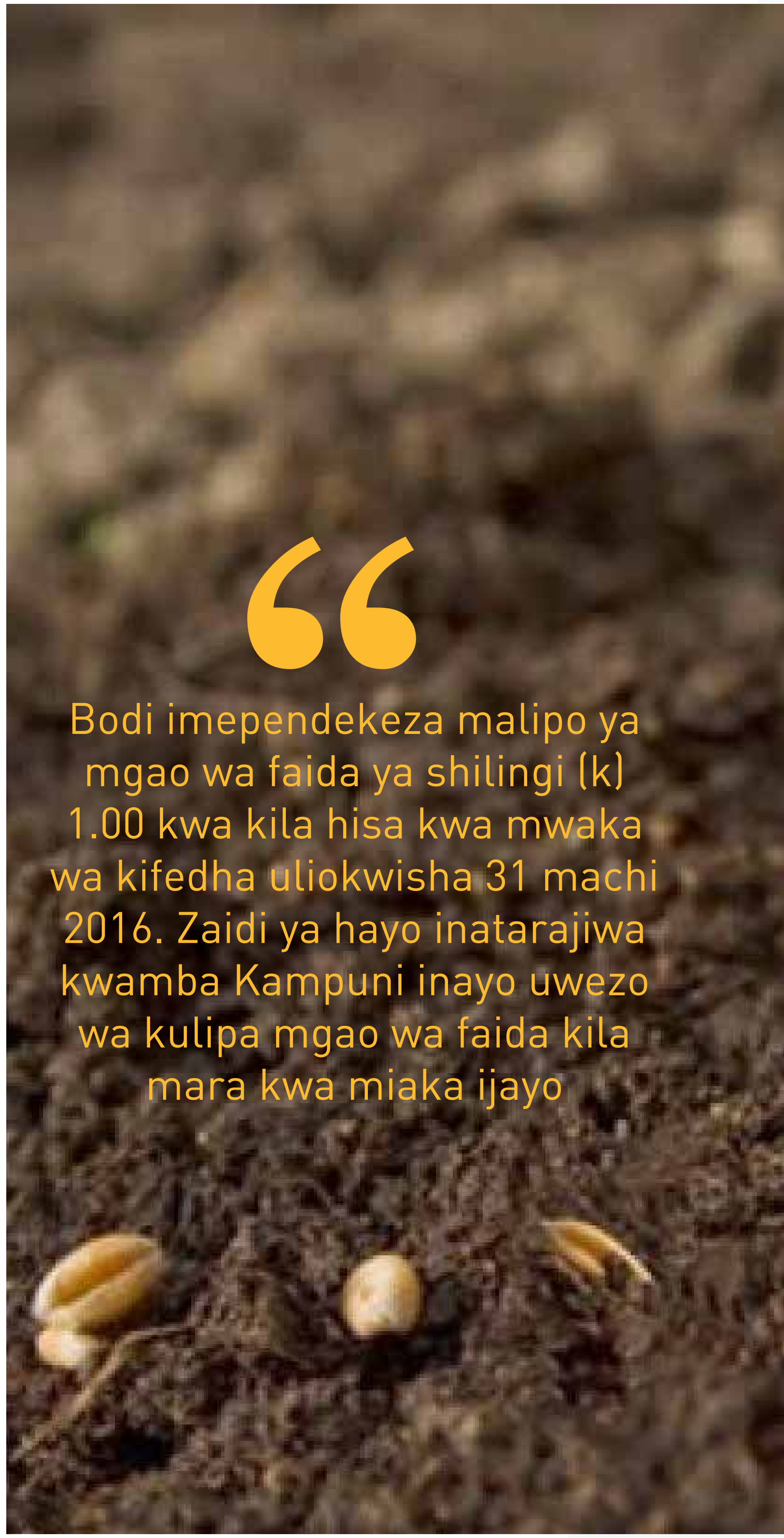
## SHUKURANI

Kwa niaba ya bodi ya wakurugenzi, ningependa kutambua wasimamizi na wafanyakazi wa Centum ambao kwa pamoja wameendelea kujitolea kwa dhati ili kupatia wenyehisa faida inayoshinda faida inayopatikana katika soko. Pia ningependa kutoa shukurani zangu kwa wenzangu katika Bodi ya wakurugenzi kwa kuendelea kuwa macho na kutoa mwelekeo kwa kundi la usimamizi. Ningependa kutoa shukurani kwa wenyehisa wetu kwa kutuamini na kuwa na subira katika kipindi ambacho hakukuwa na ulipaji wa mgao wa faida.

Hatimaye, baada ya miaka 13 nikiwa kwenye Bodi ya Centum,nitastaafu mwaka huu kutoka kwa Bodi ya wakurugenzi. Imekuwa fahari kuu kwangu kuongoza Bodi ya shirika hili katika kipindi kilichoshuhudia mabadiliko na ukuaji kwa kazi na wa kupita mipaka hadi kuwa shirika la kitaifa la kuenzi humu nchini.Ningependa kutoa shukurani kwa wanachama wenzangu kwenye Bodi,wasimamizi na wafanyakazi wa Centum na kwa wenyehisa kwa kuniunga mkono mwaka hadi mwaka ,kwa pamoja tumeweza kukuza Centum kuwa kampuni thabiti.Ninastaafu kutoka kwa Bodi nikiwa na kumbukumbu nyingi na imani kuwa Centum itaendelea kukua hata zaidi kwa miaka ijayo.

Mungu awabariki nyote

**James N. Muguiyi**
**Mwenyekiti**



**JAMES MWORIA-**GROUP CEO

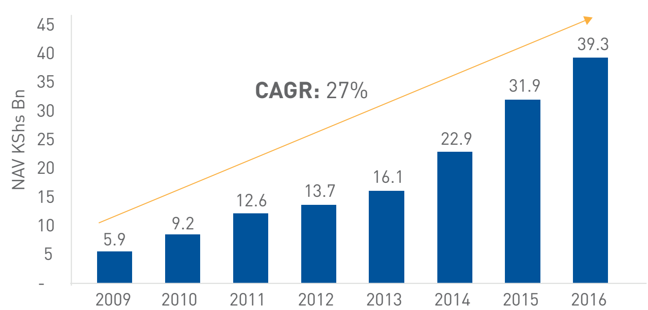
"Despite strong economic headwinds, the Group once again delivered a solid performance"

## PERFORMANCE HIGHLIGHTS

The period under review was characterized by a challenging investment environment, as evidenced by a depressed stock market, volatility in the Kenya Shilling, rising interest rates, and a general decline in economic growth. However, despite the strong economic headwinds, the Group once again delivered a solid performance.

Our consolidated top line grew by 106% from KES 11.8 bn to KES 24.2 bn, with a 25% increase in profitability from KES 7.9 bn to KES 9.9 bn.  Notably, we delivered a 23% increase in Net Asset Value from KES 31.9 bn to KES 39.3 bn. While our annualised Return on Net Asset Value for the period fell below our target return of 35% at 23%, we continued to deliver market beating returns even in the face of a difficult operating environment, outperforming the NSE 20 Share Index return for the same period by 47%.

NET ASSET VALUE




| Year | Centum NAV Return (KES) | NSE 20 Return | Centum Out performance |
|---|---|---|---|
| 2010 | 56% | 43% | 13% |
| 2011 | 37% | (4%) | 41% |
| 2012 | 9% | (13%) | 22% |
| 2013 | 19% | 44% | (26%) |
| 2014 | 42% | 2% | 40% |
| 2015 | 39% | 8% | 31% |
| **2016** | **23%** | **(24%)** | **47%** |
| **Geo. Mean** | **32%** | **8%** | **12%** |
| **Cumulative Return** | **573%** | **43%** | |

Key drivers of our financial performance included realized gains on our exit from AON as well as disposals of quoted and unquoted investments, value uplift in our property portfolio, in particular Two Rivers, and tactical reallocation of our marketable securities portfolio to cash and fixed income securities resulting in higher interest income while preserving portfolio value.

## EVOLVING BUSINESS MODEL

We have gained significant traction with respect to the evolution of our business model from a traditional portfolio investment play, to increasingly becoming a developer of investment grade opportunities of scale, thereby providing a channel through which investors can access and build extraordinary enterprises in Africa. In 2014 we identified eight key sectors in which to focus our development activities in line with this strategic shift, which we termed "Centum 3.0".  We also defined a development process to be followed to maximise value creation for our shareholders across our focus sectors incorporating opportunity conception, investment of seed capital to initiate and de-risk projects, leveraging of third party capital and sector-specific expertise to scale up projects and ultimately exiting from mature projects to realize gains.

Given the large scale nature of the projects we are seeking to develop, third party equity investments in de-risked projects as a key component of our funding strategy. Over the last two years, Centum has attracted KES 13.4 Bn in third party capital for projects under development, with this funding being ring-fenced within the respective projects. In addition, we have also raised project-specific debt to fund the scaling up of ongoing projects. Finally, another important source of liquidity to drive our development strategy is the proceeds from exits of legacy investments that are no longer aligned with the Group's strategic focus. Such exits have delivered proceeds amounting to KES 6.2 Bn, which have also been leveraged to drive our development efforts.

Consequently, the Group's liquidity position remains strong, with the Group closing this financial year at a higher liquidity level as compared to the prior year. Specifically, cash and cash equivalents as at 31st March 2016 amounted to KES 3.9 Bn as compared to KES 3.6 Bn as at 31st March 2015. Our gearing ratio also remains at comfortable levels at 16.7% as at March 2016. In addition, during the course of the year we successfully raised a KES 6 Bn bond which enabled us to retire all our existing local and foreign current commercial bank obligations, thereby providing our business with medium term fixed rate financing that insulated us from the increasing interest rate environment that prevailed last year.

## PROJECT HIGHLIGHTS

Our development pipeline is currently extremely robust, with significant progress being made in five of our focus sectors to date, namely Real Estate, Power, Financial Services, FMCG and Agribusiness. In addition, we are in the advanced stages of project development for our initial investments in the Education and Healthcare sectors.

### Two Rivers

The Group's overarching strategy within our real estate portfolio is to develop new urban nodes, implying the development of large scale mixed use precincts, complete with the necessary infrastructure such as power and water.

We currently have three key projects under development, namely Two Rivers, Vipingo and Pearl Marina.

We are in the final stages of construction of the Two Rivers Mall, the largest retail, entertainment and lifestyle centre in the region with a gross lettable area of 67,000 m2 of retail space. The mall is the anchor project in the broader Two Rivers development, which will ultimately comprise residential, commercial, retail and medical offerings within this 100 acre precinct. During the period under review, Old Mutual Properties Africa Limited invested USD 63 mn for a 50% stake in Two Rivers Mall, with the implied valuation of the mall from this transaction being KES 23 Bn.

In addition to the mall itself, we have also built a substation for the development, which has been incorporated into Two Rivers Power Company, a licensed electricity distributor, as well as a solar farm on the rooftop parking which will deliver 1.2 MW to the development. Two Rivers Water and Sanitation Company has also been established, comprising a reverse osmosis plant with the ability to treat two million litres of water per day. We also have additional residential and commercial projects for the Two Rivers precinct currently in the planning phase.

### Pearl Marina

In line with our overarching real estate strategy whereby we are seeking to develop new urban nodes, our vision at Pearl Marina is to develop a world class waterfront precinct combining residential, commercial, educational, medical and recreational facilities on 389 acres located on the shores of Lake Victoria.

We have commenced with phase 1 of this exciting new development, which sits on 43 acres and comprises residential units, recreational facilities and a boutique hotel.

### Sidian Bank

During the year, we invested KES 1 bn in K-Rep Bank, which subsequently successfully rebranded to Sidian Bank, through a rights issue. This transaction saw our shareholding in the Bank increase to 74%. The Board has been reconstituted, and senior management capacity has been greatly enhanced over the last year. In addition, there has been significant investment in enhancing the core banking system to drive operational efficiency and enhance customer experience, and we believe the Bank is now well-positioned for sustained growth going forward.

### Zohari Leasing

We established Zohari Leasing, a wholly owned subsidiary, in this financial year as a leasing business focused on providing leasing solutions to a broad spectrum of corporate clients. In our view, this greenfield venture represents a highly scaleable opportunity in the financial service sector, particularly given its ability to obtain funding at attractive rates for deployment in medium term asset financing. Key focus lines include motor vehicles, agricultural equipment, retail fit-outs and ICT equipment, and a suitably qualified individual has been recruited to lead this business.

### Greenblade Growers

We have incorporated a new subsidiary, Greenblade Growers, which represents our initial investment in the Agribusiness sector. Through this subsidiary we acquired a 120-acre site in Ol Kalau, Nyandarua, and have established a business focused on growing herbs and vegetables primarily for EU markets. We have invested in supporting infrastructure, including a 30 000 m3 resevoir, greenhouses and a packhouse with capacity to process 10 tonnes/day, with the intention being to enroll outgrowers to maximise utilisation of the packhouse.

We intend to significantly scale up our investment in this sector going forward through the acquisition of larger tracts of land, diversification into further agricultural products, and development of end-to-end value chain infrastructure.

### Education

We have established a consortium with Investbridge Capital, a Dubai-based investment bank, and Sabis, a school operator with 130 years' experience and a presence on 5 continents comprising more than 70 000 students, with a vision of establishing 20 schools in Sub-Saharan Africa. The first facility will be located in Nairobi, and we have acquired land on Kiambu Road for the establishment of this school, which will have capacity for up to 1 700 students. We are currently finalizing designs for the school, and plan to break ground within the 2016-17 financial year.

## BUSINESS LEADERSHIP

We recognize the importance of a strong management team, both in terms of capacity and capabilities, in the successful execution of our ambitious strategy. To this end, we have made several senior management appointments over the course of the year, in particular to enhance our sector-specific technical and operational expertise. Key appointments include:

- **Samuel Kariuki,** who joined us as the Group Financial Director having spent the last eleven years of his career at PWC where his most recent role was that of Associate Director

> We are in the final stages of construction of the Two Rivers Mall, the largest retail, entertainment and lifestyle centre in the region with a gross lettable area of 67,000 $m^2$

- **Dr Farai Shonhiwa**, who joined us as Head of Healthcare with a professional background that includes clinical medicine as well as several senior management positions within Life Healthcare Group, a leading healthcare provider in Sub-Saharan Africa
- **Brian Kiai,** who joined us as a Deputy Director at Centum Capital, and is responsible for leading our efforts in the Education sector. Brian has over ten years of investment management experience earned working for various financial services institutions
- **Kevin Kaburu,** who joined us as Group Marketing Director. Kevin brings with him a wealth of experience in marketing and communications, with his most recent position prior to joining Centum being that of Head of Marketing and Communications for Chase Bank Group
- **Jennifer Kinyoe,** who joined us as the Managing Director of Zohari Leasing, a newly established subsidiary focused on providing leasing solutions to the market. Jennifer has over ten years' experience in audit, corporate leadership and successful operationalization of new businesses

I am confident that with these additions to our leadership team, the Group is extremely well positioned to deliver on our over-arching strategic objective of creating value for our shareholders through the development of large scale, investment grade opportunities.

## TRIBUTE TO JAMES MUGUIYI

It is not without some sadness that I note that Mr. James Muguiyi will be retiring from his role as Chairman of the Centum Board this year. Mr. Muguiyi's leadership and guidance throughout his 13-year tenure on our Board has been truly invaluable, not only to the Group as a whole, but also to me personally as the Group CEO.

Over the years, he has contributed significantly to the Group's evolution and sustained growth and has actively played an important role in the successful execution of several key milestones in the Group's history to date. Notably, during his tenure as Chairman, Centum's Net Asset Value has grown from KES 3bn in 2004 to KES 39 bn in 2016, while Total Assets have increased 17x to KES 52 bn over the same period and Group profitability has grown from KES 241 mn to KES 9.9 bn. Highlights with respect to key events during Mr. Muguiyi's Chairmanship that he significantly contributed to include:

- Our initial investment into UAP in 2004
- Our initial investment into K-Rep Bank (now Sidian Bank) in 2005
- The company's change of name from ICDC Investment Company to Centum in 2007
- The initial acquisition of a 35% stake in Longhorn in 2008
- The refocusing of the Group's strategy from a largely passive "buy and hold" investment philosophy to a much more active investment strategy characterized by robust engagement with management to create value in 2009
- The entry of the Group into mixed use real estate development heralded by the launch of the Two Rivers and Pearl Marina developments in Kenya and Uganda respectively
- The successful cross-listing of Centum's shares on the Uganda Security Exchange in 2011
- UAP's capital raise, which raised KES 4.7 bn, significantly impacting the company's valuation, with this fundraising round implying a 10x value uplift on Centum's original investment cost
- The merger of Rift Valley Bottlers, Mount Kenya Bottlers and Kisii Bottlers to form Almasi Beverages
- Centum's successful debt raise of KES 4.2 bn in 2012, which was historic in that it was the largest private placement in the history of Kenya's capital markets and Centum's bond was the first equity linked note to be listed on the NSE
- Re-organisation of the business, resulting in the establishment of Athena Properties, Centum Asset Managers (which subsequently became Nabo Capital) and Centum Shared Services Company (which subsequently became Centum Business Solutions)
- Conceptualisation and implementation of Centum's 3.0 strategy, which saw the Group reposition itself as a developer of investment grade opportunities of scale across key sectors in the economy
- Establishment of Centum Foundation

On behalf of the entire Centum family, I would like to express my deepest gratitude to Mr. Muguiyi for his immense contribution to Centum's success to date. It has indeed been an honour to serve under him as Chairman of our Board, and I wish him the very best in his future endeavours.

## APPRECIATION

In closing, I would like to take this opportunity to thank our Board of Directors for their invaluable input and unwavering support as we have endeavoured to continue to rise to the challenge of becoming Africa's foremost investment channel. I would also like to extend my heartfelt thanks to every member of the Centum team for their sustained commitment to living our core value of "delivering to promise", which has enabled to achieve results for our shareholders that we can be proud of, even in a challenging business climate. While the operating environment is forecast to remain difficult in the foreseeable future, I remain confident that the unity of purpose and excellence in execution that characterizes Centum Group will enable us to continue to grow from strength to strength in the coming year.

**James Mworia, CFA**
**Chief Excecutive Officer**

**JAMES MWORIA -** Afisa Mkuu Mtendaji

"Licha ya kukabiliana na changamoto ya hali ngumu ya uchumi, kampuni kwa mara nyingine ilipata faida bora"

## MPENDWA MWENYEHISA

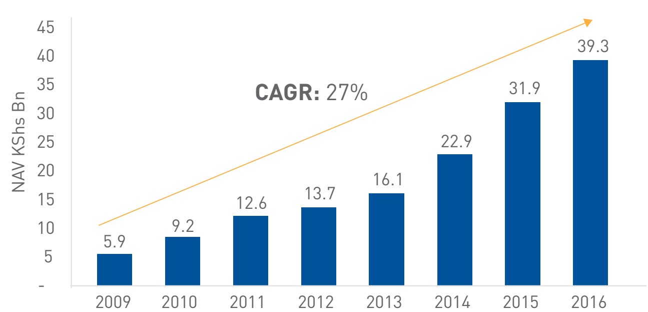
Ni furaha kwangu kuwasilisha kwako ripoti yetu ya kifedha juu ya utendaji na matokeo kwa mwaka uliokwisha 31 Machi 2016. Huu ulikuwa mwaka wa pili katika mikakati ya miaka tano ya 2015-2019, inayoitwa Centum 3.0.

## VIDOKEZO JUU YA MATOKEO

Kipindi hiki tunachochanganua kilikabiliwa na changamoto nyingi kuhusiana na mazingira ya uwekezaji kwa vile soko la hisa lilidhoofika, shilingi ya Kenya haikuwa imara, kupanda kwa viwango vya riba na kwa jumla kupungua kwa ukuaji wa uchumi. Walakini licha ya hayo yote, Kampuni kwa mara nyingine ilipata matokeo bora.

Mapato ya mauzo ya kampuni pamoja na mashirika yaliongezeka kwa asilimia 104 kutoka shilingi (k) bilioni 11.8 hadi shilingi (k) bilioni 24.2 na faida kuongezeka kwa asilimia 25 kutoka shilingi (k) bilioni 7.9 hadi shilingi (k) bilioni 9.9.Muhimu zaidi ni kwamba thamani ya rasilimali halisi iliongezeka kutoka shilingi (k) bilioni 31.9 hadi shilingi (k) bilioni 39.3. Hata ingawa faida kwa mtazamo wa mwaka dhidi ya thamani halisi ya rasilimali haikufikia kiwango tulichotarajia ya asilimia 35, tuliwahi kupata asilimia 23 na kutuwezesha kushinda viwango vya masoko licha ya hali duni ya mazingira ya biashara, huku kikishinda kiwango cha soko la hisa la Nairobi, Kampuni 20 bora, katika kipindi hicho kwa asilimia 47.

**NET ASSET VALUE**




| Mwaka | Kipimo cha thamani ya raslimali | Kipimo cha soko la NSE | Centum ilishinda kwa |
|---|---|---|---|
| 2010 | 56% | 43% | 13% |
| 2011 | 37% | (4%) | 41% |
| 2012 | 9% | (13%) | 22% |
| 2013 | 19% | 44% | (26%) |
| 2014 | 42% | 2% | 40% |
| 2015 | 39% | 8% | 31% |
| **2016** | **23%** | **(24%)** | **47%** |
| **Geo. Mean** | **32%** | **8%** | **12%** |

| **Cumulative Return** | **573%** | **43%** | |
|---|---|---|---|

Mambo muhimu yaliyochangia matokeo hayo ni faida kutokana na mauzo ya hisa katika AON na vile vile mauzo ya hisa zilizoorodheshwa na za kibinafsi, faida kutokana na kupanda kwa thamani ya miradi ya majengo, hasa Two Rivers, na ujasiri katika ubadilishanaji wa hisa kuwa pesa za taslimu na kutoka kwa hati zenye faida hakika, zilizoimarisha mapato ya riba, huku tukidumisha thamani ya rasilimali.

## MFUMO MPYA WA UTENDAJI KAZI

Tumepiga hatua kuhusiana na kubuni mfumo mpya wa kutenda kazi kutoka ule wa zamani uliohusika zaidi na uwekezaji wa hisa na kuwa wa kujenga rasilimali thabiti, na kwa hivyo kuwezesha mwenyehisa fursa ya kukuza shirika la kipekee barani Afrika. Mnamo mwaka wa 2014 tulitambua vitengo saba muhimu tunavyozingatia tunapoendesha shughuli zetu kulingana na mikakati mpya, tuliyoita "Centum 3.0". Pia tumeweka utaratibu wa maendeleo tutakaofuata ili kunufaisha wenyehisa wetu kwenye vitengo hivyo, ukijumuisha kuwaza juu ya miradi, matumizi ya fedha za kindani kutanguliza uwekezaji, matumizi ya fedha za washiriki na kwa kuzingatia taaluma inayohitajika kulingana na kila kitengo ili kujenga miradi na hatimaye kuuza baada ya kukamilika kwa bei ilioimarika.

Kwa kuwa miradi tunayokusudia kujenga ni makubwa, fedha za washiriki waliowekeza ni ya muhimu katika mikakati ya ufadhili. Katika kipindi cha miaka miwili iliyopita, Centum imepata shilingi (k) bilioni 13.4 kutoka kwa washiriki kufadhili miradi tunayojenga, fedha hizo zikitengewa miradi inayohusika. Pia tumechangisha fedha kupitia mikopo kwa kuzingatia kila mradi, bila ya Centum kuweka dhamana, ili kufadhili ujenzi wa miradi tuliyoanzisha. Njia nyingine muhimu ya mwisho ya kufadhili miradi kwenye mikakati ni fedha kutoka kwa mauzo ya rasilimali ambazo haziambatani na sera yetu ya sasa ya uwekezaji. Kutokana na mauzo hayo tumepata shilingi (k) 6.2 ambazo zimetumika kuendeleza miradi.

Kutokana na hayo, kampuni pamoja na mashirika iko katika hali thabiti kifedha, huku ikifunga mwaka ikiwa na fedha nyingi kulinganishwa na mwaka uliotangulia. Pesa za taslimu tulizokuwa nazo mnamo 31 Machi 2016 zilikuwa shilingi (k) bilioni 3.9 kulinganishwa na shilingi (k) bilioni 3.6 mnamo 31 Machi 2015. Kipimo cha nguvu ya pesa za taslimu dhidi ya mikopo ilikuwa asilimia 16.7 mnamo Machi 2016. Pia kwenye mwaka tulifaulu kuchangisha shilingi (k) bilioni 6 kupitia matumizi ya hati za bondi ambazo zilituwezesha kulipia mikopo ya benki za humu nchini pamoja na za kigeni, na hivyo kuwezesha kampuni kuwa na fedha za kufadhili miradi ya muda ya wastani kwa kiwango hakika ya riba, jambo ambalo lilifanya tuepuke madhara ya kuongezeka kwa viwango vya riba, jinsi ilivyokuwa mwaka uliotangulia.

## VIDOKEZO KUHUSU MIRADI

Majengo ya miradi inaendelea kwa kasi mno hadi sasa, ambapo tumepiga hatua kubwa katika vitengo tano tunazozingatia, ambavyo ni vya Nyumba na Ujenzi, Kawi, Huduma za Kifedha, Bidhaa zinazouzwa kwa kasi, na cha Kilimo biashara. Pia tuko katika hatua ya mwisho kuratibu uwekezaji wa kwanza katika vitengo vya Elimu na huduma za Afya.

### Mradi wa Two Rivers

Lengo la mikakati katika kitengo cha Nyumba na Ujenzi ni kubuni maeneo ya mitaa mipya, kumaanisha ujenzi wa majumba makubwa yenye matumizi ya mseto,yakiwa na miundo mbinu kama vile kawi na maji. Kwa wakati huu tunaendesha ujenzi wa miradi mitatu, yakiwa ni miradi ya Two Rivers, Vipingo, na Pearl Marina. Tunakaribia kukamilisha ujenzi wa Two Rivers Mall, ambacho ni kituo kikubwa cha kisasa cha kustarehe katika kanda hili kikiwa na eneo la kupangisha la mraba wa 67 000 $m^2$. jengo hilo la mall ndilo nguzo muhimu ya mradi wa Two Rivers, ambao hatimaye itajumuisha nyumba za kuishi, maduka ya kibiashara za reja reja na ya kliniki, yote yakipatikana kwenye jengo hilo kubwa katika eneo ya ekari 100. Kwenye mwaka, shirika la Old Mutual Properties Africa Limited liliwekeza Dola za kimarekani, milioni 63 ili kuweza kumiliki asilimia 50 katika jumba la Two Rivers Mall, kumaanisha thamani ya jengo hilo baada ya ubalishanyaji ni shilingi (k) bilioni 23.

Mbali na jengo hilo la mall, pia tumejenga kituo kidogo kilichosajiliwa chini ya kampuni ya umeme ya Two Rivers Power Company, ambacho pia hutoa nguvu za umeme kupitia mitambo ya sola kwenye sehemu ya kuegeshea magari yenye uwezo wa kutoa nguvu za umeme megawati 1.2. Pia tumebuni kampuni ya Two Rivers Water and Sanitation Company, inayomiliki kiwanda chenye uwezo wa kusafisha lita milioni mbili ya maji kila siku. Pia tuna mpango wa kuongeza ujenzi wa nyumba zingine za kuishi na za kibiashara katika mradi huo.

### Pearl Marina

Kuambatana na azma ya mikakati katika kitengo cha Nyumba ambapo tunanuia kujenga maeneo ya mitaa mipya mijini, maono yetu kuhusiana na Pearl Marina ni kujenga kituo kando na ufuo ambacho kitakuwa na nyumba za matumizi ya mseto wa makazi, Kibiashara, elimu, afya na maeneo ya kustarehe, yote yakiwa kwenye shamba la ekari 389 na linalopatikana kwenye ufuo wa Ziwa la Lake Victoria.

Tumeanzisha ujenzi wa awamu ya kwanza ya mradi huo wa kusisimua kwenye ekari 43 na ambao hatimaye itajumuisha nyumba za makazi, maeneo ya kustarehe na mahoteli.

### Zohari Leasing

Tulibuni kampuni tanzu ya Zohari Leasing kwenye mwaka huu wa kifedha na shughuli yake itakuwa kutoa huduma za mikataba ya rehani kwa mashirika mbalimbali.Kwa maoni yetu kampuni hiyo chipukizi inayo uwezo wa kunawiri hata zaidi katika sekta ya huduma za kifedha kwa kufadhili ununuzi wa rasilimali kwa ada nafuu. Lengo kuu tunaloangazia ni kufadhili ununuzi wa magari, vifaa vya kilimo, biashara ya rejareja, na vifaa vya mawasiliano na teknolojia. Tayari tumeajiri afisa mwenye ujuzi na aliyehitimu taaluma hiyo ili kusimamia kitengo hicho.

### Benki ya Sidian

Kwenye mwaka tuliwekeza shilingi (k) bilioni 1 katika Benki ya K-Rep, ambayo ilifaulu kupata chapa mpya ya Sidian Bank, kupitia ununuzi wa hisa za haki. Ununuzi huo ulipelekea umiliki wetu katika benki hiyo kongezeka kwa asilimia 74. Bodi ya wakurugenzi imeundwa upya na maafisa wasimamizi wakuu kuongezwa kwenye mwaka huo uliopita. Pamoja na hayo tumewekeza katika kuweka mfumo muafaka wa shughuli za benki ili kuboresha huduma kwa wateja na tunaamini kuwa benki hiyo kwa sasa inayo fursa ya kukua kwa siku zijazo.

### Greenblade Growers

Tumesajili kampuni tanzu, kwa jina Greenblade Growers, ambayo inatanguliza uwekezaji wetu katika kitengo cha kilimo biashara. Kupitia hiyo kampuni tanzu tumenunua shamba la ekari 120 huko Ol Kalau, Nyandarua ambapo tumeanzisha shughuli za upanzi wa mimea ya mboga kwa minajili ya masoko ya Ulaya. Tumewekeza katika uwekaji wa miundo mbinu inayohitajika, pamoja na bwawa ya mraba 30,000 $m^3$, nyumba aina ya greenhouse na ghala ya upakiaji yenye uwezo wa kupakia mizani ya tani 10 kwa siku, nia ikiwa ni kushirikisha wakulima waliokaribu ili kuhakikisha kuwa ghala inatumika kikamilivu.

Tunanuia kuongeza uwekezaji katika kitengo hiki kwa siku zijazo kupitia ununuzi wa mashamba makubwa, usambazaji wa shughuli za kilimo na ujenzi wa mahali pa kutayarishia bidhaa kabla ya mauzo.

### Elimu

Tumebuni shirika kwa pamoja na kampuni ya Investbridge Capital, ambayo ni benki ya uwekezaji kutoka Dubai na kampuni ya Sabis amabayo inamiliki mashule na ujuzi ya miaka 130 na inayopatikana katika bara 5 duniani na idadi ya wanafunzi 70000, na maono ya kuanzisha shule 20 barani Afrika, chini ya sahara. Shule ya kwanza itakuwa jijini Nairobi ambapo tumenunua shamba kando na barabara ya Kiambu road kwa minajili ya ujenzi wa shule hiyo itakayochukua wanafunzi 1700. Kwa sasa tunashughulikia kukamilisha uchoraji wa majengo ya hiyo shule ili tuweze kuzindua ujenzi kwenye kipindi cha fedha cha 2016 hadi 2017

## UONGOZI

Tunatambua umuhimu wa kundi la usimamizi thabiti kwa mitazamo ya taaluma na maarifa ili kufanikisha malengo yaliyoko kwenye mikakati.Kwa hivyo tumewaajiri maafisa wakuu wa usimamizi kwenye mwaka hasa ili kuongeza taaluma ya kuendesha shughuli katika vitengo vinavyohusika.

Maafisa muhimu walioajiriwa ni pamoja na :

- **Samuel Kariuki** ambaye alijiunga nasi kama mkurugenzi msimamizi wa fedha baada ya kufanya kazi kwa miaka kumi na moja katika PWC ambapo wajibu wake wa hivi punde alihudumu kama mkurugenzi mwandamizi.

> "Tunakaribia kukamilisha ujenzi wa Two Rivers Mall, ambacho ni kituo kikubwa cha kisasa cha kustarehe katika kanda hili kikiwa na eneo la kupangisha la mraba wa 67 000 m2.

- **Dr Farai Shonhiwa** ambaye alijiunga nasi kama mkuu wa huduma za kiafya akiwa na taaluma katika maswala ya utibabu na ujuzi aliopata akifanya kazi kama afisa mkuu wa kusimamia shirika la Life Healthcare Group, mojawapo ya mashirika ya kiafya katika Afrika, chini sahara.

- **Brian Kiai** alijiunga na Centum kama Makamu wa mkurugenzi katika Centum Capital na atatuongoza kuhusiana na shughuli katika kitengo cha elimu. Brian analeta ujuzi wa zaidi ya miaka kumi katika usimamizi wa shughuli za uwekezaji aliopata wakati akifanya kazi katika mashirika mbalimbali ya kifedha.

- **Kevin Kaburu** alijiunga nasi kama mkurugenzi wa kusimamia maswala ya mahusiano wa kampuni na kujumuisha mashirika. Kevin analeta ujuzi alionao katika maswala ya mahusiano pamoja na mawasiliano, ambapo hivi karibuni kabla ya kujiunga na Centum alifanya kazi katika benki ya Chase Bank kama afisa mkuu msimamizi wa mahusiano na mawasiliano.

- **Jennifer Kinyoe** ambaye alijiunga nasi kama Mkurugenzi mkuu wa Zohari Leasing, ambayo ni kampuni tanzu mpya inayoshughulika na maswala ya mikataba ya upangaji. Jennifer ana ujuzi wa zaidi ya miaka kumi katika taaluma ya ukaguzi, usimamizi wa kihalmashauri, na katika kuratibu shughuli za biashara mpya.

Ninaimani kuwa kwa pamoja na maafisa hao tulioongeza katika kundi la usimamizi, Kampuni inayo nafasi ya kutekeleza malengo ya mikakati ambayo ni kuongeza thamani ya rasilimali za wawekezaji kupitia ujenzi wa miradi na uwekezaji thabiti.

## UJUMBE WA KWAHERI KWA BWANA JAMES MUGUIYI

Ninahuzunika kufahamu ya kwamba Bw.James Muguiyi atastaafu mwaka huu kutoka wajibu wake wa uwenyekiti wa Bodi ya Centum.Uongozi wa Bw.Muguiyi na ushauri wake kwa muda wa miaka 13 akiwa kwenye Bodi umekuwa wa manufaa sio tu kwa kampuni kwa jumla bali pia kwangu binafsi nikiwa Afisa Mkuu Mtendaji.

Kwa miaka iliyopita ,amechangia pakubwa kwenye mabadiliko ya Kikundi cha Centum, ukuaji thabiti na kutekeleza jukumu muhimu ili kufanikisha matukio muhimu katika historia ya Kampuni hadi wa leo.Hasa zaidi wakati wa zamu yake akiwa mwenyekiti,thamani halisi ya rasilimali ya Centum imeongezeka kutoka shilingi (k) bilioni 3 mnamo mwaka wa 2004 hadi shilingi (k) bilioni 39 mwaka wa 2016,ambapo pia rasilimali zote kwa jumla ziliongezeka mara 17 hadi shilingi (k) bilioni 52 katika kipindi hicho na ukuaji wa faida za Kikundi cha Centum kutoka shilingi (k) milioni 241 hadi shilingi bilioni 9.9.

Vidokezo juu ya matukio muhimu ambayo Bw.Muguiyi alichangia wakati wa hatamu yake akiwa Mwenyekiti:

- Wakati tulifanya uwekezaji wa kwanza katika UAP mwaka wa 2004.
- Wakati tulifanya uwekezaji wa kwanza katika benki ya K-Rep Bank (Sidian Bank) mwaka wa 2004.
- Ubadilishanaji wa jina la kampuni kutoka ICDC Investment Company na kuitwa Centum, mwaka wa 2007
- Wakati tulinyakua umiliki wa kwanza wa asilimia 35 ya Longhorn, mwaka wa 2008
- Kuratibu upya sera ya mikakati kutoka filosofia ya "nunua na kushikilia" na kuwa mfumo wa kufanya uwekezaji thabiti unaoshirikisha wasimamizi ili kuongeza manufaa,mwaka wa 2009
- Ununuzi wa mashamba ya kujenga miradi ya Two Rivers na Pearl Marina, mwaka wa 2011
- Kufanikisha kuorodheshwa kwa hisa za Centum katika soko la hisa la Uganda Security Exchange,mwaka wa 2011
- Uchangishanaji wa mtaji wa UAP wa shilingi (k) bilioni 4.7 ambao uliinua thamani ya kampuni hiyo na kufanya fedha za Centum zilizowekezwa hapo mwanzo kunawiri mara 10.
- Muungano wa kampuni za Rift Valley Bottlers, Mount Kenya Bottlers na Kisii Bottlers na kubuni Almasi Beverages.
- Kufanikisha uchangishaji na Centum wa fedha za mkopo wa shilingi(k) bilioni 4.2 mwaka wa 2012,ambao ulikuwa wa kihistoria kwa kuwa ulikuwa mkubwa zaidi kuwahi kufanyika nchini Kenya na kampuni ya kibinafsi na pia hati za bondi a Centum zilikuwa za kipekee katika soko la hisa la NSE kwa kuhuzishwa na hisa.
- Muundo mpya wa kampuni na kusababisha kubuniwa kwa Athena Properties, Centum Asset Managers (baadaye ikaitwa Nabo Capital) na Centum Shared Services Company (baadaye ikaitwa Centum Business Solutions)
- Kuwaza na utekelezwaji wa mkakati wa Centum 3.0 ambao uliwezesha kundi la Centum kuwa kwenye mstari wa mbele katika kufanya uwekezaji thabiti katika sekta zote muhimu humu nchini.
- Kubuni Wakfu wa Centum Foundation

Kwa niaba ya jamii yote ya Cetum, ningependa kutoa shukurani zangu za dhati kwa Bw.Muguiyi kwa mchango wake mkubwa kwa mafanikio ya Centum hadi wa leo. 'Imekuwa heshima kwangu Kuhudumu chini yake akiwa Mwenyekiti wa Bodi yetu na namtakia kila la heri kwa siku zijazo.

## SHUKURANI

Kwa kukamilisha, ningependa kuchukua nafasi hii kushukuru bodi ya wakurugenzi kwa michango yao isiyo na kifani na kwa kujitolea kutuunga mkono tunapoendelea kujenga kampuni bora zaidi ya uwekezaji barani Afrika. Pia ningependa kusema ahsante zangu za dhati na kwa moyo mkunjufu kwa kila mwanachama wa Centum kwa kuendelea kujitolea kuafikia nguzo na maadili yetu ya "kutimiza ahadi", ambayo yametuwezesha kumpatia mwenyehisa matokeo tunayojivunia, licha ya changamoto ya mazingira ngumu ya biashara, ingawa hali hiyo ngumu inatabiriwa kuendelea kwa siku zijazo, ninaimani kuwa umoja tulionao na uadilifu katika utendaji kazi jinsi ilivyo desturi wa Centum, utatuwezesha kuendelea kukua hatua kwa hatua mwaka ujao.

Wako wa dhati

**James Mworia, CFA**
**Afisa Mkuu Msimamizi.**

# FINANCIAL REVIEW

## WE ARE AN INVESTMENT HOLDING COMPANY

Now in our second year of the current strategy period, Centum 3.0, the structure of our business has evolved into an investment holding company.

Whereas in the past a good proportion of our portfolio was invested through associate companies (where we held more than 20% but less than 50%), we are now developers of investment grade opportunities of scale and as such have invested largely through subsidiary companies. Details of the subsidiary companies are highlighted in pages 11 and 12.

The performance of the Centum Group will therefore continue to be a reflection of the performance of the underlying subsidiaries.

At company level we measure our performance on the basis of the Total Return Statement, which reflects the value and performance of the underlying investments and consequently the value generated for our shareholders. The investments are measured at fair value, in accordance with IFRS. The fair value determination basis is set out under the portfolio valuation sub-section.

On the other hand, the various categories of investments are treated as follows on the Group consolidated financial statements.

| Investment class | Income recognition in the Statement of Comprehensive Income | Assets and Liabilities recognition in the Statement of Financial Position |
|---|---|---|
| Subsidiaries- More than 51% equity ownership | Line by line consolidation of income and expenses. All intercompany transactions are eliminated on consolidation | Line by line consolidation of assets and liabilities. All intercompany assets and liabilities are eliminated on consolidation |
| Joint ventures – 50% equity ownership and joint control. | Fair value gain on recognition of joint venture on initial recognition and subsequently share of joint venture's earnings | Share of net asset value of joint ventures |
| Associates - More than 20% but less than 51% | Share of associate company earnings | Share of net asset value of joint ventures |
| Other equity investments- Less than 20% equity stake | Dividend income earned | Fair value of equity investment |
| Investment property | Unrealised movements in property valuation | Fair value based on annual valuations by independent external valuers |

## GROUP PERFORMANCE

The Group reported a profit after tax of KES 9.9 Billion, representing a 25% increase from 2015.

The results include the full year consolidated performance of Sidian Bank Limited ('Sidian') and Almasi Beverages Limited ('Almasi'), in which the Group acquired control towards the end of the last financial year. The effect of consolidating the two entities is reflected in both consolidated revenues and costs.

Following the exit from Aon at KES 1.028 Billion, the realized gain at Group level was KES 789 Million, which differs from the gain of KES 1.015 Billion recorded at Company level on account of consolidation adjustments of previously recorded share of profits on consolidation. Together with routine disposals of quoted and unquoted investments that speak to our business model, the Group recorded KES 5.4 Billion in realized gains.

The Group's real estate portfolio is now a significant proportion of total assets, reflecting the level of investment and development in this focus sector. We have recorded a fair value gain of KES 5.1 Billion in our real estate portfolio. The value uplift is validated by equity transactions in the real estate subsidiaries and also reflects the level of development carried out to date. The valuations implied by equity transactions at the real estate subsidiaries, as set out in detail in notes to the financial statements, have been adjusted downwards to reflect the extent of development completion.

In response to the volatility in interest rates and the Nairobi Securities Exchange performance during the financial year, we proactively shifted our marketable securities to cash and fixed income securities to preserve value and to benefit from the high interest regime. This is reflected in the total interest earned in the year.

The effect of the above drivers was a 104% increase in consolidated revenues to KES 24 Billion from KES 11.8 Billion in 2015.

The effect of full year consolidation Almasi and Sidian explains the year on year increase in total costs. Finance costs include the interest expense on Sidian customer deposits as well as increased interest cost on the successful listing of a KES 6 Billion bond by Centum.

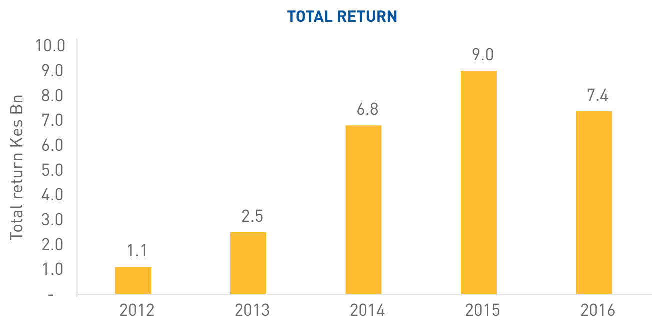
## TOTAL RETURN

As explained on the previous page, our focus at company level is the Total Return Statement. The statement is set out below:

| KES' Million | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Dividend income | 2,671 | 1,318 |
| Interest income | 676 | 76 |
| Other income | 8 | (40) |
| Realised gains | 990 | 2,949 |
| Unrealised gains | 5,506 | 7,396 |
| **Gross return** | **9,851** | **11,699** |
| Finance costs | (1,511) | (669) |
| Portfolio costs | (878) | (867) |
| Tax | (88) | (1,160) |
| **Total return** | **7,374** | **9,003** |
| Gross return (% of opening net asset value) | 31% | 51% |
| Total return (% of opening net asset value) | 23% | 39% |

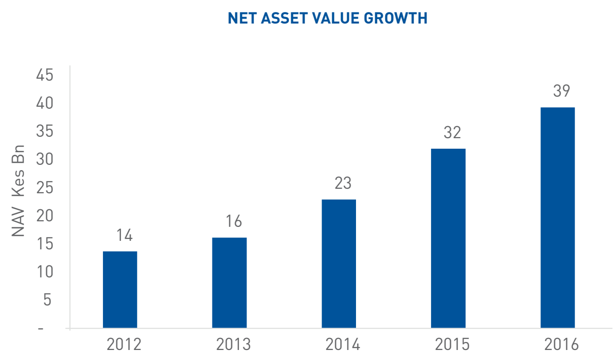
We benchmark our percentage return to general market returns, in our case, the NSE 20 Share Index. The NSE 20 Share Index decreased 24% year on year and your company therefore outperformed the index by 47%.

The trend in total returns over the last five years is illustrated below.




## NET ASSET VALUE

The total return shown in the Total Return Statement is reflected in the growth in the company's net asset value, which increased by 23% to KES 39 Billion. The book value of shareholders wealth, as measured by the net asset value, has increased by 179% in the last five years as illustrated in the chart below.




## PORTFOLIO COSTS/COST EFFECIENCY

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

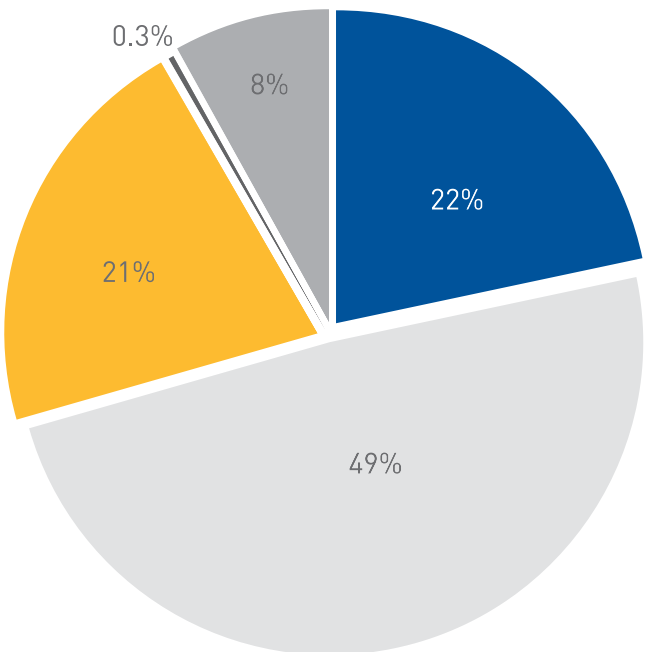
Performance in the year is set out below.

| Kshs Million | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Portfolio costs | 878 | 867 |
| Closing portfolio value | 51,543 | 41,327 |
| Cost efficiency | 1.7% | 2.1% |

The company's portfolio costs remained flat year on year and within our target efficiency ratio of 2% reflecting the outcome of management's initiatives in cost management.

## PORTFOLIO VALUATION

Our portfolio is held at conservative valuations, which has been validated when a value realization event such as an exit occurs. The valuation basis for our asset portfolio is summarized below.




**Fair Value: KES 11.2 Billion**
For unquoted investments and associates. Fair value is determined on the basis of market multiples, adjusted downwards by appropriate discounts

**Net Asset Value: KES 25.4 Billion**
Subsidiaries are carried at net asset value

**Cost: KES 10.9 Billion**
Joint ventures, shareholder loans to subsidiaries and other assets

**Market Price: KES 156 Million**
Quoted investments

**Cash: KES 3.9 Billion**

The subsidiaries and joint ventures are measured on the basis of the net asset values and cost respectively. The valuations imply the following valuation multiples:

| Sector | Weight | Multiple | |
|---|---|---|---|
| Financial Services | 18% | Price-to-Book | 1.40x |
| Real Estate | 37% | Price to Book | 1.0x |
| FMCG | 20% | EV/EBTDA | 4.12x |
| | | Price/Earnings (P/E) | 9.6x |
| Energy | 7% | Cost | - |
| Agribusiness | 0.25% | Cost | - |
| Other sectors | 12% | EV/EBTDA | 7.54x |
| | | Price/Earnings (P/E) | 8.44x |

78% of the portfolio is valued without any judgement on part of management as it is on an NAV, cost or listed price basis. 22% is valued on market multiples and subjected to an illiquidity discount.

## FUNDING AND GEARING

The Company closed the year at a higher liquidity level compared to the previous year. Cash and cash equivalents as at 31 March 2016 amounted to KES 3.9 Billion compared to KES 3.6 Billion as at March 2015. Centum's liquid assets comprise (a) cash and near cash securities on the Company's balance sheet; and (b) cash and marketable securities held in two 100% owned subsidiaries that exist as special purpose vehicles for investing in marketable securities. The total marketable securities held by the two subsidiaries at 31 March 2016 amounted to KES 2.9 Billion and represents funds available to Centum to fund its obligations. In addition, a project finance model is applied in funding the capital budgets of subsidiaries through which we are developing opportunities in our eight years of focus.

We fund our investments through a combination of internally generated funds and debt capital. In the last two years, we have attracted KES 13.4 Billion in third party equity to our projects. In June 2015, we successfully raised KES 6 Billion through the issuance of 5-year senior unsecured fixed rate notes and senior unsecured equity linked notes. The funds were used to finance a rights issue at Sidian Bank Limited, Akiira 1 Geothermal Limited, Amu Power Limited and Pearl Marina Estates Limited.

During the year, we also paid off the Rand Merchant USD 35 Million Bank loan brought forward from the prior year.

Total debt as at end of March 2016 stood at KES 10.5 Billion while net debt after deducting cash and bank balances stood at KES 6.6 Billion. The gearing ratio as at 31 March 2016 was 16.7 % compared to 12.2% as at end of 31 March 2015. Our debt as at 31 March 2016 comprised solely of the two corporate bonds.

We have in place an overdraft facility of KES 2.3 Billion with Co-operative Bank of Kenya Limited and as at the end of the financial year, the facility was unutilized.

Our current credit rating by Global Credit Rating (GCR) is A for long term and A1 for short term credit quality.


KSHS
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KSHS


# SECTOR REVIEW


## REAL ESTATE AND INFRASTRUCTURE

**Our strategy in real estate is hinged on the development of new urban nodes. We identify ideal Greenfield sites and drive the end-to–end process to develop a real estate solution that addresses a compelling market need**

# REAL ESTATE AND INFRASTRUCTURE

## OUR APPROACH

The Group's overarching objective within the Real Estate sector is to develop new urban nodes across the East African region that represent investment grade assets of scale. This includes driving the end to end process from project conceptualisation through to urban and asset management. Upon project conceptualisation, our approach involves de-risking of the project through land acquisition, master planning and obtaining the necessary approvals. We then fund the initial equity capital through internally generated funds, which allows us to develop the project to a level where third party capital can be raised at a higher valuation. We also leverage project specific debt with no recourse to Centum to drive the growth phase of our real estate projects, with a view to ultimately fully/partially exiting mature projects to realise gains. Ultimately, all our real estate investments are backed by thorough market analysis and are supported by a mix of carefully chosen capital sources to maximise return for our shareholders.

## OUR PORTFOLIO

Our current portfolio of real estate investments is summarised below:

| | |
|---|---|
| TWO RIVERS<br>A member of the Centum Group<br>Stake: 58.33% | The company owns 102 acres of master planned urban node in Nairobi's diplomatic blue zone of Gigiri. The first phase of the Two Rivers development is currently underway and includes a mall, office blocks, hotel, apartments, trunk infrastructure and waterfront.<br><br>Up to December 2015, the company held a 100% stake in Two Rivers Lifestyle Centre Limited (TRLC), under which the mall is being developed. Old Mutual Properties Africa subsequently acquired a 50% stake in TRLC. |
| **Vipingo Development Limited**<br>Stake: 100%<br>Real Estate Development | During the year, the company completed the acquisition of 10,254 acres of land in Kilifi County. Vipingo will be a master planned development anchored by an industrial park. The first phase of the development is set to commence this year. |
| PEARL MARINA<br>A MEMBER OF THE CENTUM GROUP<br>Stake: 100%<br>Real Estate Development | The company holds 389 acres located in the Garuga Peninsula, Entebbe, Uganda, where an integrated waterfront development is under construction. The first phase of the development is underway and will be completed this year. |
| athena PROPERTIES LTD<br>A member of the Centum Group<br>Stake: 100%<br>Project and Development Managers | Athena is a wholly owned subsidiary of Centum that offers end to end real estate solutions including masterplanning, project and construction management. |
| **Vipingo Estates Limited**<br>Stake: 100%<br>Real Estate Development | During the year, the company acquired 100% of the shares in Vipingo Estates Limited, a land holding company. |

# REAL ESTATE AND INFRASTRUCTURE

## PORTFOLIO HIGHLIGHTS

### TWO RIVERS

Two Rivers is a master planned precinct currently under development that is set to become the region's premier retail, commercial, leisure and residential destination. Specifically, the development will integrate a retail, entertainment and lifestyle centre (Two Rivers mall), Grade A offices, three and five star hotels, conferencing facilities, a residential offering and medical facilities. The development will be supported by state of the art infrastructure, and is being developed as a smart city with integration of security, utilities, IT and traffic and parking management into one seamless system.

The development is set on a 102-acre parcel of land that is located in Nairobi's diplomatic blue zone of Gigiri and is interlinked to the greater Nairobi area by the Northern Bypass, Limuru Road and Western Bypass (currently under construction)

#### Two Rivers Mall

The mall has a gross lettable area of 67,000 SQM of retail space and comprising 220 shops providing a diverse offering of products and services. These include over 15 food and beverage outlets, 11 banks, 38 fashion and apparel stores, 16 health and beauty stores and 7 footwear stores.

*Artistic impression of Two Rivers mall*

In addition to established local brands, the tenant mix includes several international brands, many of which are new to the Kenyan market such as Carrefour, Nike, Burger King, Swarovski, Villeroy and Boch, Adidas and LC Waikiki. The mall also has a strong entertainment offering targeting all age groups. Magic Planet is establishing a family entertainment centre offering dynamic and interactive rides, games and merchandise and Vox Cinemas will also have a multi-theatre offering within the mall.

In addition to the retail, entertainment and lifestyle offerings, the mall also includes two office towers with a combined leasable space of over 21,000 SQM of Grade A offices. Ample provision has also been made for parking, with two levels of basement parking as well as rooftop parking incorporated in the mall for a total of 1,300 bays. Significant emphasis has also been placed on security, and the mall's security features include walk through detectors, biometric access controls and security cameras integrated into an intelligent security system.

Finally, sustainability has been a key consideration in the development of the mall, with solar panels being installed on the rooftop parking to complement the grid supply. Natural lighting and cross ventilation have also been leveraged in the design to drive energy efficiency. Our efforts with respect to efficient resource utilisation in this development have been recognized, with Two Rivers being named a Vision 2030 flagship project as a result of its sustainable approach to resource utilisation.

#### Riverfront

In order to enhance Two River's positioning as a destination of choice, Gichii River, one of the two rivers that run through the site, has been leveraged to create a unique riverfront entertainment and lifestyle experience, with various activities being set up along its course. These include flume rides, water zorbing, bumper rides and Aqua Play, a water park. The riverfront will also serve as an outdoor seating area for various restaurants within the mall.

*Artistic impression of the Riverfront*

#### Conferencing and Event Facilities

The development will include a 3,000 seater capacity outdoor amphitheatre, as well as a 4,000 capacity facility to offer MICE services in keeping with our vision of creating a premier regional destination.

## Support Infrastructure

### 1. Power

*Two Rivers substation*

Ensuring reliable power supply for the entire development was viewed as a critical success factor in the realization of our aspiration of establishing a new urban node. To this end, we built a 46 MVA substation for the development which has been incorporated into Two Rivers Power Company, a licensed electricity distributor, and will supply power to the entire development. In addition, a 7.5MW diesel generated power plant has also been installed, together with a 1.2 MW solar farm on the rooftop parking of the mall.

### 2. Water


*Water Treatment at Two Rivers*

Two Rivers Water and Sanitation Company has been established to cater for the development's water needs. It includes a reverse osmosis water treatment plant with the capacity to treat 2 million litres of water per day to deliver potable water as well as recycled water which will be used for irrigation, fire-fighting and other water requirements within the riverfront.

### 3. Security

A technologically advanced security solution that employs IBM's Intelligent Operation Centre (IOC) at its core has been deployed across the development. This system ensures unification of hundreds of independent systems for access control, surveillance, threat detection, screening alerts and communications across the development into a single virtual system. The security systems include components such as surveillance cameras, ANPR systems for scanning license plates, under vehicle surveillance system and explosive trace detectors. A police station is also being established on site, and will work hand in hand with the control room in securing the development.

### 4. ICT

Two Rivers Development Limited has partnered with Safaricom to supply the development wih fibre network, triple play services, radio 3G/4G and Wi-Fi. The development also has a tier 4 ready data center to provide co-location services, hosting, network and security services and universally consistent operations. The data center is disaster resistant and meets global standards for quality and reliability.

## Further Developments at Two Rivers

Other Centum-led projects in the pipeline include luxury apartments, a five star hotel and residences, a healthcare facility and additional structured parking. These projects are in various phases of project development and are anticipated to transition into construction by Q1 2017.

In addition, the master plan for the Two Rivers development accommodates a diverse mix of property owners. Currently there are two third party property owners who have purchased plots on the development and have begun construction. They are:

- South Africa's City Lodge Hotel group who are establishing a three star hotel; and
- Victoria Bank, who are constructing an office block.

## Two Rivers Returns

Our 58.33% stake in Two Rivers Development Limited is measured at a conservative KES 12 billion on the balance sheet. The transaction with Old Mutual during the year implied a valuation of KES 23 billion for the mall company only, where Two Rivers Development Limited now owns a 50% stake. This is against the context of an initial investment of KES 1.6 Billion to KES 11.6 Billion as at March 2016.

> "In addition to established local brands, the tenant mix includes several international brands, many of which are new to the Kenyan market such as Carrefour, Nike, Burger King, Swarovski, Villeroy and Boch, Adidas, LC Waikiki, Vox Cinemas and Magic Planet

# REAL ESTATE AND INFRASTRUCTURE

## TWO RIVERS

### SITE PHOTOS AS AT JUNE 2016

*An ariel view of the development taken in May  2016*

*The Northern Bypasss roundabout and gatehouse at the mall's entrance*

*Mall interior*

*Front view of the mall*

*A panoramic view of the mall's innovative architectural design*

Artistic drawings paint the Limuru Rd underpass


Worm's eye view of the mall's interior


Worm's eye view of the mall's interior


The washrooms


Basement parking


Rooftop parking


Gatehouse at the Limuru Rd entrance

Adidas undergoing the fit out process


Mr Price Home under preparation

Bossini nearing completion

Villeroy and Boch has already completed its fit out


Inside a store's fit out

# REAL ESTATE AND INFRASTRUCTURE

## PEARL MARINA LIMITED

Pearl Marina is a development set on a 389-acre parcel of land in Uganda's Garuga Peninsula, Entebbe on the shores of Lake Victoria. We are seeking to develop a premium integrated world class waterfront destination with modern residential housing, educational facilities, medical facilities, sporting and recreational facilities, and an office park.

Phase 1 is currently under development on 43 acres, and comprises 102 residential units, a club house, sporting and recreational facilities, and a boutique hotel. The show cluster comprising of four villas, supporting infrastructure and landscaping has been completed. The project has received significant investor interest and sale of the villas will commence in this financial year.


*Artistic Impression of Pearl Marina Development*

## FINANCIAL SERVICES

**Our interest in the sector ranges from asset management to banking and microfinance**

Our interest in the financial services sector ranges from asset management to banking and microfinance.

## PORTFOLIO OVERVIEW

Our current portfolio in the financial services sector is set out in the table below:

| | |
|---|---|
| SidianBank<br><br>Stake: 74.82%<br>Sector: Banking | K-Rep Bank Limited successfully rebranded to Sidian Bank Limited (Sidian) during the year.<br><br>Sidian Bank is a fully fledged fast growing commercial bank that provides transformational financial solutions for SMEs, retail and individual customers. The bank has a strong national presence with 37 branches. Sidian is also investing significantly in new digital distribution channels. The banks most recently won the Best Emerging Bank Award in the Bankers Africa Awards 2016 for its brand and new products including its mobile banking product and is expected to launch a new internet banking platform in the current financial year.<br><br>Centum's ambition is to accelerate the growth of Sidian and position it as the most profitable Tier II bank by 2019 with total assets of KES 125 billion. To support this growth, Centum injected in excess of KES 1 billion in fresh capital during the financial year.<br><br>Now well capitalized and with a new management team in place, the bank is expected to experience transformational growth in the next financial year driven by;<br>• new strategic partnerships such as the ground breaking nil down payment asset finance product launched with Uber in May 2016; and<br>• the expansion of its customer offering to include; Wholesale Banking for Corporates, NGOs, Faith Based Institutions and Specialty Banking for Youth, Women and High Net Worth Individuals<br><br>During the past year, the bank's assets grew by 21% from KES 16.8 billion to 20.3 billion and is now the 25th largest bank in terms of Total Assets in Kenya up from 32nd the previous year. |
| PLATINUM CREDIT LTD<br>THERE WHEN YOU NEED US<br><br>Stake: 35.6%<br>Sector: Micro Finance | Platcorp Holdings Limited is the investment holding company for Platinum Credit Limited and Premier Credit Limited with operations in Kenya, Uganda and Tanzania.<br><br>Platinum Credit Limited is a leading non-banking micro-lender, serving a large base of clients across East Africa by providing emergency loans within 24 hours.<br><br>Premier Credit Limited, set-up in 2014, is also a regional non-banking micro finance company. From its initial set-up less than two years ago, the business is now profitable and has a presence in Kenya, Uganda and Tanzania. During the year total assets grew by 98% and the business delivered an average ROE of 103%. |

Genesis Kenya Investment Management Limited successfully re-branded to GenAfrica Investment Management Limited (GenAfrica) during the year. A portfolio of new products was also introduced.

GenAfrica is the second largest asset manager in Kenya, providing specialist investment management services to institutional clients in Kenya and Uganda.

The business recorded a year-on-year growth of 15% in Assets Under Management ("AUM"), from KES 126 billion to KES 145 billion while profits grew by 8%. This is against the background of a challenging investment environment during the year. This performance translated to a Return on Equity of 69% on opening shareholder funds.

The focus in the next financial year will be scaling the roll-out of the new products and growing market share in Uganda.

Stake: 73.35%
Sector: Asset Management

Nabo Capital Limted, a wholly owned subsidiary of Centum, is a boutique specialist investment management and investment advisory firm focused on capital market opportunities across Africa.

Nabo's clients include institutions, endowments, sovereign entities, and private clients. The company also provides an array of investment advisory services to corporate, partnership, institutional and private clients, including Structured Products for debt and equity capital markets.

In 2015, the Nabo Africa Equity Fund emerged as the top ranked mutual fund among peers investing in African Equities outperforming its peer average by 15% in a challenging market environment.

Stake: 100%
Sector: Asset Management

Subsequent to 31 March 2016, we have incorporated a new company, Zohari Leasing Limited. Zohari is an operating and finance leasing company serving Small Medium Enterprises and large corporate customers. Zohari was founded to provide financing solutions to companies looking to fund the acquisition of operating assets including; vehicles, manufacturing equipment, office fit-outs etc. as an alternative to traditional bank asset finance. The company has already recorded a significant growth in its lease book since its incorporation and is expected to break even in the current financial year.

Stake: 100%
Sector: Leasing

## OTHER PORTFOLIO ACTIVITIES

During the year, we exited our 21.5% stake in AON Insurance Brokers Kenya Limited, realizing a gain of KES 1 billion. The original cost of the investment was KES 12 million.

## OUTLOOK

Our focus in the sector is consolidating our position and positioning our key asset, Sidian Bank Limited, for strong profitable long term growth.

# FAST MOVING CONSUMER GOODS

**Our activity in the FMCG sector is primarily in the beverages segment**

# FAST MOVING CONSUMER GOODS

Our activity in the FMCG sector is primarily in the beverages segment. The two Coca-Cola bottling franchises in which we hold a stake control about 71% of the Kenyan market.

## PORTFOLIO

Our current portfolio in the sector is summarized below.

| | |
|---|---|
| Stake: 52.03%<br>Sector: Non Alcoholic Beverages | Almasi Beverages Limited is a holding company for three of Kenya's six Coca-Cola bottling franchises namely: Mount Kenya Bottlers, Rift Valley Bottlers and Kisii Bottlers.<br><br>Almasi is the second largest bottler in Kenya and accounted for 27.4% of the total volumes in 2015 up from 24.4% in 2014. Top line sales in the business grew by 21% during the past financial year.<br><br>We have made significant investment in a new line and we are in the process of investing in a new PET bottling line. |
| Stake: 27.6%<br>Sector: Non Alcoholic Beverages | Nairobi Bottlers Limited is the largest of the Coca Cola bottling franchise in Kenya.<br><br>The company controls a 43.7% market share in Kenya, with its territory spanning the whole of Nairobi, Nyandarua, Tana River, Garissa, Kajiado, Kiambu, Kitui, Muranga, Nakuru, Machakos, Makueni, Mandera and Meru. Top line sales in the business grew by 6% during the past financial year. |
| Stake: 26.4%<br>Sector: Alcoholic Beverages | Kenya Wine Agencies Holdings Limited is a leading manufacturer and distributor of wines and spirits in East Africa with operations in Kenya, Uganda and Rwanda.<br><br>Following the company's privatization in 2014 through the Government of Kenya's sale of its 26% stake to Distell, 2015 was a year of settling in to a new dispensation as a private corporation.<br><br>The focus going forward will be driving efficiencies in the business to unlock a step change in profitable growth. Top line sales in the business grew by 13% during the past financial year. |
| Stake: 100%<br>Sector: Alcoholic Beverages | King Beverage Limited ("King") is a wholly owned subsidiary of Centum that was set up in 2014 to engage in the distribution of Carlsberg branded beer products.<br><br>During the year, the company was successful in gaining market share in the international premium beer segment and in establishing national distribution of the product. King also signed multiple distributorship agreements with Edrington Fix Middle East (EFME) and Grays, Mauritius. These partnerships now bolster King's Carlsberg beer offering with a complementary world class spirits portfolio. EFME brands include; Jim Beam, Courvoisier, Teacher's ,Laphroaig single malt amongst others and Grays brands include KGB vodka and New Grove Rum. |

## PORTFOLIO ACTIVITIES

During the year, we increased our stake in Almasi Beverages Limited from 51.0% to 52.1%. The company made significant capital investments in the year in installing a new returnable glass bottling plant at Mount Kenya Bottlers, which increased total bottling manufacturing capacity by 67%. This new investment will allow Almasi to serve all its territories without the need to acquiring supply from other bottlers during the peak sales month in December. The company is in the process of installing a new PET bottling line to support growth in what is the fastest growing product category in the Coca-Cola beverages portfolio.

## OUTLOOK

The capital investments at Almasi are expected to have a significant and positive impact on the company's margins, which in turn should see a continued growth on the bottom-line.

At King Beverage Limited, we continue to invest in the route to market for the business and to diversify its product portfolio. The next financial year will mark the full financial year subsequent to the company's roll out of its new products as the company continues to build volume prior to the commencement of local production.

## POWER

We have a clear vision to be East Africa's leading Independent Power Producer (IPP)

Over the past two years, Centum has firmly established itself as a leading participant in Kenya's Independent Power Producer ("IPP") sector. To date, the Company has invested KES 3.1 billion in the development of two landmark projects – Amu Power and Akiira One Geothermal. Once completed, the two projects will have a transformational impact on Kenya's economy. Together, they will form an integral part of the country's base load power generating capacity and account for close to one third of Kenya's power generation measured by the country's generating output today.

Our portfolio and activities during the year are summarized below:

| | |
|---|---|
| amu power<br>powering Kenya's growth<br><br>Stake: 51%<br>Coal Power | Amu Power Limited was awarded a tender in September 2014 to construct at 1,050MW coal power plant in Lamu County, Kenya.<br><br>Once complete, the power plant will be the single largest in Kenya and also the lowest cost producing Independent Power Producer.<br><br>We are currently working towards financial close by December 2016 and so far significant progress has been made on all fronts as summarized below:<br>1. Power Purchase Agreement signed;<br>2. Power Purchase Agreement Contract signed;<br>3. Debt term sheet with senior lenders signed;<br>4. Environmental Impact Assessment in final stages of completion upon completion of land Resettlement Action Plan;<br>5. Issuance of Land Lease approved by the Government of Kenya; and<br>6. All approvals by Lamu County Assembly secured. |
| AKIIRA GEOTHERMAL LIMITED<br><br>Stake: 37.5%<br>Geothermal Power | Akiira One Geothermal Limited is a special purpose vehicle in the process of building the first 70MW phase of a 140MW geothermal power plant development in the Olkaria region of Nakuru County.<br><br>Once completed, the power plant will be the first and largest privately owned greenfield geothermal development in Sub-Saharan Africa.<br><br>The company is currently undertaking exploratory drilling and working towards financial close by December 2016 and so far significant progress has been made on all fronts as summarized below:<br>1. Power Purchase Agreement signed;<br>2. Land Purchase agreements secured;<br>3. Debt term sheet with senior lenders signed;<br>4. Power Purchase Agreement Contract selection commenced;<br>5. Operation and Maintenance Partner selection process commenced; and<br>6. Baseline Environmental Impact Assessment completed. |

## OUTLOOK

The focus in the new financial year will be to steer the two projects to Financial Close and secure the total debt and equity funding required to finance the construction of the plants to facilitate successful ground breaking.

## AGRIBUSINESS

**We are identifying and unlocking greenfield opportunities as we grow the value and revenues of our agribusiness portfolio**

## VISION

Centum's agribusiness sector strategy is to invest in greenfield opportunities, de-risk them and create investment grade opportunities which we can avail to investors.

## PORTFOLIO

During the year, we incorporated Greenblade Growers Limited ("Greenblade") as a wholly owned subsidiary. The company acquired a 120 acre farm in Ol Kalou during the year. The site is currently being developed with a 1,296 square meters pack house that will be used for value addition and will have a capacity to process 10 tonnes of fresh produce per day. Greenblade is involved in the production of exotic herbs for export such as Coriander, Parsley, Dill, Chives, Tarragon, Lemongrass, Mint and Rosemary. The key export markets are Netherlands and subsequently into UK. Greenhouses are currently under construction on 14 hectares.

The goal is to scale Greenblade's nucleus production during this year and also to provide potential out growers with an additional revenue stream.

## OUTLOOK

We are looking to significantly scale up our agribusiness moving forward through acquisition of large tracts of agricultural land in Kenya and in the region. We will be investing in the entire value chain from production to export processing, in line with our strategy of developing assets of scale.


*Greenblade is involved in the production of exotic herbs for export*

## EDUCATION

Our vision is to build 20 schools across Africa in the next three to five years, as part of a tripartite consortium with SABIS and Investbridge Capital. SABIS is a global leader in private education with over 130 years experience operating 57 schools across four continents and in 16 countries, and has over 70,000 students in attendance. Investbridge Capital is a Dubai based asset manager and corporate advisory firm.

The consortium has acquired a suitable site along Kiambu Road that will host the first SABIS school in Sub-Saharan Africa, offering both 8-4-4 and K-12 education curricula with a capacity of up to 1,700 students.

*Centum Group CEO, James Mworia, SABIS President Carl Bistany and Investbridge COO Mark Hambach sign an agreement consolidating their partnership*

## HEALTH CARE

We have gained momentum in our healthcare investment during the year.

In November 2015, Dr Farai Shonhiwa was appointed Head of Healthcare with the responsibilities of development and execution of our healthcare strategy, effective 1st November. She brings with her a wealth of experience in the healthcare sector in the African context, adding valuable capabilities to the Group in line with our aspirations to be a developer of investment grade opportunities at scale in the healthcare within the East African region.

We have embarked on an ambitious strategy that will see us enter the healthcare provision space. We expect to make our first significant investment in this sector in FY2016/17.


## MARKETABLE SECURITIES PORTFOLIO

**The portfolio is broadly diversified across several African stock exchanges in North, West and East Africa and primarily invests in Large & Mid-capitalization equities that are illiquid and under-researched**

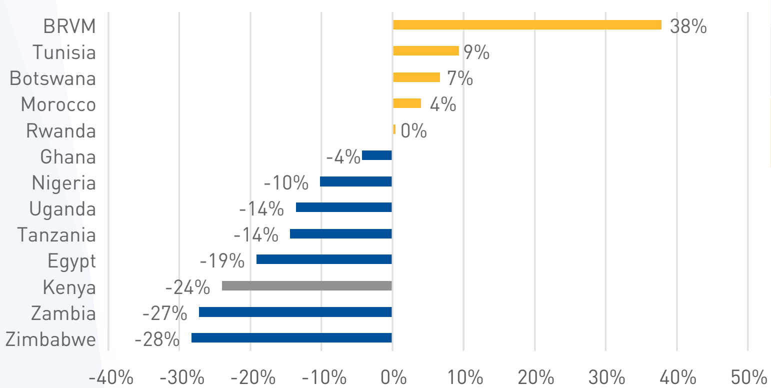
## PERFORMANCE

The Marketable Securities Portfolio is actively managed by Nabo Capital Limited, a wholly owned subsidiary. Our portfolio target is an absolute return compounded at 25% p.a. The portfolio is broadly diversified across several African stock exchanges in North, West and East Africa and primarily invests in Large & Mid-capitalization equities that are illiquid and under-researched. The portfolio also maintains allocations to Cash and Government Bonds.

### Industry Review

The Pan-African equities investment climate in 2015 was challenging, driven by net-flow reversals as rising volatility, weak equity markets and a spate of redemptions saw aggressive selling of equities by foreign investors who sought to exit emerging and frontier markets. The situation was further exacerbated by a sharp fall in commodity prices and a deterioration of the macro-environment for "commodity-dependent" countries. African currencies also came under pressure as the U.S dollar gained broad strength in the period. This particular combination of factors contributed to the market performance captured in the chart below:

EQUITY MARKET PERFORMANCE - KES TERMS




Closer home, the Kenyan equity market was down (-24%) driven by fund-outflows, currency weakness and a spike in short term interest rates.

In this difficult environment, our Pan-African diversification strategy paid off, as did our timely asset-class rotation which saw us shift our allocations to overweight cash and government bonds to take advantage of the interest rate regime.

We are seeing some compelling value opportunities in stocks across Africa, ripe and ready for the picking. We are fairly optimistic about market developments in 2016 and shall continue to add quality names that meet our investment criteria to the portfolio at the risk of being early, and believe the market shall catch-up with us sooner, rather than later.

### Performance Summary

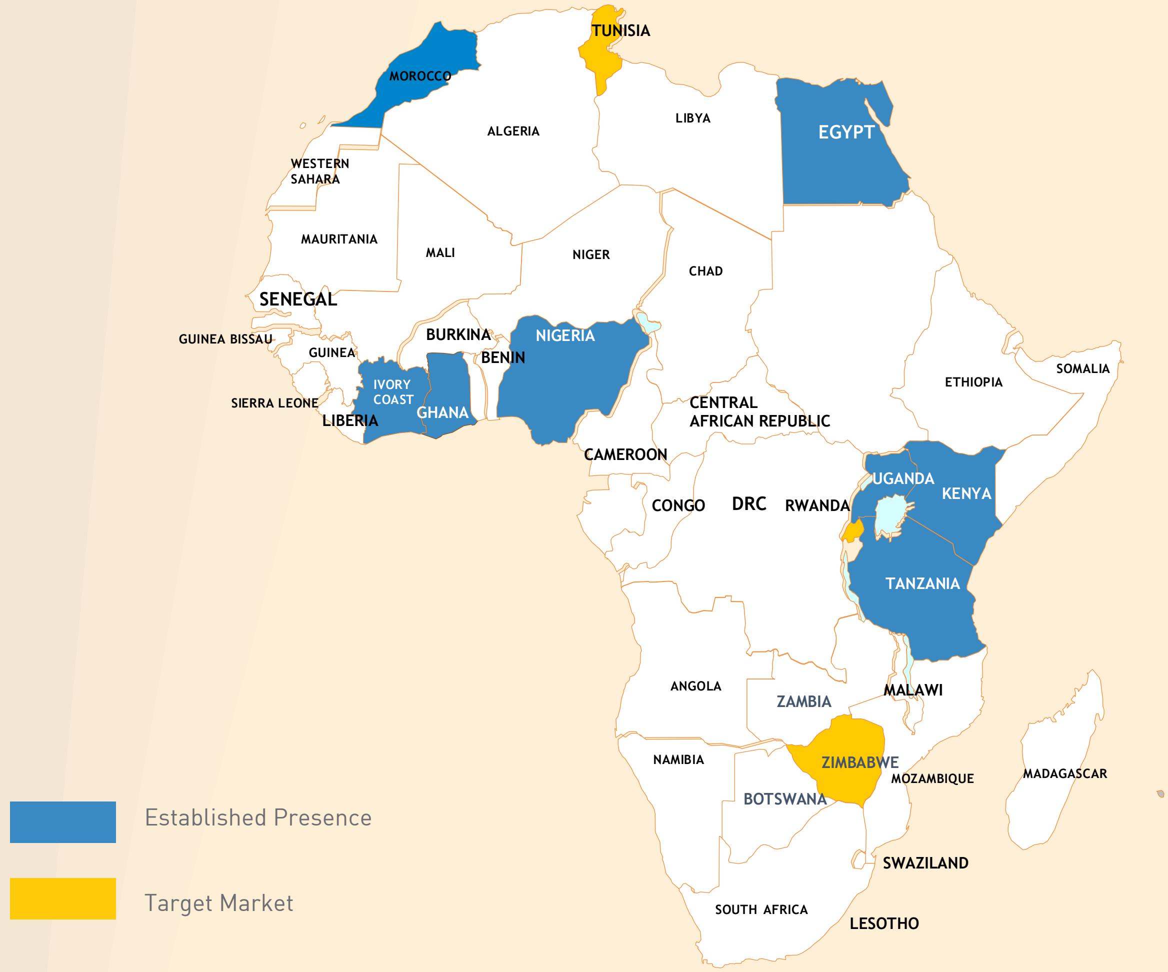
The marketable securities portfolio performance is disclosed as part of segment information in note 5 of the financial statements. A summary of the MSP performance is presented below:

| KES Million | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| Portfolio income | 1,266 | 736 | 1,441 | 580 | 199 | 231 | 175 |
| Unrealized gains | 167 | 357 | 748 | 883 | (121) | 175 | 996 |
| Gross return | 1,433 | 1,093 | 2,189 | 1,463 | 77 | 406 | 1,172 |
| **Total return** | **940** | **889** | **1,782** | **1,230** | **(53)** | **320** | **1,101** |
| Gross return (%) | 31% | 20% | 42% | 59% | 2% | 11% | 52% |
| Total return (%) | 21% | 17% | 34% | 50% | -1% | 9% | 49% |
| **Closing portfolio** | **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. 1,433 Million equivalent to 31.0% return, outperforming the NSE-20 Share Index by 55% over the 12 months' period.

As at 31 March 2016, the marketable securities portfolio value was KES 3 billion, making up 6% of total assets.

## GEOGRAPHICAL DIVERSIFICATION




## VALUATION METHODOLOGY

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

# OTHER SECTORS – AUTOMOTIVE AND CONSUMER SERVICES

Our portfolio in other sectors is set out below:

| | |
|---|---|
| **General Motors East Africa Limited**<br>Stake: 17.8%<br>Sector: Automotive | General Motors East Africa Limited ('GM') assembles, markets and sells Chevrolet, Opel and Isuzu brands and parts.<br><br>GM is Kenya's market leader in new vehicle sales with a 33.5% market share as at December 2015.<br><br>The company also exports vehicles to neighbouring countries in the COMESA region. |
| Stake: 60.29%<br>Sector: Publishing | Longhorn is a leading educational publisher with operations in Kenya, Uganda, Tanzania, Malawi and Rwanda. The Company is also the only listed publisher in Africa.<br><br>Longhorn announced a rights issue in December 2015, which completed in May 2016 subsequent to the year-end to 31 March 2016, which culminated in Centum increasing its stake from 31% to 60.29%. |
| Stake: 15%<br>Sector: Airline Catering | NAS Servair provides meals and handling services to airlines at the Jomo Kenyatta International Airport and the Mombasa International Airport.<br><br>Despite a new caterer being issued an operating license in 2014, the company remains the sole operator in Kenya.<br><br>Going forward, a key focus for the business will be to continue diversifying its income streams by launching two Burger King Restaurant franchise outlets in Kenya. |
| Stake: 100%<br>Sector: Support Services | Centum Business Solutions Ltd (CBS) is a wholly owned subsidiary of Centum. CBS provides integrated investment/business enabling solutions to Centum, Centum subsidiaries and third party clients at a fee.<br><br>Solutions provided by CBS range from strategic, tactical and transactional and include financial, legal, tax, technology, risk, marketing and human capital management services. |

## PORTFOLIO ACTIVITIES AND OUTLOOK

The year 2015 saw a change in leadership at Longhorn Publishers with the recruitment of a new CEO. Longhorn Publishers will therefore be consolidated as a subsidiary moving forward.

Subsequent to Centum's new majority shareholding, we expect Longhorn's growth to accelerate through acquisitions, the introduction of new products and the expansion into new countries.

# GOVERNANCE RISK AND SUSTAINABILITY

## BACKGROUND

Centum Investment Company Limited ("Centum" or "the Company") ascribes to best practices of good corporate governance. The Board recognizes that as a Company whose primary listing is on the Nairobi Securities Exchange with a secondary listing on the Uganda Securities Exchange, meeting the requirements of the regulatory regime in corporate governance and all enabling Acts of Parliament, regulations, rules, policies, and international best practices is paramount to the success of the Company.

Accordingly, the Company applies the Code of Corporate Governance for Issuers of Securities-2016, the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya- 2002, the Capital Markets Act- Cap 485A, the Companies Act and subsidiary legislation- 2015, and other international best practices from progressive countries such as South Africa and the United Kingdom. The Company's application of the corporate governance practices in the Code of Corporate Governance for Issuers of Securities-2016 shall be crystallized in the fiscal year ending 2017.

The focus of this Report shall be the roles and responsibilities of the Board of Directors, the mandates of the board committees, stakeholder mapping and engagement, related party transactions, ethics and integrity, corporate citizenship and transparency.

## APPOINTMENT, COMPOSITION, QUALIFICATIONS AND SIZE OF THE BOARD OF DIRECTORS

The Board of Centum is composed of eight Non-Executive Directors and one Executive Director who bring on board a diverse mix of qualifications and professional experience that add value to the Company in line with its vision of being Africa's foremost investment channel and mission to create real tangible wealth.

The appointment of Directors is conducted through an open and transparent process with oversight from the Nominations and Governance Committee of the Board.

The Board size is dictated by the Company's Articles of Association and complexity of the Group's activities occasioning intimate knowledge and experience in the 8 sectors namely Financial Services, Fast Moving Consumer Goods, Real Estate, Energy, Agribusiness, Education, Healthcare and Information and Communications Technology.

The Board is further categorized by a mix of both independent and non-independent Directors; a majority of whom are independent.

## BOARD RESPONSIBILITIES AND DUTIES

The primary role of the Board is to steward the Company towards long-term success and well-being in turn ensuring that the shareholders' wealth is maximized.

As custodians of the Company's strategy, the broad responsibilities of the Board in line with this fiduciary role are as follows:

- To ensure growth and sustainability of the Company in the best interests of the shareholders; and
- To promote the success of the company keeping in mind the collective interests of shareholders, employees and other stakeholders.

The directors' collective and individual responsibilities are expressed in the Board Charter as read with the Company's Memorandum and Articles of Association.

## BOARD STRUCTURE

The Board has established committees to cover functions that include: internal and external audit mandates, board nominations, risk management, remuneration, finance, investment and governance and the related outputs.

The Committees that assist the Board discharge its duties include:

- Audit and Risk Committee;
- Investment Committee;
- Nominations and Governance Committee;
- Branding Committee; and
- Information Technology Communication Committee.

The Board further constitutes ad hoc committees to dispense with specific matters if need arises.

The committees derive their mandate from the main board and as such, make regular reports to the board. Their mandates are pursuant to the Terms of Reference enabling the Committees.

The governance structure is as follows:


## a) Audit and Risk Committee

The Committee acknowledges Section 770 of the Companies Act, 2015. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities. The committee's other mandate includes:

a. To review the quarterly, half-yearly and year-end financial statements of the company including considering the quality and integrity of the Company's financial reporting;
b. To consider the appointment, audit fee, independence, qualifications and performance of the external auditor; and
c. To provide oversight on the internal audit & control functions and the company's compliance function.

**Composition**

The Committee consists of four non-executive directors and one executive director. The Committee is chaired by Mr. Imtiaz Khan who is an accountant and a holder of a Masters of Business Administration qualification from the London Business School.

## b) Nomination and Governance Committee

The Committee bears the following broad responsibilities:

a. To develop, maintain, monitor and update the Insider Trading and Disclosure Policies and comparable governance-related policies as may be determined by the Board or the Committee to be appropriate for the Company;
b. To develop, approve and document an appointment procedure and maintain fidelity to the documented procedure in nomination matters, ensure the Board and its committees undergo performance evaluation; and
c. Monitor developments and make recommendations to the Board in the areas of corporate governance and board practices and the roles and responsibilities of directors.

**Composition**

The Committee consists of five non-executive directors and one executive director appointed by the Board of Directors.

## c) Investment Committee

The committee bears the following broad responsibilities:

a. To develop investment objectives, investment guidelines, and performance measurements standards; and
b. To review and evaluate investment results in the context of established standards of performance and adherence to the investment guidelines.

**Composition**

The Committee consists of five non-executive directors and one executive director with the management in attendance at the invitation of the Board.

## d) Branding Committee

The committee is responsible for the oversight of the Group's brand and marketing strategy execution.

**Composition**

The Committee comprises of three directors; two of whom are non-executive directors and one executive director.

## e) Information and Communication Technology (ICT) Committee

The Committee bears the following broad responsibilities:

a. Ensure that the company's ICT resources are aligned to its stated strategic aspirations including overseeing major ICT related projects;
b. Oversee development and support of major ICT systems and functions; and
c. Ratify the ICT strategic plan and policies and support compliance initiatives.

**Composition**

The Committee is made up of one non-executive director, one executive director and two industry ICT experts.

## COMPANY SECRETARY

The Company Secretary is the chief legal and governance advisor to the Board. She coordinates the Board work plan, meetings as well as manages communication between the organization and shareholders.

## RELATED PARTY TRANSACTIONS

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

## PROCUREMENT

A transparent procurement method 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 existing laws.

## CODE OF ETHICS

Central to the performance of the functions at Board, management and all staff levels is ethics and integrity. The Company has a Code of Ethics that govern relationships within and without the Company. The code highlights the minimum standards to be adhered to throughout all interactions.

## COMPLIANCE

Centum continues to experience high commitment to compliance with the regulatory regime in Kenya. The Company conducts period legal audits to determine levels of compliance.

Centum continues to deliver to the promise of compliance with the laws, regulations and standards by participating and achieving exemplary performance in Awards that recognize institutions that exhibit the highest standards of good governance. Accordingly, we are pleased to announce that the Company was the second runner's up - Finance Category in the just concluded Champions of Governance Awards. This is complemented by a previous achievement where the Company won the Champion of Governance CEO of the year and Champion of Governance Company Secretary of the year.

## BOARD EVALUATION

Centum periodically conducts evaluation exercises on the Board, the Chairperson, the CEO, and the company secretary as a means to drive for improvement. The Board Evaluation Report has been presented to the Board for consideration.

## REMUNERATION STRUCTURE

The remuneration of the Directors remains competitive and assumes a multifaceted approach comprising the best industry practices, the Company's strategy and the consideration of diversity of skill set brought on board. The shareholders at every Annual General Meeting approve the remuneration proposed by the Board. The details of the non-executive directors' remuneration are disclosed on note 40(iv) of the financial statements (page 172)

| Item | Remuneration (Kshs) |
|---|---|
| Executive Director's fees | - |
| Executive Director's emoluments | 201,150,000 |
| Non-executive Director's fees | 15,987,000 |
| Non-executive Director's emoluments | - |

## WHISTLE BLOWING POLICY AND DISPUTE RESOLUTION MECHANISMS

Centum has in place a Whistle Blowing Policy which is testament of the Company commitment to achieving the highest standards of integrity in the public life and in all of its business processes. Accordingly, various channels of communication are available for whistle blowers whose confidentiality is guaranteed through several checks and balances.

## STAKEHOLDERS RELATIONS

The Board has implemented a stakeholder-inclusive approach in managing its relationship with the stakeholders. It notes that communication serves an important role in good corporate governance. Notably, the management facilitates investor briefing sessions after the announcement of half-year and full year results. This serves to disseminate important company information relating to the performance of the company six months after the close of the financial year and at the end of the financial year.

In this financial year, Centum introduced a vibrant Investor Brief, a quarterly newsletter that conveys information on the company's progress in the investment arena. Increasingly, the company is at the forefronts in precipitating debates on investments in Kenya and indeed in the Sub-Saharan region generally. This financial year, the CEO led the way by contributing in two noteworthy events being his celebrated delivery of the C.B. Madan Memorial Lecture and his opinion on energy investments in one of national daily newspapers. Other channels, without limiting the generality of the foregoing include; emails, telephone calls, and publishing information relevant to the stakeholders on the Centum website (www.centum.co.ke).

## DIRECTORS PARTICIPATION AT MEETINGS

| Name | Classification | Role | | Board | Committee | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Audit and Risk | Nomination and Governance | Investment | Branding | ICT |
| James Ngatia Muguiyi | Non-Executive | CICL Chairman | Membership | Y | N | Y | N | N | N |
| | | | Attendance | 5/7 | | 2/2 | | | |
| James Mwirigi Mworia | Executive | Group CEO | Membership | Y | Y | Y | Y | Y | Y |
| | | | Attendance | 7/7 | 6/6 | 2/2 | 4/4 | 2/2 | 2/2 |
| Kennedy Wanderi | Non-Executive | | Membership | Y | N | Y | Y | N | N |
| | | | Attendance | 6/7 | | 2/2 | 4/4 | | |
| Margaret Martha Byama | Non-Executive | | Membership | Y | Y | Y | N | N | N |
| | | | Attendance | 4/7 | 3/6 | 2/2 | | | |
| Imtiaz Khan | Non-Executive | Chairperson Audit and Risk | Membership | Y | Y | N | Y | N | N |
| | | | Attendance | 6/7 | 6/6 | | 3/4 | | |
| Christopher John Kirubi | Non-Executive | Chairperson Investment Committee | Membership | Y | N | Y | Y | Y | N |
| | | | Attendance | 4/7 | | 2/2 | 4/4 | 2/2 | |
| Henry Chege Njoroge | Non-Executive | Chairperson ICT Committee | Membership | Y | Y | N | Y | Y | Y |
| | | | Attendance | 7/7 | 6/6 | | 3/4 | 2/2 | 2/2 |
| Laila Macharia | Non-Executive | | Membership | Y | Y | Y | Y | N | N |
| | | | Attendance | 7/7 | 3/6 | 1/2 | 3/4 | | |
| James Mcfie | Non-Executive | Deputy Chairperson | Membership | Y | N | N | N | N | N |
| | | | Attendance | 5/7 | | | | | |

Note:
Y – Member of respective Committee
N – Not a member of respective Committee

## SHAREHOLDER MAPPING

**Shareholding analysis by Holding:**

| | 31st March 2016 | | | 31st March 2015 | | |
|---|---|---|---|---|---|---|
| **Name** | **Total Shares** | **%** | **Rank** | **Total Shares** | **%** | **Rank** |
| Christopher John Kirubi* | 188,416,312 | 28.31% | 1 | 160,023,688 | 24.05% | 1 |
| Industrial & Commercial 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% | 5 |
| CFC Stanbic Nominees Ltd A/C NR1031144 | 6,696,673 | 1.01% | 4 | 11,062,424 | 1.66% | 3 |
| Uganda Securities Exchange^ | 5,916,306 | 0.89% | 5 | 5,949,035 | 0.89% | 7 |
| John Kibunga Kimani | 5,908,221 | 0.89% | 6 | 5,908,221 | 0.89% | 8 |
| The Jubilee Insurance Company of Kenya Limited | 4,567,009 | 0.69% | 7 | 5,427,285 | 0.82% | 9 |
| James Mworia Mwirigi* | 4,356,994 | 0.65% | 8 | - | - | - |
| ICEA Lion Life Assurance Company Limited – Pooled | 4,345,170 | 0.65% | 9 | - | - | - |
| Standard Chartered Kenya Nominees Ltd A/C KE002662 | 3,651,800 | 0.55% | 10 | - | - | - |
| Lenana Road Asset Management Limited | - | - | - | 10,914,900 | 1.64% | 4 |
| Standard Investment Dealing – Standard Investment Bank | - | - | - | 8,438,922 | 1.27% | 6 |
| Patel Amarjeetbaloobhai Patel & Baloobhaichhotabhai | - | - | - | 5,000,000 | 0.75% | 10 |

Note:
* Director of Centum.
^ A nominee account for shareholders on the Uganda Securities Exchange.
~ Company in which a Director of Centum has interest in.

**Director's shareholding analysis as at 31st Mar 2016**

| Director | Total Shares |
|---|---|
| Dr. Christopher John Kirubi | 188,416,312 |
| Industrial and Commercial Development Corporation (Alternate Director Kennedy Wanderi) | 152,847,897 |
| James Mworia | 4,356,994 |
| Henry Njoroge | 256,028 |
| Imtiaz Khan | 84,600 |
| James Muguiyi | 46,096 |
| Principal Secretary – Ministry of Trade (Alternate Director Margaret Byama) | - |
| Laila Macharia | - |
| Dr. James McFie | - |

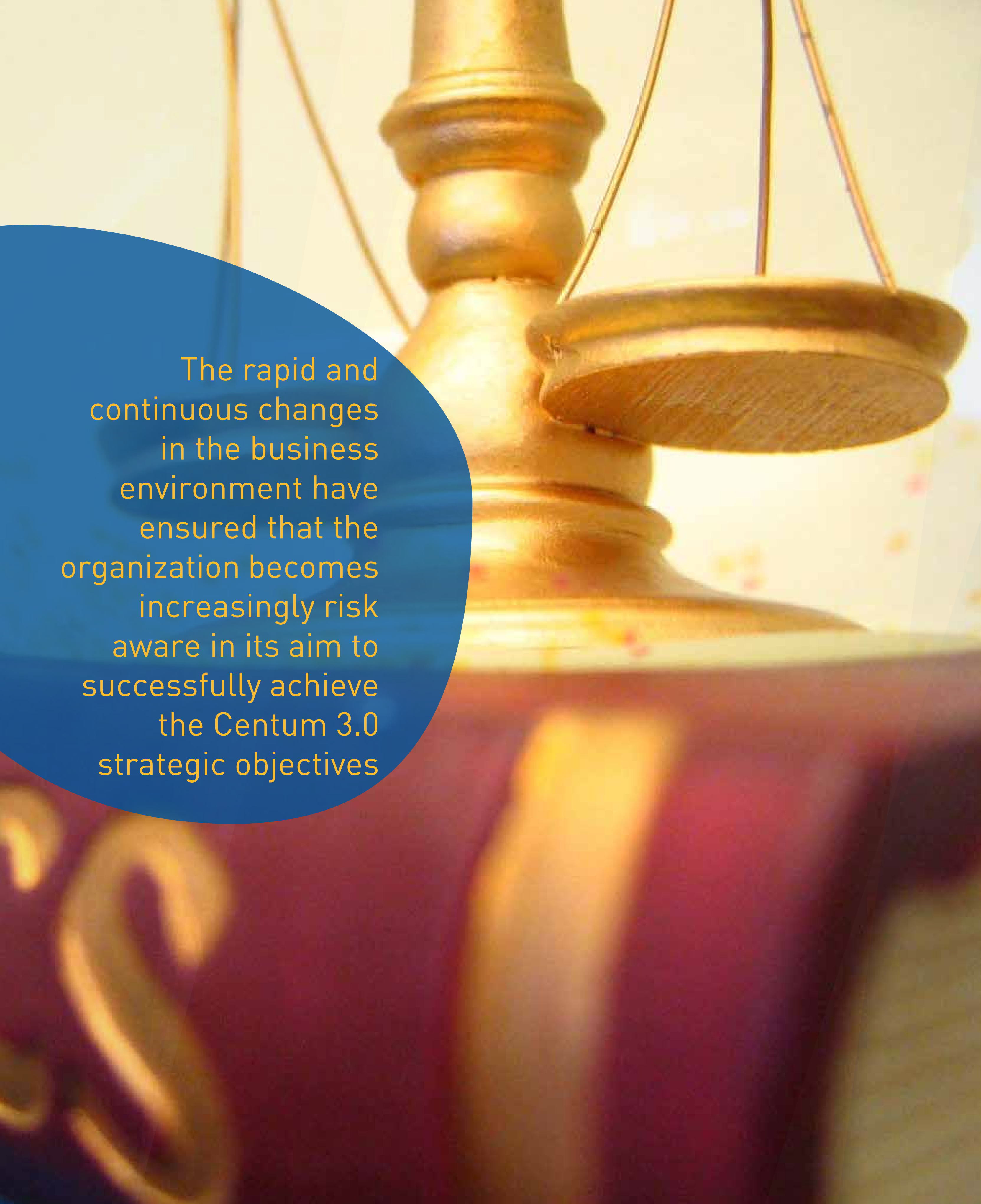
*Kennedy Wanderi and Margaret Byama are alternate directors. Neither of them own shares in the Company.

**Shareholder Analysis by Volume:**

| | 31st March 2016 | | | 31st March 2015 | | |
|---|---|---|---|---|---|---|
| Volume | Shares | % | Holders | Shares | % | Holders |
| 1-500 | 2,382,292 | 0.36% | 13,236 | 2,341,366 | 0.35% | 12,832 |
| 501 - 5000 | 35,323,715 | 5.31% | 17,248 | 35,733,076 | 5.37% | 17,440 |
| 5001 - 10000 | 22,638,237 | 3.40% | 3,140 | 22,864,751 | 3.44% | 3,181 |
| 10001 – 100000 | 83,748,828 | 12.59% | 3,349 | 85,455,380 | 12.84% | 3,442 |
| 100001 - 1000000 | 79,614,949 | 11.96% | 308 | 77,327,393 | 11.62% | 309 |
| →1000000 | 441,733,693 | 66.38% | 44 | 441,719,748 | 66.38% | 48 |
| **TOTALS** | **665,441,714** | **100%** | **37,325** | **665,441,714** | **100.00%** | **37,252** |

**Shareholder Analysis by Domicile:**

| | 31st March 2016 | | | 31st March 2015 | | |
|---|---|---|---|---|---|---|
| **Domicile** | **Shares** | **%** | **Holders** | **Shares** | **%** | **Holders** |
| Foreign Companies | 43,312,736 | 6.51% | 44 | 39,384,817 | 5.92% | 42 |
| Foreign Individuals | 2,073,747 | 0.31% | 206 | 1,803,525 | 0.27% | 181 |
| Local Companies | 248,270,879 | 37.31% | 1,984 | 273,682,813 | 41.13% | 1,860 |
| Local Individuals | 371,784,352 | 55.87% | 35,091 | 350,570,559 | 52.68% | 35,169 |
| **TOTAL** | **665,441,714** | **100.00%** | **37,325** | **665,441,714** | **100.00%** | **37,252** |



The rapid and continuous changes in the business environment have ensured that the organization becomes increasingly risk aware in its aim to successfully achieve the Centum 3.0 strategic objectives

## 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 done by the internal risk function. 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.

## RISK MANAGEMENT REPORT

### Risk Management and Internal Controls

#### Introduction

Comprehensive risk management practices form an integral part of the operations at Centum. The nature of business the company is engaged in exposes it to a slew of complex and variable risks. The rapid and continuous changes in the business environment have ensured that the organization becomes increasingly risk aware in its aim to successfully achieve the Centum 3.0 strategic objectives. Our versatile and responsive approach to risk management ensure timely identification, evaluation and mitigation of relevant risks, such as strategy risk, project risk, IT Security risk, credit risk, liquidity risk, market risk, operational risk, reputational risk, social political risk, counterparty risk, compliance risk and statutory/regulatory risk, which help the company operate with vigor and even more confidence.

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

- Identify key risks;
- Evaluate probability of occurrences and their impact;
- Define risk appetites/tolerance limits and establish adequate review mechanisms to monitor and control risks; and
- Incorporate robust reporting mechanisms and adopt appropriate mitigation processes.

We see strong risk management capabilities as vital to the success of a well-managed diverse investment company. The Risk Management (RM) function is the central resource for driving such capabilities in Centum.

The key components of our risk management approach are: strong risk governance and culture; robust and comprehensive processes to identify, measure, monitor, control and report risks; sound assessments of investment opportunities relative to risks; and a rigorous system of internal control reviews involving internal auditors and internal Risk &Compliance practitioners as well as external auditors.

Portfolio risk limits for the quantifiable risk types are established through a top down approach and operationalized through a formal framework. Other significant risk aspects are guided by qualitative expression of principles.

#### Our Risk Culture

Risk management is well embedded in our standard operating procedures for all activities and in the staff performance management process. The risk culture in Centum is defined by the Board, cascaded by the management and owned by all staff. Risk management is largely incorporated in the Group's defined business strategy, Risk Appetite Statement, accountability, reporting lines, and escalation processes. The combination of these items defines the Group's risk appetite and ensures the Group stays within the set risk tolerance.

In addition, the risk management and internal audit department is responsible for ensuring that the risk culture is continuously inculcated.

#### Risk Governance

Under our risk management framework, the Board of Directors, through the Board Audit & Risk Committee (BRC), defines the Group's risk appetite, oversees the establishment of robust enterprise-wide risk management policies and processes, and sets risk limits to guide risk-taking within the Group.

#### The Board of Directors

The Board sets the tone and influences the risk management culture within the Company and approves major decisions affecting our investment portfolio and its risk profile. The Board (through the whole board or its committees) plays their role in risk governance as follows:

- The Board oversees the independent investment committee function for Centum and has the final say on all investment related decisions;
- The Board retains the duty to annually report to the general meeting on operations and financial performance of Centum;

- The Board is specifically responsible for approving Centum's investment strategy and setting the acceptable level of risk together with key policies; and
- In addition, it ensures that its obligations towards its stakeholders are understood and met, reporting to stakeholders on how it has fulfilled its responsibilities.

### The Audit and Risk Committee

This committee is appointed by the Board of Directors to assist the Directors in discharging their responsibility of ensuring quality, integrity and reliability of the Group' Enterprise Wide Risk Management and corporate accountability and associated risks in terms of management, assurance and reporting.

This committee also assists in fostering an effective risk management culture throughout the Group. Additionally, the committee assists the Board in

- Fulfilling its oversight responsibility relating to compliance with legal and regulatory requirements and the company's policies.
- Ensuring compliance with appropriate standards of governance, reporting and other regulations;
- Reviewing and approving internal audit, risk and compliance policies, reports and findings;
- Ensuring that significant business, financial and other risks have been identified and are being managed; and
- Reviewing and recommending to the Board the adoption of the interim and annual financial statements.

### Investment committee

Oversight over the implementation of the investment strategy.

### The Internal Risk Management & Internal Audit Function

The Group Risk & Internal Audit Manager has been appointed to oversee the Risk Management, Compliance and Internal Audit function. The Manager is a member of the Group Executive Committee and has a dual reporting line to the Group CEO and to the Board Audit and Risk Committee. Working closely with the various business heads and process owners, the Group Risk & Internal Audit Manager through the risk department is responsible for the following:

### Risk & Compliance

1. Aligning the enterprise risk management strategies with the Centum 3.0 strategic goals, vision, mission and corporate goals;
2. Implementation, Review & Update of the risk management framework for key risks faced by the Group;
3. Deploy use of risk assessment tools (KRIs, KCIs, self-assessment and onsite Checklists and work programs) for effective identification and mitigation of existing and emerging risks;
4. Develop, maintain and undertake periodic reviews related to Risk Mapping, Risk Assessments, Risk registers, Risk Measurement, Trend Analysis, Scenario analysis and Stress Testing in line with the changing business and environments;
5. Ensure effective management of Business Continuity Plans and Disaster Recovery Plans;
6. Prepare and review management reports on group-wide and individual subsidiaries/entity risk exposures on an ongoing basis;
7. Monitor and enforce compliance to Group policies;
8. Monitor and enforce compliance with regulations and covenants with partners;
9. Facilitate and co-ordinate the process of identifying and assessing the impact of all new regulatory requirements.
10. Liaison with Regulators on Compliance issues;
11. Identify, document and assess the compliance risks; and
12. Responsible for all Anti Money Laundering & Know Your Customer compliance matters.

### Internal Audit

The Internal audit function ensures that there is an independent reviewer in the risk management framework who can give an independent view of the risk management status of the company. Some of the roles of the internal audit function in risk management include:

- Reviewing risk management processes and ensuring they are adequate and there is compliance;
- Reviewing the internal controls put in place; and
- Reviewing any exposures identified and testing their adequacy.

### Management/Business Heads

The role of management is to implement the Board's risk management policy through identification of the key risks affecting Centum and coming up with effective mitigating strategies to minimize the likelihood of losses while increasing that of gains. Other roles of management in the risk management process include;

- Assisting the Audit and Risk Committee in ensuring that internal processes and procedures are adequate and complied with;
- Identify strategies to manage risk exposures and monitors the satisfactory operation of the risk management strategy; and
- Communicates the company risk management policy and risk related information to all staff, subsidiary organizations and external partners.

## TOP AND EMERGING RISKS

In recognizing top and emerging risks, we look at both our major existing risk as well as new emerging risks.

As an East African investment company with exposures across some major African markets in addition to global macro-economic risk, the Group is exposed to both foreign exchange risk and convertibility risk in its major markets.

**Regulatory Developments:** The global regulatory landscape is evolving continuously. The Group remains vigilant in tracking international and domestic regulatory developments to ensure that it stays on top of these developments. New requirements are promptly disseminated to the respective action parties and, where applicable, embedded into our processes and systems. Standards of compliance behaviour expected of all staff are reinforced through training sessions, briefings and other means of communication and dissemination. In addition, individuals who perform certain activities may be required to fulfil specific training and examination criteria.

We also recognize the importance of proactive engagement with regulators. Towards this end, the Group strives to build and maintain positive relationships with regulators that have oversight responsibilities in the locations where it operates.

### Risk Categories

| Risk | Brief Description | Further Information | Risk Mitigation |
|---|---|---|---|
| Execution Risk | 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. | Financial statements | • Managed through periodic strategy reviews, involvement of board committees, hiring of strategy consultants and disciplined management of key projects;<br>• Frequent board oversight; and<br>• Implementation of only those strategic plans that have been extensively tested, reviewed and finally approved by the investment committee. |
| Investment risk | This is the risk of incurring financial losses in the Centum's portfolio in pursuit of returns. This risk would arise from :<br>• Ineffective assets allocation;<br>• Illiquidity of investments;<br>• Underperformance by investee companies;<br>• Investment concentration risk;<br>• Market risks;<br>• Adverse change in the political economic , social factors economic outlook | CEO's statement<br><br>Financial statements<br><br>Financial risk disclosures | • Investment activities:<br>- Are implemented under a tested investment approach;<br>- Include a thorough due diligence and analytical assessments are completed by the Investment Team on all investments considered by the Board;<br>• Centum officers represent the Centum investment on investee company boards;<br>• We only invest in investments where we have deep knowledge of investee company operations and their operating environment;<br>• We ensure there is continual interaction with investee executives;<br>• Diversification is one of the key themes of our 2015-2019 strategy; and<br>• Company is able to attract and develop investment professionals. |

| Risk | Brief Description | Further Information | Risk Mitigation |
|---|---|---|---|
| Liquidity/ Funding risk | • Risk that the company will miss out on attractive investment opportunities due to lack of funding; and<br>• Risk that the company will experience difficulties in meeting its maturing financial commitments. | Financial risk disclosures | Managed through innovative capital raising strategies at corporate level, supported by targeted financing at project and business line level such as:<br>• Active cash flow management;<br>• Available credit facilities;<br>• Available for sale investments that can be quickly converted to cash; and<br>• Asset matching for known/expected liabilities. |
| Operational risk | Risks that arise from failed internal controls, functional errors or malfunctions arising from people, processes, systems and external events.<br>These include:<br>• Failure to meet ethical and governance principles;<br>• Information technology failures;<br>• Fraud and security breaches;<br>• Loss of key employees; and<br>• Natural disasters. | Corporate governance statement<br><br>Financial risk disclosures | • Independent and specialized internal audit function;<br>• Robust risk management;<br>• Approved operational procedures.<br>• Framework of Core values;<br>• A code of conduct;<br>• Existence of a regularly tested Business Continuity Plan & Disasster Recovery plan;<br>• Management of this risk is embedded in all business processes and decisions and is part of performance targets for all staff; and<br>• Management and the board continue to develop a pool and to seek innovative ways to find and retain skilled staff. A good example is the graduate recruitment program that has been launched. |
| Legal / Regulatory risk | This is the risk that our business may be adversely affected by:<br>• New laws / regulations affecting our core business;<br>• Ongoing litigation against us, our subsidiaries or associates | CEO's statement<br><br>Financial statements<br><br>Financial risk disclosures | • As part of portfolio management, we seek the opinions of the legal experts at our disposal to ensure that we are aware of all the foreseeable legal implications; and<br>• We also continuously scan our operating environment to identify changes in the regulatory environment. |
| Reputational risk | The risk of a negative impact that can result from the deterioration of Centum reputation among stakeholders and general public resulting to:<br><br>• Revenue loss;<br>• Reduced client loyalty;<br>• Litigation, regulatory sanction or additional oversight; and<br>• Declines in Centum's share price. | Corporate governance statement<br><br>Financial risk disclosures | The board and the management constantly monitor and address issues that can adversely impact Centum's reputation as well as other facets of the business that have an impact on reputation. |

| Risk | Brief Description | Further Information | Risk Mitigation |
|---|---|---|---|
| Project risk | This is the risk associated with<br>• Lack of a well-defined and documented project scope that can lead to scope creep;<br>• Project delays leading to cost escalation;<br>• Inadequate human resource staffing for the project; and<br>• Lack of a project monitoring mechanism such as a project plan to track progress of project activities | Financial risk disclosures.<br><br>CEO's statement.<br><br>Corporate governance statement. | Ensure that the key documents are in place and process governing project initiation, planning, execution, closure & review are adhered to for all projects: |
| Information Technology Security risk | This is the potential that a given Information Technology threat will exploit vulnerabilities of systems and assets and thereby cause harm to the organization. | Corporate governance statement. | • Regular security audits;<br>• Regular penetration testing; and<br>• Application of effective and current IT security measures |

## RISK MANAGEMENT UNDER THE CENTUM 3.0 STRATEGY

Cognisant of the fact that we are implementing the Centum 3.0 strategy for the period 2015 – 2019; the Risk Management function has aligned its operational plan to ensure that businesses have access to the best risk and compliance support in their pursuit to realise their business objectives.

The Risk, Compliance and Internal Audit initiatives are well positioned to proactively identify any possible threats (and champion mitigation of risk exposures) to the expected returns from the 8 sectors that we as a group are investing in.

Seeing that the group is already implementing Centum 3.0, the Group faces risks arising primarily from:

- Shift from portfolio manager to investment promoter/ project developer model;
- Transition from generalist to sector specialist;
- Growth in size — Assets Under Management (AUM), staff, new business units etc; and
- Increase in complexity and diversity of operations across the Group.

To address the emerging risks, we are still dedicated to identifying, understanding and managing these risks. As we become more diverse and specialized, so has our approach to risk management. This has and will be continuously achieved by:

- Developing annual risk management plans for all the subsidiaries;
- Institution and implementation of risk compliance and internal audit calendar;
- Robust documentation, review and monitoring of processes;
- Continuous adoption of robust risk management methodologies;
- Development of expertise and specialist risk managers.
- Encourage risk management at business unit level by business and process owners; and
- Increased efficiency through automation of risk management.

In the new strategic period, the primary focus will be to deliver

# Centum Golden Rules

1. We think positively.
2. It's our business. We Create and share value.
3. We do not do tomorrow what we could have done yesterday.
4. We escalate the solution never the problem.
5. We move with speed and when in doubt, we move even faster.
6. Good enough is never good enough.
7. No great business was built working Monday to Friday with a 1 hour lunch break.
8. We talk less and deliver more.
9. We do not email where a conversation would do.
10. We think big, enjoy ourselves, learn and teach.
11. A bad decision is better than indecision.
12. We get it done!
13. We create tangible wealth
14. Integrity! Integrity! Integrity!

## OUR PEOPLE

### Our culture

At Centum our people are our primary asset. We therefore recruit and invest in retaining the best talent in the market. Our culture of entrepreneurship, initiative and high performance is enhanced by a relatively flat organizational structure that promotes a free flow of ideas and communication between all levels. We embrace passion for business and for excellence. Our culture and value system is summarized by our 14 Golden Rules.

### Our team

The Centum team has grown exponentially from 12 team members in 2009 to over 100 team members in 2016. Through employment of sound HR practices, including our Leadership Development Program and our Total Reward System, we have maintained regrettable separation rates below 5% since 2009.

## PERFORMANCE MANAGEMENT

Our high performance culture is guided by a performance management system and corporate values which focus on both quantitative and qualitative performance of the team. Through the system, alignment of individual and corporate objectives is achieved to ensure a win-win situation for stakeholders and the Centum team. Guided by our competency framework, personal development plans and developmental initiatives, we strive to support team members to achieve their full potential. We also focus on maintaining an environment that supports and develops the team.

## LEADERSHIP DEVELOPMENT

Our Leadership Development Program (LDP) was established in 2013 and focuses on development of a sustainable pipeline of the leaders that are critical for our business success. The program is premised on our belief that leaders exist at all levels. Through implementation of a series of development and bespoke training interventions, we focus on developing leaders over time to high levels of leadership proficiency.

A key initiative within the LDP is the Graduate Program (GP) which we launched in 2013. The GP is an annual initiative through which we identify qualified fresh graduates with a winning attitude and high leadership potential from renowned universities across East Africa.

The formal part of the program runs for one year, during which participants are given project based assignment within various enterprises within the Group. Through the performance management system, their development is tracked and various interventions are employed to develop them. On successful completion of the formal learning phase, participants are employed into various businesses in the Group as Analysts.

We have also put in place a succession plan that allows for career pathing and empowerment of team members to take up future leadership roles across the different enterprises.

*The 2015 Graduate Program participants*

## OUR ENVIRONMENT

### Environmental Considerations at Two Rivers

In developing Two Rivers we have endeavoured to implement design, construction and operational practices that significantly reduce or eliminate any potential negative impact of the development on the environment and surrounding communities. By way of example, Two Rivers Mall is both energy and water efficient. The design leverages natural light in all the open areas, and also incorporates natural ventilation, eliminating the need for air conditioning in the public areas of the mall. In addition, LED lighting and low energy consumption appliances have been installed throughout the mall to maximise energy efficiency. Furthermore, solar panels installed on the rooftop parking areas will generate ~1.2MW of energy reducing reliance on the national grid.

Efficient utilisation of water has also been an important consideration at Two Rivers. All rain water will be harvested to supplement water in the development's riverfront. All waste water will also be recycled for irrigation and use by fire hydrants, thereby reducing the daily raw water consumption by approximately 70%.

Considering solid waste management, Two Rivers Development Ltd has commissioned an integrated solid waste management strategy which leverages a "Reduce, Re-use and Re-cycle" strategy, with minimal dumping to the landfill.

## OUR COMMUNITIES

### Community Engagement in Project Development Process

We view the local communities as key stakeholders in our projects. As such, in our project development process we typically develop stakeholder engagement plans that identify any affected communities and leverage a consultative and participatory process to engage these communities and share information as per NEMA and IFC standards. This approach facilitates productive engagement with communities, thereby minimizing conflicts and enabling us to maintain positive relationships with, and support from, the respective communities.

By way of example, we have undertaken an extensive community engagement process at our Vipingo development which has sought to actively engage community members on the planned development and its potential impact. One of the outcomes of this process has been a commitment to establish a Vocational Training Institute to enable community members to upskill themselves.

We also have a well-established stakeholder engagement process at our geothermal power project, Akiira, which includes monthly community meetings to provide the community with project updates and engage on current community affairs, adhoc stakeholder meetings, a grievance mechanisms aligned to IFC standards, and a community employment program.

*Community engagement on planned developments and potential impacts*

## CORPORATE SOCIAL RESPONSIBILITY

### Centum Foundation

We recognize that as corporations build the economy, they should also build the communities around them in the spirit of being responsible corporate citizens. As such we established the Centum Foundation as a vehicle to invest, uplift and empower the communities in the regions we operate in.

The Foundation is focused on supporting, guiding and investing in activities that not only provide sustainable solutions to society's problems but also serve to create job opportunities for other members of the community.

### Centum Entreprenuership Program

The Centum Entrepreneurship Program (CEP) began its inaugural cycle in January 2015. Through this program, the Foundation identifies promising businesses and supports them in establishing the structures, strategies and relationships needed to scale these businesses ideally into KES 100M+ companies.

Under this program, we have invested in the following companies to date:

Huge Africa Media is focused on building digital first media brands in big categories with passionate niche audiences. They aim to lead the trail for a new breed of African media properties that is in line with Africa's youthful generation.

The company's first platform is Blissful.co.ke, a weddings and events marketplace that connects people planning their weddings and events to vendors of different services. Blissful.co.ke gives wedding vendors of all sizes and in all areas the ability to grow their business by providing steady and transparent access to job opportunities.

Elimu Digital Media LTD (EDM) is a company that offers educational solutions through technology and media (EDM). We aim to enable children and youth in hard to reach & low income communities to access quality education through various media enabled by technology.

EDM produces content for secondary school education under the 8-4-4 curriculum and distributes this content using various channels including free to air television (Elimu TV), online platforms via mobile and web & radio (Elimu Radio).

Bunifu Technologies is a software development and information security firm that prides itself in providing data protection and information security solutions for our clients. Our clients are individuals, small, medium and large businesses who are interested in data protection and creating a secure work environment that ensures business continuity. Our flagship product is Bunifu Antivirus which offers unique PC security and prides itself as the antivirus to be developed in Africa.

### CREATEIN48 Challenge

In the spirit of enabling entrepreneurship, we have also established CREATEIN48 (C48), a challenge hosted by Centum Foundation to find entrepreneurs who are resilient, hard-working and creative. In this challenge, we give KES. 20,000 to teams of entrepreneurs who are then required to execute an idea and turn a profit in 48 hours.

Those who are successful at providing a proof of concept for both the idea and the entrepreneurs behind it continue to receive support from Centum Foundation for up to six months. The teams in this program are working towards consistently generating a return and gaining traction that would qualify them for the Centum Entrepreneurship Program.


*Create in 48 teams pose with judges at the end of the challenge*

### Education

Over the years, we have supported several initiatives around education through Centum Foundation. This year we supported two students in partnership with Education For All Children (EFAC). In addition to paying tuition and general expenses for these students, we also provided them with mentorship and visited them at their schools in order to develop personal relationships with them.

#### Old Mathari Primary

In an effort to enhance knowledge and learning, our subsidiary, Two Rivers Development Ltd in collaboration with the Nairobi County Government, is undertaking a massive CSI project to rebuild Mathari Old Primary School.

The new school will sit on approximately 4.0 acres of land. It will be equipped to handle the needs of more than 1 000 pupils and provide a modern, engaging learning environment. This will include:

- Separate blocks connected with walkways and awnings;
- 32 classrooms in G+2 Blocks;
- An administration block;
- A social hall, kitchen and dining area; and
- Open spaces and interactions points.


*The school will provide 32 classrooms, a fully stocked library and computer labs*

## OTHER CORPORATE SOCIAL INITIATIVES

In August 2015, Centum supported the Aspire Conference held by the Greenhorn Mentorship Program. Greenhorn Mentorship Program is a student initiative at the University of Nairobi that was founded in the year 2008 which seeks to develop confident, ethical leaders through mentorship.

We also supported the Zabibu Golf tournament to raise funds for Zabibu Centre, a non-profit making, non-political organization aimed at training persons with special needs.
Centum also donated funds in support of legacy projects in honor of the Pope's visit in October 2015. These projects will be geared toward promoting a clean environment, opportunities for the youth and supporting residents of informal settlements.

Centum became a benefactor of the Ambassador Francis K. Muthaura Foundation. The foundation provides scholarships for postgraduate studies for needy students. It also supports public dialogue and research to related fields.

We participated actively in the Timeless Conference held as a platfrom to empower women in their role ias drivers of socio-economic growth in Africa. The conference was themed 'Healing Heels'.


*Centum Capital Director, Fred Murimi presents a cheque to representatives of the Kenya Conference of Catholic Bishops in support of legacy projects for the pope's visit*

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

## For the year ended 31 March 2016

The Directors submit their report together with the audited financial statements for the year ended 31 March 2016, in accordance with Section 653 of the Companies Act of 2015, which discloses the state of affairs of Centum Investment Company Limited (the 'Company') and its subsidiaries (together, the 'Group').

### PRINCIPAL ACTIVITIES

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

### RESULTS

| For year ended 31 March: | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Profit before taxation | 10,872,693 | 8,817,159 |
| Taxation | (925,063) | (874,727) |
| **Profit for the year transferred to retained earnings** | **9,947,630** | **7,942,432** |

The results for the year are set out fully on pages 93 to 179 in the attached financial statements.

### DIVIDEND

The directors recommend the payment of a first and final dividend of KES 665,441,714 (2015: Nil).

### DIRECTORS

Current members of the board are shown on page 17 - 19.

### AUDITOR

PricewaterhouseCoopers having expressed their willingness, continue in office in accordance with the provisions of Section 721 of the Companies Act 2015.

### APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 7 June 2016.

**By order of the Board**

**Loise Gakumo**
**Secretary**
**Nairobi**

**7 June 2016**

# STATEMENT OF DIRECTORS' RESPONSIBILITIES
## For the year ended 31 March 2016

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

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

(ii) Selecting and applying appropriate accounting policies; and

(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the Group and of the Company at 31 March 2016 and of the Group's and Company's 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.

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

Approved by the Board of Directors on 7 June 2016 and signed on its behalf by:

**Chairman**

**Managing Director**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Centum Investment Company Limited

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Centum Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 93 to 179. These financial statements comprise the consolidated statement of financial position at 31 March 2016, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 March 2016, the statements of comprehensive income, cash flows and changes in equity of the Company for the year then ended and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 31 March 2016 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

## REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Richard Njoroge – P/No 1244.

PricewaterhouseCoopers

Certified Public Accountants
Nairobi
7 June 2016

PricewaterhouseCoopers CPA. PwC Tower, Waiyaki Way/Chiromo Road, Westlands, P O Box 43963 – 00100 Nairobi, Kenya
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Partners: A Eriksson K Muchiru M Mugasa F Muriu P Ngahu A Murage S N Ochieng' R Njoroge B Okundi K Saiti R Shah

# CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| Income | 6 | 24,165,074 | 11,826,150 |
| **Expenses** | | | |
| Cost of sales (beverage business) | 28 | (5,365,147) | (22,881) |
| Administrative expenses | 7(a) | (4,573,337) | (1,778,925) |
| Operating expenses | 7(b) | (1,351,725) | (656,550) |
| Finance costs | 9 | (3,076,286) | (998,345) |
| | | (14,366,495) | (3,456,701) |
| Share of profits of associates | 20 | 1,074,114 | 447,710 |
| Profit before tax | | 10,872,693 | 8,817,159 |
| Income tax expense | 10 | (925,063) | (874,727) |
| Profit for the year | | 9,947,630 | 7,942,432 |
| **Attributable to:** | | | |
| Owners of the parent | | 7,816,035 | 6,953,268 |
| Non-controlling interests | | 2,131,595 | 989,164 |
| | | 9,947,630 | 7,942,432 |
| Earnings Per Share | 12 | 11.75 | 10.45 |

The notes on pages 104 to 179 are an integral part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| Profit for the year | | 9,947,630 | 7,942,432 |
| Other comprehensive income for the year, net of tax | | | |
| **Items that will not be reclassified to profit or loss;** | | | |
| Revaluation surplus on property | 13 | - | 71,483 |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Share of other comprehensive income of associates | 20 | (958,441) | 176,833 |
| Reserves released on disposal of investments | 11 | (1,108,625) | (2,858,244) |
| Fair value (loss)/gain in unquoted investments | 22 | (700,816) | 3,136,181 |
| Fair value gain in quoted investments | 23 | 167,383 | 705,857 |
| Deferred tax on revaluation gains | 17 | 133,917 | (400,917) |
| Currency translation differences | | 119,586 | (9,474) |
| Total other comprehensive income | | (2,346,996) | 821,719 |
| Total comprehensive income for the year | | 7,600,634 | 8,764,151 |
| Attributable to: | | | |
| Owners of the parent | | 5,469,039 | 7,805,034 |
| Non-controlling interests | | 2,131,595 | 959,117 |
| | | 7,600,634 | 8,764,151 |

The notes on pages 104 to 179 are an integral part of these financial statements

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| Investment income | 6 | 4,343,494 | 6,681,496 |
| **Expenses** | | | |
| Administrative expenses | 7(a) | (538,655) | (505,135) |
| Operating expenses | 7(b) | (338,807) | (362,299) |
| Finance costs | 9 | (1,510,623) | (669,463) |
| | | (2,388,085) | (1,536,897) |
| Profit before income tax | | 1,955,409 | 5,144,599 |
| Income tax expense | 10 | (86,982) | (277,678) |
| Profit for the year | | 1,868,427 | 4,866,921 |
| Other comprehensive income for the year, net of tax | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Reserves released on disposal of investments | 11 | (954,920) | (2,378,244) |
| Fair value gain in subsidiaries | 19 | 7,836,094 | 1,614,013 |
| Fair value (loss)/gain in associates | 20 | (556,845) | 2,414,546 |
| Fair value loss/(gain) in unquoted investments | 22 | (423,634) | 3,297,133 |
| Fair value (loss)/gain in quoted investments | 23 | (88,342) | 70,547 |
| Deferred tax on revaluation gains | 17 | (306,056) | (882,308) |
| Total other comprehensive income | | 5,506,297 | 4,135,687 |
| Total comprehensive income | | 7,374, 724 | 9,002,608 |

The notes on pages 104 to 179 are an integral part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 13 | 7,003,874 | 4,273,313 |
| Investment properties | 14 | 16,514,196 | 17,774,826 |
| Goodwill | 15 | 3,167,397 | 3,167,397 |
| Intangible assets - software | 16 | 443,967 | 171,612 |
| Deferred income tax assets | 17 | 293,113 | 216,984 |
| Prepaid operating lease rentals | 18 | 9,161 | 9,483 |
| Investment in associates | 20 | 4,477,705 | 3,967,486 |
| Investment in joint ventures | 21 | 8,570,126 | 1,647,027 |
| Unquoted investments | 22 | 5,977,198 | 6,678,014 |
| Quoted investments | 23 | 1,369,032 | 2,979,170 |
| Loans and advances | 24 | 12,953,674 | 11,061,452 |
| Equity linked note asset | 38 | - | 4,928,006 |
| Government securities at fair value through profit or loss | 25 | 584,739 | 366,100 |
| Government securities at amortised cost | 26 | 2,502,497 | 2,734,420 |
| Corporate bonds at amortised cost | 27 | 903,593 | 326,099 |
| Inventories | 28 | 983,710 | 1,083,667 |
| Current income tax recoverable | 10(e) | 190,104 | 108,933 |
| Receivables and prepayments | 29 | 1,911,990 | 1,839,983 |
| Cash and cash equivalents | 30 | 10,197,460 | 9,006,348 |
| | | 78,053,536 | 72,340,320 |
| **Capital and reserves** | | | |
| Share capital | 31 | 332,721 | 332,721 |
| Share premium | 31 | 589,753 | 589,753 |
| Other reserves | 32 | 4,674,957 | 7,021,953 |
| Retained earnings | | 28,245,913 | 18,555,971 |
| Proposed dividends | 45 | 665,442 | - |
| Total equity attributable to equity holders of the company | | 34,508,786 | 26,500,398 |
| Non-controlling interests | 19(iii) | 8,749,463 | 5,129,099 |
| | | 43,258,249 | 31,629,497 |
| Shareholders loan | 33 | - | 6,925,016 |
| Total equity | | 43,258,249 | 38,554,513 |
| **Liabilities** | | | |
| Customer deposits | 34 | 12,039,864 | 12,400,618 |
| Borrowings | 35 | 16,356,220 | 9,982,600 |
| Payables and accruals | 36 | 3,337,500 | 3,077,672 |
| Unclaimed dividends | 37 | 6,777 | 78,027 |
| Equity linked note liability | 38 | - | 4,928,006 |
| Deferred income | | 127,596 | 174,572 |
| Current income tax liabilities | 10(e) | 344,402 | 593,227 |
| Deferred income tax liabilities | 17 | 2,582,928 | 2,551,085 |
| | | 34,795,287 | 33,785,807 |
| | | 78,053,536 | 72,340,320 |

The notes on pages 104 to 179 are an integral part of these financial statements.

The financial statements on pages 93 to 179 were approved for issue by the Board of Directors on 7 June 2016 and signed on its behalf by:

**Chairman** **Managing Director**

# COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 16 | 1,338 | 1,619 |
| Investment in subsidiaries | 19 | 25,411,172 | 14,331,027 |
| Investment in associates | 20 | 5,655,429 | 7,178,711 |
| Investment in joint ventures | 21 | 2,144,126 | 1,647,027 |
| Unquoted investments | 22 | 5,545,001 | 6,027,867 |
| Quoted investments | 23 | 156,119 | 406,274 |
| Current income tax recoverable | 10 (e) | 35,216 | - |
| Receivables and prepayments | 29 | 8,678,181 | 8,062,390 |
| Cash and cash equivalents | 30 | 3,916,200 | 3,672,877 |
| | | 51,542,782 | 41,327,792 |
| **Capital and reserves** | | | |
| Share capital | 31 | 332,721 | 332,721 |
| Share premium | 31 | 589,753 | 589,753 |
| Other reserves | 32 | 25,604,346 | 20,098,049 |
| Retained earnings | | 12,121,278 | 10,918,293 |
| Proposed dividends | 45 | 665,442 | - |
| Total equity | | 39,313,540 | 31,938,816 |
| **Liabilities** | | | |
| Borrowings | 35 | 10,474,987 | 7,569,275 |
| Trade and other payables | 36 | 571,240 | 587,240 |
| Unclaimed dividends | 37 | 6,777 | 77,271 |
| Current income tax | 10(e) | - | 273,623 |
| Deferred income tax | 17 | 1,176,238 | 881,567 |
| | | 12,229,242 | 9,388,976 |
| | | 51,542,782 | 41,327,792 |

The notes on pages 104 to 179 are an integral part of these financial statements

The financial statements on pages 93 to 179 were approved for issue by the Board of Directors on 7 June 2016 and signed on its behalf by:

**Chairman**

**Managing Director**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

| | 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 interests Kshs'000 | Total equity Kshs'000 |
|---|---|---|---|---|---|---|---|---|---|
| Year ended 31 March 2016 | | | | | | | | | |
| At start of year | | 332,721 | 589,753 | 7,021,953 | 18,555,971 | - | **26,500,398** | 5,129,099 | **31,629,497** |
| Comprehensive income | | | | | | | | | |
| Profit for the year | | - | - | - | 7,816,035 | - | **7,816,035** | 2,131,595 | **9,947,630** |
| Other comprehensive income: | | | | | | | | | |
| Reserves released on disposal of investments | 11 | - | - | (1,108,625) | - | - | **(1,108,625)** | - | **(1,108,625)** |
| Share of other comprehensive income of associates | 20 | - | - | (958,441) | - | - | **(958,441)** | - | **(958,441)** |
| Fair value loss in unquoted investments | 22 | - | - | (700,816) | - | - | **(700,816)** | - | **(700,816)** |
| Fair value gain in quoted investments | 23 | - | - | 167,383 | - | - | **167,383** | - | **167,383** |
| Currency translation differences | | - | - | 119,586 | - | - | **119,586** | - | **119,586** |
| Deferred tax on revaluation gains | 17 | - | - | 133,917 | - | - | **133,917** | - | **133,917** |
| Total other comprehensive income | | - | - | (2,346,996) | - | | **(2,346,996)** | - | **(2,346,996)** |
| Total comprehensive income | | - | - | (2,346,996) | 7,816,035 | - | **5,469,039** | 2,131,595 | **7,600,634** |
| Proposed dividends | | - | - | - | (665,442) | 665,442 | - | - | **-** |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | (76,132) | **(76,132)** |
| Transactions with non-controlling interests | | - | - | - | 2,539,349 | - | **2,539,349** | 1,564,901 | **4,104,250** |
| At end of year | | 332,721 | 589,753 | 4,674,957 | 28,245,913 | 665,442 | **34,508,786** | 8,749,463 | **43,258,249** |

The notes on pages 104 to 179 are an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

| | Notes | Share capital Kshs'000 | Share premium Kshs'000 | Other reserves Kshs'000 | Retained earnings Kshs'000 | Total equity Kshs'000 | Non-controlling interests Kshs'000 | Total equity Kshs'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2015** | | | | | | | | |
| **At start of year** | | 332,721 | 589,753 | 6,170,187 | 12,912,168 | 20,004,829 | 268,008 | 20,272,837 |
| **Comprehensive income** | | | | | | | | |
| Profit for the year | | - | - | - | 6,953,268 | 6,953,268 | 989,164 | 7,942,432 |
| **Other comprehensive income:** | | | | | | | | |
| Reserves released on disposal of investments | 11 | - | - | (2,858,244) | - | (2,858,244) | - | (2,858,244) |
| Share of other comprehensive income of associates | 20 | - | - | 176,833 | - | 176,833 | - | 176,833 |
| Fair value gain in unquoted investments | 22 | - | - | 3,179,141 | - | 3,179,141 | (42,960) | 3,136,181 |
| Fair value gain in quoted investments | 23 | - | - | 705,857 | - | 705,857 | - | 705,857 |
| Revaluation surplus on property | | - | - | 55,240 | - | 55,240 | 16,243 | 71,483 |
| Currency translation differences | | - | - | (6,144) | - | (6,144) | (3,330) | (9,474) |
| Deferred tax on revaluation gains | 17 | - | - | (400,917) | - | (400,917) | - | (400,917) |
| **Total other comprehensive income** | | - | - | 851,766 | - | 851,766 | (30,047) | 821,719 |
| **Total comprehensive income** | | - | - | 851,766 | 6,953,268 | 7,805,034 | 959,117 | 8,764,151 |
| Dividends paid to non-controlling interests | | - | - | - | - | - | (46,681) | (46,681) |
| Non-controlling interests arising on business combination | 44 | - | - | - | - | - | 2,639,090 | 2,639,090 |
| Sale of interest to non-controlling interests in Two Rivers Development Limited | | - | - | - | (1,309,465) | (1,309,465) | 1,309,465 | - |
| Issue of shares to non-controlling interests | | - | - | - | - | - | 100 | 100 |
| **At end of year** | | 332,721 | 589,753 | 7,021,953 | 18,555,971 | 26,500,398 | 5,129,099 | 31,629,497 |

The notes on pages 104 to 179 are an integral part of these financial statements

# COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

| | 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 2016 | | | | | | | |
| At start of year | | 332,721 | 589,753 | 20,098,049 | 10,918,293 | - | 31,938,816 |
| Comprehensive income | | | | | | | |
| Profit for the year | | - | - | - | 1,868,427 | - | 1,868,427 |
| Other comprehensive income: | | | | | | | |
| Reserves released on disposal of investments | 11 | - | - | (954,920) | - | - | (954,920) |
| Fair value gain in subsidiaries | 19 | - | - | 7,836,094 | - | - | 7,836,094 |
| Fair value loss in associates | 20 | - | - | (556,845) | - | - | (556,845) |
| Fair value gain in unquoted investments | 22 | - | - | (423,634) | - | - | (423,634) |
| Fair value loss in quoted investments | 23 | - | - | (88,342) | - | - | (88,342) |
| Deferred tax on revaluation gains | 17 | - | - | (306,056) | - | - | (306,056) |
| Total other comprehensive income | | - | - | 5,506,297 | - | - | 5,506,297 |
| Total comprehensive income | | - | - | 5,506,297 | 1,868,427 | - | 7,374,724 |
| Transactions with owners: | | | | | | | |
| Proposed dividends | | - | - | - | (665,442) | 665,442 | - |
| At end of year | | 332,721 | 589,753 | 25,604,346 | 12,121,278 | 665,442 | 39,313,540 |

The notes on pages 104 to 179 are an integral part of these financial statements

# COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

| | Notes | Share capital Kshs'000 | Share premium Kshs'000 | Other reserves Kshs'000 | Retained earnings Kshs'000 | Total equity Kshs'000 |
|---|---|---|---|---|---|---|
| Year ended 31 March 2015 | | | | | | |
| At start of year | | 332,721 | 589,753 | 15,962,362 | 6,051,372 | 22,936,208 |
| Comprehensive income | | | | | | |
| Profit for the year | | - | - | - | 4,866,921 | 4,866,921 |
| Other comprehensive income: | | | | | | |
| Reserves released on disposal of investments | 11 | - | - | (2,378,244) | - | (2,378,244) |
| Fair value gain in subsidiaries | 19 | - | - | 1,614,013 | - | 1,614,013 |
| Fair value gain in associates | 20 | - | - | 2,414,546 | - | 2,414,546 |
| Fair value gain in unquoted investments | 22 | - | - | 3,297,133 | - | 3,297,133 |
| Fair value gain in quoted investments | | - | - | 70,547 | - | 70,547 |
| Deferred tax on revaluation gains | 17 | - | - | (882,308) | - | (882,308) |
| Total other comprehensive income | | - | - | 4,135,687 | - | 4,135,687 |
| Total comprehensive income | | - | - | 4,135,687 | 4,866,921 | 9,002,608 |
| At end of year | | 332,721 | 589,753 | 20,098,049 | 10,918,293 | 31,938,816 |

The notes on pages 104 to 179 are an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 39 | 3,631,542 | 851,744 |
| Dividends received from associates | 20 | 373,427 | 342,655 |
| Income tax paid | 10 (e ) | (1,142,320) | (552,191) |
| **Net cash generated from operating activities** | | 2,862,649 | 642,208 |
| **Cash flows from investing activities** | | | |
| Purchase of investment property | | (4,695,509) | (4,926,161) |
| Purchases of plant, property and equipment | 13 | (3,712,754) | (132,644) |
| Purchases of intangible assets | 16 | (346,902) | (50,512) |
| Acquisition of subsidiary, net of cash acquired | 44 | (386,235) | 588,720 |
| Purchase of shares in associates | 20 | (740,027) | (146,953) |
| Purchase of share in joint venture | 21 | (373,288) | (1,629,559) |
| Purchase of unquoted equity investments | 22 | - | (712,414) |
| Purchase of quoted equity investments | 23 | (741,427) | (785,816) |
| Purchase of corporate bonds at amortised cost | 27 | (859,806) | (185,599) |
| Purchase of government securities at fair value through profit or loss | 25 | (456,641) | (67,912) |
| Purchase of government securities at amortised cost | 26 | (1,555,432) | (844,886) |
| Proceeds from disposal of unquoted investments | 11 | 764,916 | 5,844,762 |
| Proceeds from disposal of quoted investments | 11 | 2,493,490 | 2,344,777 |
| Proceeds on disposal of government securities at fair value through profit or loss | 25 | 207,000 | 128,641 |
| Proceeds from disposal of associate | | 1,027,651 | - |
| Net disbursement of loans and advances | | (1,892,222) | (783,007) |
| Proceeds from disposal of corporate bonds at amortised cost | 27 | 297,982 | 158,500 |
| Proceeds from disposal of investment property | 14 | 585,101 | 225,000 |
| **Net cash used in investing activities** | | (10,384,103) | (975,063) |
| **Cash flows from financing activities** | | | |
| Net proceeds from borrowings | 35 | 6,494,189 | 3,151,465 |
| Interest paid on borrowings and customer deposits | | (3,031,040) | (1,251,153) |
| Net change in customer deposits | | (360,754) | 1,102,918 |
| Purchase of shares in a subsidiary by non-controlling interests | | 6,426,000 | 100 |
| Dividends paid to Company's shareholders | 45 | - | (517) |
| Dividends paid to non-controlling interests | | - | (46,681) |
| Shareholder loan from non-controlling interest | 33 | - | 6,834,610 |
| **Net cash generated from financing activities** | | 9,528,395 | 9,790,742 |
| **Net increase in cash and cash equivalents** | | 2,006,941 | 9,457,887 |
| **Movement in cash and cash equivalents:** | | | |
| At start of year | 30 | 9,006,348 | (447,453) |
| Cash derecognised on disposal of subsidiary | | (815,829) | - |
| Increase | | 2,006,941 | 9,457,887 |
| Exchange losses on cash and cash equivalents | | - | (4,086) |
| **At end of year** | 30 | 10,197,460 | 9,006,348 |

The notes on pages 104 to 179 are an integral part of these financial statements

# COMPANY STATEMENT OF CASH FLOWS

Year ended 31 March 2016

| | Notes | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 39 | 2,241,451 | 651,652 |
| Income tax paid | 10 (e ) | (406,762) | (27,278) |
| **Net cash generated from operating activities** | | 1,834,689 | 624,374 |
| **Cash flows from investing activities** | | | |
| Purchases of intangible assets | 16 | (371) | (1,956) |
| Investment in subsidiaries | 19 | (3,244,051) | (2,605,755) |
| Shareholder loans advanced to subsidiaries | | (396,085) | (269,564) |
| Purchase of shares in associates | 20 | - | (146,953) |
| Purchase of share in joint venture | 21 | (373,288) | (1,629,559) |
| Purchase of unquoted equity investments | 22 | - | (51,533) |
| Proceeds from disposal of quoted investments | 11 | 135,206 | 309,933 |
| Proceeds on disposal of unquoted investments | | - | 5,805,075 |
| Proceeds from disposal of associate | 11 | 1,027,651 | - |
| **Net cash (used in) generated from investing activities** | | (2,850,938) | 1,409,688 |
| **Cash flows from financing activities** | | | |
| Net proceeds from borrowings | 35 | 2,820,351 | 2,715,553 |
| Interest paid on borrowings | | (1,490,285) | (1,251,153) |
| Unclaimed dividends paid | 37 | (70,494) | (517) |
| **Net cash generated from financing activities** | | 1,259,572 | 1,463,883 |
| **Net increase in cash and cash equivalents** | | 243,323 | 3,497,945 |
| **Movement in cash and cash equivalents** | | | |
| At start of year | 30 | 3,672,877 | 174,932 |
| Increase | | 243,323 | 3,497,945 |
| **At end of year** | 30 | 3,916,200 | 3,672,877 |

The notes on pages 104 to 179 are an integral part of these financial statements

## 1. GENERAL INFORMATION

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

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

The Company has twenty subsidiaries. Details of the business of the subsidiaries are highlighted in Note 19 of the financial statements.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, available for sale financial assets and assets at fair value through profit or loss. The financial statements are presented in Kenyan Shillings (Kshs), rounded to the nearest thousand.

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

### Changes in accounting policy and disclosures

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

There are no new and / or amended standards adopted by the Group or the Company.

(ii) New standards, amendments and interpretations not yet effective and not early adopted by the Company and the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group and Company:

- Amendments to IAS 1, 'Presentation of Financial Statements: The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

  **Materiality –** an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

  **Disaggregation and subtotals –** line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

  **Notes –** confirmation that the notes do not need to be presented in a particular order.

  **OCI arising from investments accounted for under the equity method –** the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

  According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

  As these amendments merely clarify the existing requirements, they do not affect the Group's accounting policies or any of the disclosures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

#### Changes in accounting policy and disclosures (continued)

(ii) New standards, amendments and interpretations not yet effective and not early adopted by the Company and the Group (continued)

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

- IFRS 11, 'Joint arrangements'. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is effective for annual periods beginning on or after 1 January 2016. The Group is assessing the impact of IFRS 11.

- IFRS 16, "Leases": After ten years of joint drafting by the IASB and FASB, they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

  A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

  This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

  One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

  IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

- IAS 27, 'Separate financial statements'. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016.

- IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective for annual periods beginning on or after 1 January 2016.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (continued)

**Changes in accounting policy and disclosures (continued)**

(ii) New standards, amendments and interpretations not yet effective and not early adopted by the Company and the Group (continued)

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- Annual improvements 2012-2014. These set of amendments, effective 1 January 2016, impacts 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates and IAS 34, 'Interim financial reporting' regarding disclosure of information.

There are no other IFRSs or IFRIC interpretations that are effective that would be expected to have a material impact on the Group or Company.

### (b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. At 31 March 2016 and 2015, no entities were accounted for as subsidiaries on the basis of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Consolidation (continued)

#### (i) Subsidiaries (continued)

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

#### (iii) Disposal of subsidiaries

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

#### (iv) Associates

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

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus share of subsequent profits and other comprehensive income less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. A listing of the Group's associates is shown in note 20.

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Consolidation (continued)

(iv) Associates (continued)

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

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

(v) Joint ventures

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(vi) Separate financial statements

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are accounted for as available-for-sale financial assets.

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

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(b) income and expenses for each income statement amount are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are reported as 'exchange difference on translation of foreign operations' and are recognised as other comprehensive income and accumulated in the other reserves in shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

### (d) Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group organises its activity by sectors and these are defined as the Group's reportable segments. The sectors include: Real Estate, Energy, Financial Services, Fast-moving consumer goods (FMCG) and Marketable Securities. Performance is reviewed from a total return perspective.

### (e) Revenue recognition

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.

Revenue is recognised as follows:

(i) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established;

(ii) Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable,as explained on note 2(f);

(iii) Provision of services are 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;

(iv) Rental income is recognised as income in the period in which it is earned. All investment income is stated net of investment expenses;

(v) 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; and

(vi) Sales of goods, which are primarily beverage products, are recognised in the period in which the Group 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.

### (f) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' in profit or loss using the effective interest method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Interest income and expense (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

### (g) Investment property

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 and are non-current assets. Investment property is carried at fair value, representing open market value determined annually by external valuers. Properties under construction and development sites with projected use as investment properties are valued at projected fair values taking into account current market conditions. Changes in fair values are included in investment income in the income statement.

### (h) 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 as revaluation reserve 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 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Intangible assets

(i) 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/associate 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.

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.

(ii) Computer software

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

### (j) Financial assets

Classification

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 financial assets**

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Financial assets (continued)

**(iv) Financial assets at fair value through profit or loss (continued)**

Financial assets at fair value through profit or loss are carried at fair value. Purchases and sales of financial assets at fair value through profit or loss are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in profit or loss in the year in which they arise.

Recognition and measurement

Regular purchases and sales of available-for-sale financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Changes in fair value are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

### (k) 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.

### (l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### (m) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor or a breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment of financial assets (continued)

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

### (n) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (o) Accounting for leases

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

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

### (p) Receivables

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.

### (q) 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.

### (r) Share capital

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

### (s) Cash and cash equivalents

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

### (t) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Proposed dividends are shown as a separate component of equity until declared.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Provisions

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

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

### (v) Employee benefits

#### (i) Retirement benefit obligations

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

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

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

#### (ii) Performance bonus

The Group has in place a performance bonus scheme. The scheme rewards employees of the Group based on achievement of certain set benchmarks of business success. The Group's performance bonus scheme is designed to enable achievement of consistent business growth that is tied to the increase in shareholder wealth, which is the primary business objective. A target of 15% annual increase in return based on the opening shareholder funds has been set (hurdle rate).

Employees only qualify for the bonus upon achievement of a return in excess of this hurdle rate.

Actual award of the bonus vests in three equal instalments over a period of three years. Vesting is against key conditions:

1. The annual payment is on condition that shareholder wealth is maintained at the same level or increased each year. Should there be a drop in shareholder wealth, payment will not be made and will be deferred until the year when shareholder wealth is restored.
2. Should an employee leave employment of the Group before payment is due, he/she will forfeit payment.

#### (iii) Other entitlements

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

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

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

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

### (x) Current and deferred income tax

The tax expense for the period 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Current and deferred income tax (continued)

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, 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.

### (y) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

### (z) Sales and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to Central Bank of Kenya, due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate.

Securities purchased from Central Bank of Kenya under agreements to resell ('reverse repos') are disclosed separately as they are purchased and are not negotiable/ discounted during their tenure. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

### (aa) Inventory

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.

### (ab) Comparatives

Where necessary, comparative figures in the statement of financial position in respect of investments have been adjusted to conform with changes in presentation in the current year.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies, the Directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the entities accounting policies are dealt with below:

### Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

### Valuation of unquoted investments

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

### Income taxes

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

### Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, as described under Note 15 to the financial statements

## 4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Group's business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risk include:

- Market risk - currency risk, interest rate risk and price risk;
- Credit risk; and
- Liquidity risk.

The Group's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

### Risk management framework

The Group recognises that in order to pursue its objectives and take advantage of opportunities, it cannot avoid taking risks, and that no risk management programme can aim to eliminate risk fully.

The Group's general risk management approach is to increase the likelihood of success in its strategic activities, that is, to raise the potential reward of its activities relative to the risks undertaken.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Risk management framework (continued)

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 and responsibilities for its board of directors, audit and risk committee and the risk department.

The risk management function is supervised by the Board Audit and Risk 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, use of derivative and non-derivative financial instruments 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.

### 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 2016, Group and Company held deposits of Kshs 3,961,372,000 and Kshs 2,957,164,000 respectively (2015: Kshs 4,390,001,000 and Kshs 3,514,006,749 respectively) and had unutilised bank credit facilities of Kshs 2,300,000,000 (2015: Kshs 2,700,000,000).

As at 31 March 2016, a 5% increase/decrease of the annual interest rate would have resulted in an increase/decrease in pre-tax profit and equity of Kshs 53,838,150 and Kshs 33,780,250 (2015: Kshs 18,560,149 and Kshs 3,828,274) for both Group and Company respectively as a result of exposures in bank deposits and borrowings.

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

#### (ii) Price risk

The Group's private equity holdings are valued 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 Audit and Risk Committee.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

### (ii) Price risk (continued)

Quoted equity are valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by choice of defensive stocks with low price volatility, and weekly monitoring of the value changes.

At 31 March 2016, 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 68,451,600 (2015: Kshs 148,958,500) and Kshs 7,805,950 (2015: Kshs 20,313,699) higher/lower respectively.

### (iii) Investment holding period risk

92% and 99% (2015: 87% and 90%) 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

91% (2015: 81%) of the Group's assets are located in Kenya with 8% (2015: 13%) in the wider East African Region and 1% (2015: 5%) outside East Africa.

**Investment portfolio sectoral allocation**

The allocation of Centum's investments to the different sectors is as disclosed in note 5.

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.

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

### (v) Foreign exchange risk

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

The mean exchange rates ruling at 31 March 2016 and 31 March 2015 were:

| | 2016 Kshs | 2015 Kshs |
|---|---|---|
| 1 US Dollar (Usd) | 101.33 | 92.34 |
| 1 Euro (Eur) | 114.69 | 99.53 |
| 1 British Pound (Gbp) | 145.31 | 136.45 |
| 1 Ugandan Shilling (UgX) | 0.030 | 0.031 |
| 1 Tanzania Shilling (Tshs) | 0.05 | 0.05 |
| 1 Ghana Cedi (GhC) | 25.76 | 24.15 |
| 1 Morocco Dirham (Mad) | 10.28 | 14.63 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Financial assets | | | | |
| Quoted investments (UgX) | 35,169 | 33,862 | - | 1,265 |
| Quoted investments (Tshs) | - | 2,910,519 | - | - |
| Quoted investments (GhC) | 441,950 | 276,130 | - | - |
| Quoted investment (CFA Franc ) | - | 44,783 | - | - |
| Quoted investment (EGP) | 301,789 | 49,927 | - | - |
| Quoted investment (Mad) | 53,897 | - | - | - |
| Balances due from banks (Usd) | 583,073 | 607,746 | - | - |
| Balances due from banks (Eur) | 77,749 | 78,341 | - | - |
| Balances due from banks (Gbp) | 174,289 | 66,000 | - | - |
| Investment in Funds (Usd) | 367,489 | - | - | - |
| Cash and equivalents (Usd) | 263,816 | - | 224,382 | - |
| Cash and equivalents (Eur) | 18,561 | 613,127 | - | 28,615 |
| Cash and equivalents (Gbp) | 4,987 | 2,677 | - | - |
| Cash and equivalents (UgX) | 34,529 | 1,176 | - | - |
| | 2,357,298 | 4,684,288 | 224,382 | 29,880 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk (continued)

### (v) Foreign exchange risk (continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Financial liabilities | | | | |
| Customer deposits (Usd) | 207,377 | 628,493 | - | - |
| Customer deposits (Eur) | 58,381 | 19,034 | - | - |
| Customer deposits (Gbp) | 189,577 | 215 | - | - |
| Borrowings (Usd) | 1,007,991 | 3,503,831 | - | 3,316,751 |
| Borrowings (Eur) | 376,044 | 564,006 | - | - |
| | 1,839,370 | 4,715,579 | - | 3,316,751 |

If all other variables were held constant, at 31 March 2016, the impact on values and reserves of the Shilling weakening or strengthening by 5% against the above currencies would have been as below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| 1 US Dollar (Usd) | 50 | 145,573 | 11,219 | 1,431 |
| 1 Euro (Eur) | 16,906 | 25,101 | - | - |
| 1 British Pound (Gbp) | 515 | 3,348 | - | - |
| 1 Ugandan Shilling (UgX) | 3,485 | 151,015 | - | 60 |
| 1 Tanzanian Shilling (Tshs) | - | 145,526 | - | - |
| 1 Egyptian Pound( EGP) | 15,089 | 2,496 | - | - |
| 1 Senagalese Franc( CFA Franc) | - | 2,239 | - | - |
| 1 Ghanian Cedi (GhC) | 22,098 | 13,807 | - | - |
| 1 Moroccan Dirham (Mad) | 2,695 | - | - | - |
| | 60,838 | 489,105 | 11,219 | 1,491 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk

This is the risk that the Group will encounter difficulties in meeting its financial commitments from its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash to meet its obligations. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by:

- maintaining adequate 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 Oleiobon 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.

As at 31 March 2016, over 16% (2015: over 24%) of the Group's assets were held in assets that are quickly convertible to cash. The Group also had Kshs 2,300,000,000 (2015: Kshs 2,700,000,000) unutilised credit facility (Note 30).

**GROUP**

| At 31 March 2016 | Up to 1 month | 1 – 3 months | 3-12 months | 1 – 3 years | 3 -5 years | Over 5 years | Totals |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Loans and advances | 942,238 | 1,198,125 | 1,731,172 | 1,658,369 | 4,259,223 | 3,164,547 | 12,953,674 |
| Government securities at fair value through profit and loss | - | - | 397,560 | - | 91,267 | 95,912 | 584,739 |
| Government securities at amortised cost | 194,020 | - | 599,129 | 300,000 | - | 1,409,348 | 2,502,497 |
| Corporate bonds at amortised cost | - | 105,972 | 50,000 | 384,560 | 63,061 | 300,000 | 903,593 |
| Receivables and prepayments | 612,377 | 402,510 | 107,636 | 30,605 | - | - | 1,153,128 |
| Cash and cash equivalents | 10,197,460 | - | - | - | - | - | 10,197,460 |
| | 11,946,095 | 1,706,607 | 2,885,497 | 2,373,534 | 4,413,551 | 4,969,807 | 28,295,091 |
| Financial liabilities | | | | | | | |
| Customer deposits | 5,575,170 | 3,159,992 | 798,544 | 2,503,540 | 2,618 | - | 12,039,864 |
| Borrowings | 2,778,271 | 68,211 | 205,266 | 4,828,277 | 8,184,580 | 291,615 | 16,356,220 |
| Other liabilities and accrued expenses | 2,783,451 | 316,262 | 237,787 | - | - | - | 3,337,500 |
| Unclaimed dividends | 6,777 | - | - | - | - | - | 6,777 |
| | 11,143,669 | 3,544,465 | 1,241,597 | 7,331,817 | 8,187,198 | 291,615 | 31,740,361 |
| Net liquidity | 802,426 | (1,837,858) | 1,643,900 | (4,958,283) | (3,773,647) | 4,678,192 | (3,445,270) |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

**GROUP**

| At 31 March 2015 | Up to 1 month | 1 – 3 months | 3-12 months | 1 – 3 years | 3 -5 years | Over 5 years | Totals |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Loans and advances | 1,178,904 | 101,716 | 1,105,384 | 3,298,134 | 4,718,102 | 659,212 | 11,061,452 |
| Equity linked note asset | - | - | - | 4,928,006 | - | - | 4,928,006 |
| Government securities at fair value through profit and loss | - | - | - | - | 31,800 | 334,300 | 366,100 |
| Government securities at amortised cost | 598,658 | 19,660 | 243,074 | 300,000 | - | 1,573,028 | 2,734,420 |
| Corporate bonds at amortised cost | - | - | 270,899 | 55,200 | - | - | 326,099 |
| Receivables and prepayments | 1,086,401 | 68,960 | 684,622 | - | - | - | 1,839,983 |
| Cash and cash equivalents | 9,006,348 | - | - | - | - | - | 9,006,348 |
| | 11,870,311 | 190,336 | 2,303,979 | 8,581,340 | 4,749,902 | 2,566,540 | 30,262,408 |
| Financial liabilities | | | | | | | |
| Customer deposits | 6,281,321 | 3,506,554 | 1,675,027 | 929,688 | 7,127 | 901 | 12,400,618 |
| Equity-linked note liability | - | - | - | 4,928,006 | - | - | 4,928,006 |
| Borrowings | 2,031,010 | - | 668,551 | 378,111 | - | - | 3,077,672 |
| Other liabilities and accrued expenses | 574,789 | 3,330,148 | 335,533 | 5,742,130 | - | - | 9,982,600 |
| Unclaimed dividends | 78,027 | - | - | - | - | - | 78,027 |
| | 8,965,147 | 6,836,702 | 2,679,111 | 11,977,935 | 7,127 | 901 | 30,466,923 |
| Net liquidity | 2,905,164 | (6,646,366) | (375,132) | (3,396,595) | 4,742,775 | 2,565,639 | (204,515) |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

### COMPANY

| At 31 March 2016 | Up to 1 month | 1 – 3 months | 3-12 months | 1 – 3 years | 3 -5 years | Over 5 years | Totals |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Due from subsidiary companies | 132,276 | - | - | 8,201,946 | - | - | 8,334,222 |
| Receivables and prepayments | 343,959 | - | - | - | - | - | 343,959 |
| Cash and cash equivalents | 3,916,200 | - | - | - | - | - | 3,916,200 |
| | 4,392,435 | - | - | 8,201,946 | - | - | 12,594,381 |
| Financial liabilities | | | | | | | |
| Payables and accruals | 52,448 | 110,133 | - | 220,267 | - | - | 382,848 |
| Due to subsidiary companies | 188,392 | - | - | - | - | - | 188,392 |
| Borrowings | - | - | - | 4,432,972 | 6,000,000 | - | 10,432,972 |
| Unclaimed dividends | 6,777 | - | - | - | - | - | 6,777 |
| | 247,617 | 110,133 | - | 4,653,239 | 6,000,000 | - | 11,010,989 |
| Net liquidity | 4,144,818 | (110,133) | - | 3,548,707 | (6,000,000) | - | 1,583,392 |
| **At 31 March 2015** | | | | | | | |
| Financial assets | | | | | | | |
| Due from subsidiary companies | 51,345 | - | 537,081 | 7,349,711 | - | - | 7,938,137 |
| Receivables and prepayments | 124,253 | - | - | - | - | - | 124,253 |
| Cash and cash equivalents | 3,672,877 | - | - | - | - | - | 3,672,877 |
| | 3,848,475 | - | 537,081 | 7,349,711 | - | - | 11,735,267 |
| Financial liabilities | | | | | | | |
| Payables and accruals | 40,050 | - | 369,250 | 115,529 | - | - | 524,829 |
| Due to subsidiary companies | - | - | 62,411 | - | - | - | 62,411 |
| Borrowings | - | 3,316,749 | - | 4,252,526 | - | - | 7,569,275 |
| Unclaimed dividends | 77,271 | - | - | - | - | - | 77,271 |
| | 117,321 | 3,316,749 | 431,661 | 4,368,055 | - | - | 8,233,786 |
| Net liquidity | 3,731,154 | (3,316,749) | 105,420 | 2,981,656 | - | - | 3,501,481 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk

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

The credit risk exposures are classified in three categories:
- Neither past due nor impaired
- Past due
- Impaired

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

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.

### (i) Receivables and other assets

The amount that best represents the Group and Company's maximum exposure to credit risks at 31 March 2016 and 31 March 2015 is made up as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Cash and cash equivalents | 10,197,460 | 9,006,348 | 3,916,200 | 3,672,877 |
| Amounts due from related parties | - | - | 8,334,222 | 7,938,137 |
| Trade receivables | 528,741 | 801,570 | - | - |
| Other receivables | 1,156,663 | 1,038,413 | 340,561 | 124,253 |
| | 11,882,864 | 10,846,331 | 12,590,983 | 11,735,267 |

### (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.

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

### (ii) Loans and advances (continued)

The table below summarise the Group's loans and advances and the associated impairment provision for each internal rating category:

| | 2016 Shs'000 | 2015 Shs'000 |
|---|---|---|
| Grade 1- Normal | 10,591,132 | 9,946,431 |
| Grade 2- Watch | 1,401,313 | 602,623 |
| Grade 3- Substandard | 681,074 | 470,220 |
| Grade 4- Doubtful | 829,925 | 302,020 |
| Grade 5- Loss | 296,429 | 482,834 |
| | 13,799,873 | 11,804,128 |
| Less: allowance for impairment | (846,199) | (742,676) |
| Net | 12,953,674 | 11,061,452 |

***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:

| | 2016 Shs'000 | 2015 Shs'000 |
|---|---|---|
| Past due up to 30 days | 356,113 | 135,021 |
| Past due 31- 60 days | 292,546 | 357,200 |
| Past due 61 - 90 days | 414,435 | 107,432 |
| Renegotiated 1 - 90 days | 338,219 | 2,970 |
| | 1,401,313 | 602,623 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

### (ii) Loans and advances (continued)

***Grade 3, 4 and 5 - Substandard, Doubtful and Loss***

| | 2016 Shs'000 | 2015 Shs'000 |
|---|---|---|
| Grade 3 – Substandard | 681,074 | 470,220 |
| Grade 4 – Doubtful | 829,925 | 302,020 |
| Grade 5 – Loss | 296,429 | 482,834 |
| Total | 1,807,428 | 1,255,074 |
| Individually assessed impaired loans and advances: | | |
| Micro | 608,284 | 257,933 |
| SME | 1,199,144 | 997,141 |
| | 1,807,428 | 1,255,074 |
| Fair value of collateral held | 2,291,548 | 2,076,350 |

***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.

| ***Analysis of gross loans and advances by performance*** | 2016 Shs'000 | 2015 Shs'000 |
|---|---|---|
| Current | 10,591,132 | 9,946,431 |
| 1-30 days | 356,112 | 135,021 |
| 31-60 days | 292,546 | 357,200 |
| 61-90 days | 414,437 | 107,432 |
| 91-180 days | 347,578 | 467,343 |
| 181-360 days | 786,431 | 283,098 |
| Over 360 days | 228,975 | 373,207 |
| Sub total | 13,017,211 | 11,669,732 |
| Renegotiated/rescheduled loans | | |
| 1-90 days | 338,218 | 2,970 |
| Over 90 days | 444,444 | 131,426 |
| Sub total | 782,662 | 134,396 |
| Grand total | 13,799,873 | 11,804,128 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (continued)

#### (ii) Loans and advances (continued)

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 6.1% 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.

### (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 | Notes | Level 1 Kshs'000 | Level 2 Kshs'000 | Level 3 Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|
| 31 March 2016 | | | | | |
| Financial assets: | | | | | |
| Unquoted equity instruments | 22 | - | - | 5,977,198 | 5,977,198 |
| Quoted equity instruments | 23 | 1,369,032 | - | - | 1,369,032 |
| Government securities at fair value through profit and loss | 25 | 584,739 | - | - | 584,739 |
| 31 March 2015 | | | | | |
| Financial assets: | | | | | |
| Unquoted equity instruments | 22 | - | - | 6,678,014 | 6,678,014 |
| Quoted equity instruments | 23 | 2,979,170 | - | - | 2,979,170 |
| Government securities at fair value through profit and loss | 25 | 366,100 | - | - | 366,100 |
| Equity-linked note asset | 38 | 4,928,006 | - | - | 4,928,006 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Fair value hierarchy (continued)

| Company | Notes | Level 1 Kshs'000 | Level 2 Kshs'000 | Level3 Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|
| 31 March 2016 | | | | | |
| Financial assets: | | | | | |
| Investment in subsidiaries | 19 | - | - | 25,411,172 | 25,411,172 |
| Investment in associates | 20 | - | - | 5,655,429 | 5,655,429 |
| Unquoted equity instruments | 22 | - | - | 5,545,001 | 5,545,001 |
| Quoted equity instruments | 23 | 156,119 | - | - | 156,119 |
| 31 March 2015 | | | | | |
| Financial assets: | | | | | |
| Investment in subsidiaries | 19 | - | - | 14,331,027 | 14,331,027 |
| Investment in associates | 20 | - | - | 7,178,711 | 7,178,711 |
| Unquoted equity instruments | 22 | - | - | 6,027,867 | 6,027,867 |
| Quoted equity instruments | 23 | 406,274 | - | - | 406,274 |

There were no transfers into or out of level 3 in 2016 and 2015.

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| At start of year | 6,678,014 | 5,699,310 | 27,537,605 | 20,248,768 |
| Additions | - | 712,414 | 3,244,051 | 6,085,260 |
| Disposals | - | (652,809) | (12,298) | (678,194) |
| Disposals on acquisition of control | - | - | - | (2,134,830) |
| Translation differences | - | 2,204 | - | - |
| Reserves released on disposal | - | (2,219,286) | (954,139) | (2,218,926) |
| Fair value (losses)/gains | (700,816) | 3,136,181 | 6,796,383 | 6,235,527 |
| At end of year | 5,977,198 | 6,678,014 | 36,611,602 | 27,537,605 |
| Total (losses)/gains on level 3 financial assets held at the end of the year as recognised in other comprehensive income | (700,816) | 3,136,181 | 6,796,383 | 6,235,527 |

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Fair value hierarchy (continued)

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 | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| 5% change market value | 298,859 | 333,901 | 1,823,070 | 1,376,880 |

### (e) Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is important and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total borrowings less cash and cash equivalents.

There have been no material changes in the Group's management of capital during the year.

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Capital management (continued)

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2016 Kshs'000** | 2015 Kshs'000 | **2016 Kshs'000** | 2015 Kshs'000 |
| Share capital | 332,721 | 332,721 | 332,721 | 332,721 |
| Share premium | 589,753 | 589,753 | 589,753 | 589,753 |
| Investment revaluation reserve | 4,674,957 | 7,021,953 | 25,604,346 | 20,098,049 |
| Retained earnings | 28,245,913 | 18,555,971 | 12,121,278 | 10,918,293 |
| Dividends proposed | 665,442 | - | 665,442 | - |
| Non-controlling interest | 8,749,463 | 5,129,099 | - | - |
| Shareholder loans | - | 6,925,016 | - | - |
| Equity | 43,258,249 | 38,554,513 | 39,313,540 | 31,938,816 |
| Total borrowings | 16,356,220 | 9,982,600 | 10,474,987 | 7,569,275 |
| Less: Cash and bank balances | (10,197,460) | (9,006,348) | (3,916,200) | (3,672,877) |
| Net borrowings | 6,158,760 | 976,252 | 6,558,787 | 3,896,398 |
| Gearing (%) | 14.24% | 2.53% | 16.68% | 12.20% |

## 5 SEGMENT INFORMATION

With effect of 1 April 2014, the Group adopted a sector based operating structure. This sectors include; Real Estate, Financial Services, Fast moving consumer goods (FMCG) and Marketable Securities. All other investments not categorised under the above sectors are currently categorised as Others. Performance is reviewed from a total return perspective.

### Total return

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

### Gross portfolio return

Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio. Gross return is analysed into the following components:

## 5 SEGMENT INFORMATION (CONTINUED)

### 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.

- **Dividend income from investment in associates is included as portfolio income.**
  For the Group dividend income, the equity method of accounting is not applied and as such dividends received from associate investments are incorporated.

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

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

- **Unrealised profits on the revaluation of investments are the movement in the carrying value of investments between the start and end of the accounting year.**
  Under the Group's segment reporting, there is no differentiation between fair value through profit or loss and fair value through other comprehensive income. All value movements are passed through the statement of total return.

### Portfolio costs

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

### 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 2016 is as overleaf.

## 5 SEGMENT INFORMATION (CONTINUED)

| Year ended 31 March 2016 Group | Financial Services Kshs '000 | FMCG Kshs '000 | Energy Kshs '000 | Real Estate Kshs '000 | Marketable Securities Kshs '000 | Others Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| Dividend income | 157,211 | 118,371 | - | - | 88,080 | 278,823 | 642,485 |
| Interest income | 3,367,897 | 9,892 | - | 267,715 | 197,413 | 1,127 | 3,844,044 |
| Fund management income | 428,518 | - | - | - | - | - | 428,518 |
| Sales income | - | 8,140,574 | - | - | - | - | 8,140,574 |
| Other income | 22,107 | - | - | - | - | - | 22,107 |
| Realised gains | 1,120,904 | - | - | 3,318,163 | 980,327 | - | 5,419,394 |
| Fee, commission and forex trading income | 765,403 | - | - | - | - | - | 765,403 |
| Project and development management fees | - | - | - | 31,135 | - | - | 31,135 |
| Unrealised value movements | (962,723) | 15,415 | - | 5,118,581 | 167,383 | (874,040) | 3,464,616 |
| Gross Return | 4,899,317 | 8,284,252 | - | 8,735,594 | 1,433,203 | (594,090) | 22,758,276 |
| Finance costs | (1,446,454) | (467,450) | (67,239) | (505,472) | (352,795) | (236,877) | (3,076,287) |
| Portfolio costs | (2,487,487) | (7,312,302) | (43,784) | (864,921) | (145,892) | (435,823) | (11,290,209) |
| Net Return | 965,376 | 504,500 | (111,023) | 7,365,201 | 934,516 | (1,266,790) | 8,391,780 |
| Tax | (271,603) | (55,456) | 8,182 | (521,399) | 5,747 | 43,383 | (791,146) |
| Total Return | 693,773 | 449,044 | (102,841) | 6,843,802 | 940,263 | (1,223,407) | 7,600,634 |
| Gross Return (%) | 136% | 144% | 0% | 260% | 31% | - 8% | 86% |
| Return on opening shareholder funds (%) | 19% | 8% | -6% | 203% | 21% | -17% | 29% |
| Opening net asset value | | | | | | | |
| Total assets | 26,278,875 | 10,175,591 | 1,840,008 | 17,566,183 | 8,915,673 | 7,455,057 | 72,231,387 |
| Borrowings | (6,815,327) | (938,083) | - | (2,857,690) | 628,500 | - | (9,982,600) |
| Other liabilities | (14,792,240) | (1,592,187) | (480) | (2,249,634) | (4,993,960) | (65,773) | (23,694,274) |
| Shareholder-equity loans | - | - | - | (6,925,016) | - | - | (6,925,017) |
| Non-controlling interest | (1,072,482) | (1,886,145) | - | (2,170,472) | - | - | (5,129,099) |
| Net asset value attributable t to equity holders | 3,598,826 | 5,759,176 | 1,839,528 | 3,363,371 | 4,550,213 | 7,389,284 | 26,500,398 |
| Closing net asset value | | | | | | | |
| Total assets | 27,911,646 | 11,295,017 | 4,001,820 | 25,347,435 | 8,687,885 | 809,733 | 78,053,536 |
| Borrowings | (4,479,976) | (2,975,117) | (1,410,676) | (4,358,175) | (2,218,898) | (913,378) | (16,356,220) |
| Other liabilities | (12,430,574) | (1,558,023) | - | (3,577,682) | (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 | 9,968,705 | 4,631,546 | 2,591,144 | 11,824,837 | 6,465,632 | (973,078) | 34,508,786 |

## 5 SEGMENT INFORMATION (CONTINUED)

| Year ended 31 March 2015 Group | Financial Services Kshs '000 | FMCG Kshs '000 | Energy Kshs '000 | Real Estate Kshs '000 | Marketable Securities Kshs '000 | Others Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| Dividend income | 290,566 | 233,435 | - | - | 163,630 | 379,548 | 1,067,179 |
| Interest income | 968,326 | - | - | - | 98,134 | - | 1,066,460 |
| Fund management income | 639,142 | - | - | - | - | - | 639,142 |
| Sales income | - | 36,792 | - | - | - | - | 36,792 |
| Other income | 218,245 | 1,842 | - | 246,561 | - | (36,931) | 429,717 |
| Realised gains | 2,956,103 | 807,063 | - | 78,707 | 474,037 | 16,965 | 4,332,875 |
| Unrealised value movements | (88,643) | 542,078 | (116) | 1,828,003 | 357,117 | 3,285,893 | 5,924,332 |
| Gross Return | 4,983,739 | 1,621,210 | (116) | 2,153,271 | 1,092,918 | 3,645,475 | 13,496,497 |
| Finance costs | (664,380) | (1,984) | - | (309,021) | (64,431) | 41,472 | (998,344) |
| Portfolio costs | (1,057,986) | (258,992) | (24,771) | (518,446) | (124,654) | (473,508) | (2,458,357) |
| Net Return | 3,261,373 | 1,360,234 | (24,887) | 1,325,804 | 903,833 | 3,213,439 | 10,039,796 |
| Tax | (535,837) | (110,800) | - | (348,238) | (14,609) | (266,161) | (1,275,645) |
| Total Return | 2,725,536 | 1,249,434 | (24,887) | 977,566 | 889,224 | 2,947,278 | 8,764,151 |
| Gross Return (%) | 204% | 48% | 0% | 40% | 20% | 106% | 67% |
| Return on opening shareholder funds (%) | 112% | 37% | -48% | 18% | 17% | 86% | 44% |
| Opening net asset value | | | | | | | |
| Total assets | 5,417,846 | 3,363,253 | 51,924 | 11,097,038 | 6,208,925 | 3,458,234 | 29,597,220 |
| Borrowings | (2,719,054) | - | - | (2,773,076) | - | - | (5,492,130) |
| Other assets/(liabilities) | - | - | - | (2,949,408) | (850,270) | (32,575) | (3,832,253) |
| Non-controlling interest | (268,008) | - | - | - | - | - | (268,008) |
| Net asset value attributable to equity holders | 2,430,784 | 3,363,253 | 51,924 | 5,374,554 | 5,358,655 | 3,425,659 | 20,004,829 |
| Closing net asset value | | | | | | | |
| Total assets | 26,278,875 | 10,175,591 | 1,840,008 | 17,566,183 | 8,915,673 | 7,455,057 | 72,231,387 |
| Borrowings | (6,815,327) | (938,083) | - | (2,857,690) | 628,500 | - | (9,982,600) |
| Other liabilities | (14,792,240) | (1,592,187) | (480) | (2,249,634) | (4,993,960) | (65,773) | (23,694,274) |
| Shareholder-equity loans | - | - | - | (6,925,016) | - | - | (6,925,016) |
| Non-controlling interests | (1,072,482) | (1,886,145) | - | (2,170,472) | - | - | (5,129,099) |
| Net asset value attributable to equity holders | 3,598,826 | 5,759,176 | 1,839,528 | 3,363,371 | 4,550,213 | 7,389,284 | 26,500,398 |

## 5 SEGMENT INFORMATION (CONTINUED)

| Year ended 31 March 2016 Company | Financial Services Kshs '000 | FMCG Kshs '000 | Energy Kshs '000 | Real Estate Kshs '000 | Marketable Securities Kshs '000 | Others Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| Dividend income | 744,533 | 165,540 | - | 74,434 | 1,400,268 | 285,787 | 2,670,562 |
| Interest income | 480,580 | 9,892 | - | 184,039 | - | 1,093 | 675,604 |
| Other income | - | - | - | - | - | 7 | 7 |
| Realised gains | 1,015,353 | - | - | - | (25,826) | - | 989,527 |
| Unrealised value movements | 1,102,409 | (365,008) | 120 | 7,150,031 | (1,740,336) | (327,070) | 5,820,146 |
| Gross Return | 3,342,875 | (189,576) | 120 | 7,408,504 | (365,894) | (40,183) | 10,155,846 |
| Finance costs | (394,381) | (333,301) | (67,239) | (336,074) | (143,881) | (235,747) | (1,510,623) |
| Portfolio costs | (174,219) | (209,983) | (42,361) | (211,730) | (90,647) | (148,523) | (877,463) |
| Tax | (2,528) | (36,097) | - | (342,443) | 4,413 | (16,381) | (393,036) |
| Total Return | 2,771,747 | (768,957) | (109,480) | 6,518,257 | (596,009) | (440,834) | 7,374,724 |
| Gross Return (%) | 68% | -2% | 0% | 123% | -8% | -1% | 32% |
| Return on opening shareholder funds (%) | 56% | -9% | -6% | 108% | -13% | -7% | 23% |
| Opening Portfolio Value | | | | | | | |
| Total assets | 10,789,524 | 9,118,489 | 1,839,528 | 9,194,350 | 3,936,322 | 6,449,579 | 41,327,792 |
| Borrowings | (5,340,085) | - | - | (2,857,690) | 628,500 | - | (7,569,275) |
| Other liabilities | (501,011) | (468,421) | (26,800) | (323,000) | (57,349) | (443,120) | (1,819,701) |
| Net Asset Value | 4,948,428 | 8,650,068 | 1,812,728 | 6,013,660 | 4,507,473 | 6,006,459 | 31,938,816 |
| Closing Net Asset Value | | | | | | | |
| Total assets | 8,940,892 | 9,179,885 | 3,113,924 | 17,099,649 | 6,126,621 | 7,081,810 | 51,542,781 |
| 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 | 7,720,176 | 7,881,111 | 1,703,248 | 12,531,917 | 3,911,462 | 5,565,626 | 39,313,540 |
| Value movement in the period/(total return) | | | | | | | 7,374,724 |

## 5 SEGMENT INFORMATION (CONTINUED)

| Year ended 31 March 2015 Company | Financial Services Kshs '000 | FMCG Kshs '000 | Energy Kshs '000 | Real Estate Kshs '000 | Marketable Securities Kshs '000 | Others Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| Dividend income | 190,730 | 233,435 | - | - | 517,270 | 376,816 | 1,318,251 |
| Interest income | 76,565 | - | - | - | - | - | 76,565 |
| Other income | 3,812 | 1,842 | - | - | - | (45,894) | (40,240) |
| Realised gains | 2,957,178 | - | - | - | (40,687) | 32,549 | 2,949,040 |
| Unrealised value movements | (162,192) | 3,485,398 | (460) | (94,298) | 757,353 | 3,410,074 | 7,395,875 |
| Gross Return | 3,066,093 | 3,720,675 | (460) | (94,298) | 1,233,936 | 3,773,545 | 11,699,491 |
| Finance costs | (413,072) | - | - | (288,605) | 32,214 | - | (669,463) |
| Portfolio costs | (121,229) | (179,438) | (24,307) | (159,875) | (116,398) | (266,187) | (867,434) |
| Tax | (347,944) | (335,575) | - | (189,049) | (672) | (286,746) | (1,159,986) |
| Total Return | 2,183,848 | 3,205,662 | (24,767) | (731,827) | 1,149,080 | 3,220,612 | 9,002,608 |
| Gross Return (%) | 71% | 73% | -1% | -2% | 33% | 110% | 51% |
| Return on opening shareholder funds (%) | 50% | 63% | -48% | -12% | 31% | 94% | 39% |
| Opening Portfolio Value | | | | | | | |
| Total assets | 7,162,166 | 5,178,720 | 51,924 | 9,140,780 | 3,807,469 | 3,470,378 | 28,811,437 |
| Borrowings | (2,719,054) | - | - | (2,773,076) | - | - | (5,492,130) |
| Other liabilities | (95,234) | (68,860) | (690) | (121,543) | (50,627) | (46,145) | (383,099) |
| Net Asset Value | 4,347,878 | 5,109,860 | 51,234 | 6,246,161 | 3,756,842 | 3,424,233 | 22,936,208 |
| Closing Net Asset Value | | | | | | | |
| Total assets | 10,789,524 | 9,118,489 | 1,839,528 | 9,194,350 | 3,936,322 | 6,449,579 | 41,327,792 |
| Borrowings | (5,340,085) | - | - | (2,857,690) | 628,500 | - | (7,569,275) |
| Other liabilities | (501,011) | (468,421) | (26,800) | (323,000) | (57,349) | (443,120) | (1,819,701) |
| Net Asset Value | 4,948,428 | 8,650,068 | 1,812,728 | 6,013,660 | 4,507,473 | 6,006,459 | 31,938,816 |
| Value movement in the period/(total return) | | | | | | | 9,002,608 |

## 5 SEGMENT INFORMATION (CONTINUED)

| Reconciliation of total return to profit after tax for the year | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Total return as per internal reporting | 7,600,634 | 8,764,151 | 7,374,724 | 9,002,608 |
| Adjustments for: | | | | |
| Share of associate earnings | 1,074,114 | 447,710 | - | - |
| Share of other comprehensive income of associates | (958,441) | 176,833 | - | - |
| Associate dividend income | (373,427) | (342,655) | - | - |
| Unrealised value movements net of dividend relating to associates | 257,754 | (281,888) | (5,506,297) | (4,135,687) |
| Total comprehensive income | 7,600,634 | 8,764,151 | 1,868,427 | 4,866,921 |
| Other comprehensive income | 2,346,996 | (821,719) | - | - |
| Profit for the year | 9,947,630 | 7,942,432 | 1,868,427 | 4,866,921 |
| Reconciliation of gross return to total income | | | | |
| Gross return as per internal reporting | 22,758,276 | 13,496,496 | | |
| Adjustments for: | | | | |
| Associate dividend income | (373,427) | (342,655) | | |
| Unrealised value movements net of dividend relating to associates | 257,754 | (281,888) | | |
| Items dealt with in other comprehensive income: | | | | |
| Reserves released on disposal of investments | 1,108,625 | 2,858,244 | | |
| Fair value gain in quoted securities | (167,383) | (705,857) | | |
| Fair value gain in unquoted securities | 700,816 | (3,136,181) | | |
| Revaluation surplus on property | - | (71,483) | | |
| Currency translation differences | (119,587) | 9,474 | | |
| | 24,165,074 | 11,826,150 | - | - |
| Analysis of income by geographical segments | | | | |
| Kenya | 22,141,000 | 10,661,887 | 2,773,139 | 5,882,423 |
| Uganda | 764,874 | 19,858 | - | 23,882 |
| Tanzania | 981,887 | 1,114,777 | - | - |
| Others | 277,313 | 29,628 | 1,570,355 | 775,191 |
| | 24,165,074 | 11,826,150 | 4,343,494 | 6,681,496 |
| Analysis of non-current assets by country | | | | |
| Kenya | | | | |
| Investment property | 12,610,972 | 14,788,014 | | - |
| Prepaid operating lease rentals | 9,161 | 9,483 | - | - |
| Property, plant and equipment | 7,003,874 | 4,273,313 | - | |
| Intangible assets | 443,967 | 171,612 | 1,338 | 1,619 |
| | 20,067,974 | 19,242,422 | 1,338 | 1,619 |
| Outside Kenya | | | | |
| Investment property | 3,903,224 | 2,986,812 | - | - |

## 5 SEGMENT INFORMATION (CONTINUED)

| Other segment reporting disclosures Group | Financial Services Kshs '000 | FMCG Kshs '000 | Energy Kshs '000 | Real Estate Kshs '000 | Marketable Securities Kshs '000 | Others Kshs '000 | Total Kshs '000 |
|---|---|---|---|---|---|---|---|
| Year ended 31 March 2016: | | | | | | | |
| Depreciation and amortisation | 176,667 | 931,659 | - | 5,396 | - | 22,207 | 1,135,929 |
| Property, plant and equipment | 401,070 | 5,300,143 | 827,196 | 103,467 | - | 371,998 | 7,003,874 |
| Prepaid operating leases | - | 9,161 | - | - | - | - | 9,161 |
| Intangible assets | 384,936 | 10,655 | - | 37,202 | - | 11,174 | 443,967 |
| Additions to property, plant and equipment | 166,043 | 2,278,177 | 827,196 | 106,020 | - | 335,318 | 3,712,754 |
| Additions to intangible assets | 305,672 | 2,788 | - | 35,998 | - | 2,444 | 346,902 |
| Year ended 31 March 2015: | | | | | | | |
| Depreciation and amortisation | 3,018 | 67,108 | - | 3,075 | - | 1,314 | 74,515 |
| Property, plant and equipment | 140,576 | 4,063,240 | - | 9,543 | - | 59,954 | 4,273,313 |
| Prepaid operating leases | - | 9,483 | - | - | - | - | 9,483 |
| Intangible assets | 46,649 | 99,554 | - | 3,863 | - | 21,546 | 171,612 |
| Additions to property, plant and equipment | 34,812 | 77,761 | - | 6,260 | - | 13,811 | 132,644 |
| Additions to intangible assets | 13,397 | 28,592 | - | 2,335 | - | 6,188 | 50,512 |
| **Company** | | | | | | | |
| Year ended 31 March 2016: | | | | | | | |
| Depreciation and amortisation | - | - | - | - | - | 652 | 652 |
| Intangible assets | - | - | - | - | - | 1,338 | 1,338 |
| Additions to intangible assets | - | - | - | - | - | 371 | 371 |
| Year ended 31 March 2015 | | | | | | | |
| Depreciation and amortisation | - | - | - | - | - | 337 | 337 |
| Intangible assets | - | - | - | - | - | 1,619 | 1,619 |
| Additions to intangible assets | - | - | - | - | - | 1,956 | 1,956 |

## 6 INCOME

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Investment income | 14,799,444 | 10,693,005 | 4,343,494 | 6,681,496 |
| Fund management income | 428,518 | 639,142 | - | - |
| Sale of goods (beverage business) | 8,140,574 | 36,792 | - | - |
| Fee, commission and forex trading income | 765,403 | 214,433 | - | - |
| Project and development management fees | 31,135 | 242,778 | - | - |
| | 24,165,074 | 11,826,150 | 4,343,494 | 6,681,496 |

(a) Investment income

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Dividend income (Note 6(b)) | 266,261 | 724,523 | 2,670,562 | 1,318,251 |
| Interest income | 3,844,045 | 1,066,460 | 675,605 | 76,565 |
| Gain on disposal of investments (Note 11) | 5,419,394 | 6,288,651 | 989,527 | 5,326,920 |
| Gain on disposal of investment property | 165,015 | 78,707 | - | - |
| Gain on re-measuring to fair value the existing interest in Almasi Beverages Limited on acquisition of control (Note 44) | - | 807,063 | - | - |
| Gain on re-measuring to fair value the existing interest in K-Rep Bank Limited on acquisition of control (Note 44) | - | 19,908 | - | - |
| Unrealised gains on investment property (Note 14) | 5,118,581 | 1,737,045 | - | - |
| Unrealised (loss)/gains on government securities (Note 25) | (35,960) | (1,857) | - | - |
| Other income | 22,108 | 21,306 | 7,800 | 8,561 |
| Reversal of previously written back unclaimed dividend (Note 37) | - | (48,801) | - | (48,801) |
| | 14,799,444 | 10,693,005 | 4,343,494 | 6,681,496 |
| **Income from financial assets:** | | | | |
| Available-for-sale | 5,685,656 | 7,840,145 | 3,660,089 | 6,645,170 |
| At fair value through profit or loss | (35,960) | (1,857) | - | - |
| Loans and advances | 3,844,045 | 1,066,460 | 675,605 | 76,565 |
| | 9,493,741 | 8,904,748 | 4,335,694 | 6,721,735 |
| Investment income earned on non-financial assets | 5,305,703 | 1,788,257 | 7,800 | (40,239) |
| | 14,799,444 | 10,693,005 | 4,343,494 | 6,681,496 |

(b) Dividend income

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Subsidiaries | - | - | 2,200,080 | 570,360 |
| Associates | - | - | 280,932 | 342,655 |
| Unquoted investments | 178,181 | 487,801 | 178,182 | 387,966 |
| Quoted investments | 88,080 | 236,722 | 11,368 | 17,270 |
| | 266,261 | 724,523 | 2,670,562 | 1,318,251 |

## 7 EXPENSES BY NATURE

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| **(a) Administrative expenses** | | | | |
| Employee benefits expense (Note 8) | 2,512,348 | 1,620,926 | 497,992 | 483,042 |
| Directors' fees and expenses | 85,479 | 32,995 | 15,897 | 12,533 |
| Auditor's remuneration | 26,296 | 7,840 | 4,104 | 4,046 |
| Office rent and service charge | 173,433 | 12,143 | 3,406 | 1,922 |
| Depreciation and amortisation | 1,135,929 | 74,515 | 652 | 337 |
| Other administrative costs | 639,852 | 30,506 | 16,604 | 3,255 |
| | 4,573,337 | 1,778,925 | 538,655 | 505,135 |
| **(b) Operating expenses** | | | | |
| AGM and annual report printing | 42,668 | 23,839 | 23,407 | 23,606 |
| Business development costs | 154,447 | 88,861 | 93,702 | 61,575 |
| Advertising and PR costs | 93,105 | 37,118 | 12,027 | 11,977 |
| Share registration costs | 10,626 | 5,009 | 10,626 | 5,009 |
| Listing expenses | 6,721 | 32,369 | 5,933 | 5,147 |
| Consultancy | 220,565 | 130,923 | 19,310 | 46,664 |
| Impairment charges on loans and advances | 230,124 | 49,115 | - | - |
| Donations | 103,716 | 30,294 | 10,247 | - |
| Other costs | 489,753 | 259,022 | 163,555 | 208,321 |
| | 1,351,725 | 656,550 | 338,807 | 362,299 |

## 8 EMPLOYEE BENEFITS EXPENSE

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Salaries | 1,690,647 | 593,813 | 109,029 | 59,908 |
| Performance bonus accrual | 616,372 | 910,919 | 367,774 | 407,649 |
| Retirement benefit scheme contributions | 89,483 | 28,416 | 5,323 | 3,829 |
| National Social Security Fund contributions | 3,914 | 708 | 47 | 29 |
| Movement in leave pay provision | 5,625 | 8,344 | 1,459 | 1,425 |
| | 2,406,041 | 1,542,200 | 483,632 | 472,840 |
| Staff medical expenses | 37,693 | 24,270 | 3,392 | 3,317 |
| Other staff costs | 68,614 | 54,456 | 10,968 | 6,885 |
| | 2,512,348 | 1,620,926 | 497,992 | 483,042 |

## 9 FINANCE COSTS

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Interest on customer deposits | 1,094,320 | 308,113 | - | - |
| Interest on bank borrowings | 642,043 | 394,029 | 197,981 | 93,436 |
| Commitment fees | - | 49,346 | - | 41,674 |
| Forex losses / (gains) on borrowings | 443,983 | 190,351 | 20,338 | (82,173) |
| Bond related expenses | 117,403 | 63,390 | 115,030 | 63,390 |
| Interest on corporate bonds | 1,177,274 | 553,136 | 1,177,274 | 553,136 |
| | 3,475,023 | 1,558,365 | 1,510,623 | 669,463 |
| Less: amounts capitalised on qualifying assets (Note 14) | (398,737) | (560,020) | - | - |
| | 3,076,286 | 998,345 | 1,510,623 | 669,463 |

## 10 INCOME TAX EXPENSE

### (a) Income tax expense

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Current income tax | 814,686 | 672,322 | 98,367 | 273,102 |
| Deferred income tax (Note 17) | 110,377 | 202,405 | (11,385) | 4,576 |
| | 925,063 | 874,727 | 86,982 | 277,678 |

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

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Accounting profit before taxation | 10,872,693 | 8,817,159 | 1,955,409 | 5,144,599 |
| Tax at the applicable rate of 30% (2015: 30%) | 3,261,808 | 2,645,148 | 586,623 | 1,543,380 |
| Tax effect of: | | | | |
| Income not taxable | (2,833,095) | (3,112,351) | (1,173,009) | (2,326,772) |
| Income subject to capital gains tax rate | (566,562) | (1,572,163) | - | - |
| Expenses not deductible for tax | 195,166 | 2,705,568 | 8,909 | 1,061,070 |
| Unrecognised deferrred tax assets | 664,459 | - | 664,459 | - |
| Difference in overseas tax rates | 203,287 | 208,525 | - | - |
| | 925,063 | 874,727 | 86,982 | 277,678 |

### (c) Tax losses

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | 2,214,863 | - | 2,214,863 | - |
| Potential tax benefit (At 30%) | 664,459 | - | 664,459 | - |

The unused tax losses arise from signifcant untaxable income at Company level.

## 10 INCOME TAX EXPENSE (CONTINUED)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| **(d) Unrecognised temporary differences** | | | | |
| Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised: | | | | |
| Foreign currency translation | 119,586 | (9,474) | - | - |
| Undistributed earnings | 2,655,955 | 1,783,744 | - | - |
| | 2,775,541 | 1,774,270 | - | - |
| Unrecognised deferred tax liabilities relating to the above temporary differences | 277,554 | 177,427 | - | - |

Temporary differences of Kshs 120 Million (2015 – Kshs 9 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.

Oleibon Limited, domiciled in Tanzania, has undistributed earnings of Kshs 2,655,955,127 (2015 – Kshs 1,783,744,256) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| **(e) Taxation payable** | | | | |
| At start of year | 484,294 | 210,913 | 273,623 | 27,799 |
| Tax payable on acquisition of subsidiary | 655 | 153,250 | - | - |
| Charge for the year | 814,686 | 672,322 | 98,367 | 273,102 |
| Payments during the year | (1,142,320) | (552,191) | (406,762) | (27,278) |
| Derecognised on disposal of subsidiary | (3,173) | - | - | - |
| Prior year under/(over) provision | 156 | - | (444) | - |
| | 154,298 | 484,294 | (35,216) | 273,623 |
| Analysed as: | | | | |
| Current income tax recoverable | (190,104) | (108,933) | (35,216) | - |
| Current income tax payable | 344,402 | 593,227 | - | 273,623 |
| | 154,298 | 484,294 | (35,216) | 273,623 |

## 11 GAINS ON DISPOSAL OF INVESTMENTS

| | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | Note | Cost / carrying value Kshs '000 | Proceeds Kshs '000 | Gain/(loss) on disposal Kshs '000 | Cost Kshs '000 | Proceeds Kshs '000 | Gain/(loss) on disposal Kshs '000 |
| **Year ended 31 March 2016:** | | | | | | | |
| Quoted investments | 23 | 1,539,208 | 2,493,490 | 954,282 | 161,032 | 135,206 | (25,826) |
| Unquoted investments and associates | 20 | 480,603 | 1,792,567 | 1,311,964 | 12,298 | 1,027,651 | 1,015,353 |
| | | 2,019,811 | 4,286,057 | 2,266,246 | 173,330 | 1,162,857 | 989,527 |
| Reserves released on disposal: | | | | | | | |
| Quoted investments | | | | 914,456 | | | 781 |
| Unquoted investments and associates | | | | 194,169 | | | 954,139 |
| | | | | 1,108,625 | | | 954,920 |
| Gains during the year | | | | 1,157,621 | | | 34,607 |
| | | | | 2,266,246 | | | 989,527 |
| Gains disposal of a subsidiary | 19 | | | 3,153,148 | | | - |
| Total gains during the year | | | | 5,419,394 | | | 989,527 |
| **Year ended 31 March 2015:** | | | | | | | |
| Quoted investments | 23 | 904,719 | 2,344,777 | 1,440,058 | 174,966 | 309,933 | 134,967 |
| Unquoted investments | 22 | 652,809 | 5,844,762 | 5,191,953 | 613,122 | 5,805,075 | 5,191,953 |
| Government securities at fair value through profit or loss | 25 | 472,001 | 128,641 | (343,360) | - | - | - |
| | | 2,029,529 | 8,318,180 | 6,288,651 | 788,088 | 6,115,008 | 5,326,920 |
| Reserves released on disposal: | | | | | | | |
| Quoted investments | 23 | - | - | 638,958 | - | - | 175,655 |
| Unquoted investments | 22 | - | - | 2,219,286 | - | - | 2,202,949 |
| Associates through other comprehensive income | 20 | - | - | - | - | - | (360) |
| | | | | 2,858,244 | | | 2,378,244 |
| Gains during the year | | | | 3,430,407 | | | 2,948,676 |
| | | | | 6,288,651 | | | 5,326,920 |

## 12 EARNINGS PER SHARE

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

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Profit attributable to equity holders of the Company (Kshs '000) | 7,816,035 | 6,953,268 |
| Weighted average number of ordinary shares in issue (thousands) | 665,442 | 665,442 |
| | 11.75 | 10.45 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings Kshs'000 | Factory, plant and equipment Kshs'000 | Office furniture and fittings Kshs'000 | Motor vehicles Kshs'000 | Computers Kshs'000 | Bottle coolers Kshs'000 | Work in progress Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2015 | | | | | | | | |
| Cost or valuation | 1,003,524 | 911,659 | 650,739 | 241,572 | 166,223 | 903,411 | 477,095 | 4,354,223 |
| Accumulated depreciation | (934) | - | (47,623) | (2,825) | (29,528) | - | - | (80,910) |
| Net book amount | 1,002,590 | 911,659 | 603,116 | 238,747 | 136,695 | 903,411 | 477,095 | 4,273,313 |
| Year ended 31 March 2016 | | | | | | | | |
| Opening net book amount | 1,002,590 | 911,659 | 603,116 | 238,747 | 136,695 | 903,411 | 477,095 | 4,273,313 |
| Additions | 94,333 | 1,306,476 | 211,158 | 24,712 | 163,481 | 49,721 | 1,862,873 | 3,712,754 |
| Disposals | - | (29,214) | - | (2,658) | (335) | (7,800) | (43,098) | (83,105) |
| Reclassification from investment property | - | 171,644 | - | - | - | - | - | 171,644 |
| Derecognition on disposal of subsidiary | - | (8,205) | - | - | - | - | (1,145) | (9,350) |
| Depreciation charge | (26,727) | (261,385) | (265,509) | (45,791) | (83,132) | (38,432) | (340,406) | (1,061,382) |
| Closing net book amount | 1,070,196 | 2,090,975 | 548,765 | 215,010 | 216,709 | 906,900 | 1,955,319 | 7,003,874 |
| At 31 March 2016 | | | | | | | | |
| Cost or valuation | 1,097,857 | 2,352,360 | 861,897 | 263,626 | 329,369 | 945,332 | 2,295,725 | 8,146,166 |
| Accumulated depreciation | (27,661) | (261,385) | (313,132) | (48,616) | (112,660) | (38,432) | (340,406) | (1,142,292) |
| | 1,070,196 | 2,090,975 | 548,765 | 215,010 | 216,709 | 906,900 | 1,955,319 | 7,003,874 |

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Land and buildings Kshs'000 | Factory, plant and equipment Kshs'000 | Office furniture and fittings Kshs'000 | Motor vehicles Kshs'000 | Computers Kshs'000 | Bottle coolers Kshs'000 | Work in progress Kshs'000 | Total Kshs'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 April 2014 | | | | | | | | |
| Cost | - | - | 68,015 | 147 | 18,841 | - | - | 87,003 |
| Accumulated depreciation | - | - | (18,221) | (147) | (8,681) | - | - | (27,049) |
| Net book amount | - | - | 49,794 | - | 10,160 | - | - | 59,954 |
| Year ended 31 March 2015 | | | | | | | | |
| Opening net book amount | - | - | 49,794 | - | 10,160 | - | - | 59,954 |
| Additions | - | - | 34,812 | 37,829 | 60,003 | - | - | 132,644 |
| On acquisition of subsidiary | 932,041 | 911,659 | 548,059 | 203,596 | 87,379 | 903,411 | 477,095 | 4,063,240 |
| Revaluation | 71,483 | - | - | - | - | - | - | 71,483 |
| Disposals | - | - | (147) | - | - | - | - | (147) |
| Excess depreciation | - | - | - | - | 7 | - | - | 7 |
| Depreciation charge | (934) | - | (29,402) | (2,678) | (20,854) | - | - | (53,868) |
| Closing net book amount | 1,002,590 | 911,659 | 603,116 | 238,747 | 136,695 | 903,411 | 477,095 | 4,273,313 |
| At 31 March 2015 | | | | | | | | |
| Cost or valuation | 1,003,524 | 911,659 | 650,739 | 241,572 | 166,223 | 903,411 | 477,095 | 4,354,223 |
| Accumulated depreciation | (934) | - | (47,623) | (2,825) | (29,528) | - | - | (80,910) |
| | 1,002,590 | 911,659 | 603,116 | 238,747 | 136,695 | 903,411 | 477,095 | 4,273,313 |

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 35. If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| **Freehold land** | | |
| Cost | 67,599 | 67,599 |
| Accumulated depreciation | - | - |
| Net book amount | 67,599 | 67,599 |
| **Buildings** | | |
| Cost | 15,173 | 15,173 |
| Accumulated depreciation | (7) | - |
| Net book amount | 15,166 | 15,173 |

## 14 INVESTMENT PROPERTIES

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Opening balance at 1 January: | 17,774,826 | 10,845,392 |
| Acquisitions | 754,928 | 4,926,161 |
| Capitalised subsequent expenditure | 9,414,068 | - |
| Capitalised borrowing costs | 398,737 | 560,020 |
| Disposals | (420,086) | (105,673) |
| Derecognition on disposal of subsidiary | (16,250,059) | - |
| Transfers to property, plant and equipment | (171,644) | - |
| Gain from fair value adjustment | 5,118,581 | 1,737,045 |
| Translation differences | (105,155) | (188,119) |
| | 16,514,196 | 17,774,826 |

*(i) Amounts recognised in profit or loss for investment properties*

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Fair value gain recognised in investment income | 5,118,581 | 1,737,045 |
| Direct operating expenses from property that did not generate rental income | - | (10,448) |

*(ii) Capitalised borrowing costs*

Capitalised borrowing costs relate to interest costs incurred during the development phase of Two Rivers Development Limited and Two Rivers Lifestyle Centre Limited. An average cost of debt of 10% (2015: 10%) was used as a basis for capitalisation.

*(iii) Investment properties pledged as security*

Information on investment properties pledged as security by the Group is set out under Note 35.

## 14 INVESTMENT PROPERTIES (CONTINUED)

The fair value model has been applied in accounting for investment property. The Group commissioned independent 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 2016 and 2015 on the basis of open market value. The valuation figures have been adjusted downwards to take into account the stage of completion of the investment properties. The current use of the investment properties equates to the highest and best use.

All the Group's investment properties are under development. 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 6). In the year ended 31 March 2016, the valuation set out on the independent valuer report was compared with sale transactions at Two Rivers. The amounts recorded on the income statement are consistent with the values implied by those transactions.

Because of the unique nature of the Group's investment properties, most of them are valued by reference to a level 2 fair value measurement. In 2016 and 2015, there were no transfers between different levels within the fair value hierarchy.

| | Level 1 Kshs'000 | Level 2 Kshs'000 | Level 3 Kshs'000 |
|---|---|---|---|
| **31 March 2016** | | | |
| Investment property | - | 16,514,196 | - |
| **31 March 2015** | | | |
| Investment property | - | 17,774,826 | - |

## 15 GOODWILL

| | GROUP | |
|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 |
| At 1 April: | 3,167,397 | 967,210 |
| Acquisition of business | - | 2,200,187 |
| | 3,167,397 | 3,167,397 |

In the year ended 31 March 2016, the Group acquired 100% stake in Vipingo Estates Limited. No goodwill has been recognised from this transaction as the consideration equated the fair value of the net assets acquired, as disclosed on Note 44.

The goodwill recognised in the year ended 31 March 2015 represents the excess of the consideration paid for the acquisition of a 67.54% stake in Sidian Bank Limited (formerly K-Rep Bank Limited) and 50.95% stake in Almasi Beverages Limited over the fair value of the acquired identifiable assets and liabilities. Goodwill recognised relates to the following subsidiaries:

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Almasi Beverages Limited | 1,351,539 | 1,351,539 |
| Sidian Bank Limited (Previously K-Rep Bank Limited) | 848,648 | 848,648 |
| GenAfrica Investment Management Limited | 967,210 | 967,210 |
| | 3,167,397 | 3,167,397 |

The Directors have assessed goodwill impairment for the above business units on the basis of their historical and projected financial performance. The assumptions applied in the projected financial performance have considered market conditions and planned investments in the companies. No goodwill impairment has been identified.

## 16 INTANGIBLE ASSETS - SOFTWARE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| At start of year: | | | | |
| Cost | 465,385 | 27,647 | 1,956 | - |
| Accumulated amortisation | (293,773) | (6,101) | (337) | - |
| Net book amount | 171,612 | 21,546 | 1,619 | - |
| Year ended 31 March: | | | | |
| Opening net book amount | 171,612 | 21,546 | 1,619 | - |
| Additions | 346,902 | 50,512 | 371 | 1,956 |
| On acquisition of subsidiary - cost | - | 387,226 | - | - |
| On acquisition of subsidiary - accumulated amortisation | - | (267,025) | - | - |
| Amortisation charge for the year | (74,547) | (20,647) | (652) | (337) |
| Net book amount at end of year | 443,967 | 171,612 | 1,338 | 1,619 |
| At end of year: | | | | |
| Cost | 812,287 | 465,385 | 2,327 | 1,956 |
| Accumulated amortisation | (368,320) | (293,773) | (989) | (337) |
| Net book amount | 443,967 | 171,612 | 1,338 | 1,619 |

## 17 DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30% (2015: 30%) and the capital gains tax rate of 5% (2015: 5%). The movement on the deferred income tax account is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| At beginning of year | 2,334,101 | 1,541,784 | 881,567 | (5,317) |
| Deferred tax on acquisition of subsidiary | - | 188,995 | - | - |
| Charge to income statement (Note 10) | 110,377 | 202,405 | (11,385) | 4,576 |
| Charge to other comprehensive income | (133,917) | 400,917 | 306,056 | 882,308 |
| Derecognised on disposal of subsidiary | (20,746) | - | - | - |
| | 2,289,815 | 2,334,101 | 1,176,238 | 881,567 |
| Deferred income tax assets and liabilities are analysed as follows: | | | | |
| Deferred income tax assets | (293,113) | (216,984) | - | - |
| Deferred income tax liabilities | 2,582,928 | 2,551,085 | 1,176,238 | 881,567 |
| | 2,289,815 | 2,334,101 | 1,176,238 | 881,567 |

### 17 DEFERRED INCOME TAX (CONTINUED)

**Group**

| | At start of year Kshs'000 | On acquisition / diposal of subsidiary Kshs'000 | Charged/ (credited) to P/L Kshs'000 | Charged/ (credited) to OCI Kshs'000 | At end of year Kshs'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2016** | | | | | |
| **Property, plant and equipment:** | | | | | |
| On a historical cost basis | 116,415 | (2) | 208,458 | - | 324,871 |
| On a fair value basis | - | - | - | 171,157 | 171,157 |
| Tax losses | (123,130) | 52,029 | (818,213) | - | (889,314) |
| Performance bonus provision | (153,098) | - | (57,167) | - | (210,265) |
| Leave pay provision | (4,735) | - | (3,181) | - | (7,916) |
| Other deductible temporary differences | (48,953) | - | (30,924) | - | (79,877) |
| Exchange differences | (114,080) | 71,614 | 22,942 | - | (19,524) |
| Fair value gain on investment property | 2,101,669 | (144,388) | 630,806 | - | 2,588,087 |
| Fair value gains on investments | 560,013 | - | 157,657 | (305,074) | 412,596 |
| | 2,334,101 | (20,747) | 110,378 | (133,917) | 2,289,815 |
| **Year ended 31 March 2015** | | | | | |
| **Property, plant and equipment:** | | | | | |
| On a historical cost basis | (307) | 114,640 | 2,082 | - | 116,415 |
| On a fair value basis | - | - | - | - | - |
| Tax losses | (122,121) | - | (1,009) | - | (123,130) |
| Performance bonus provision | (84,781) | - | (68,317) | - | (153,098) |
| Leave pay provision | (1,582) | - | (3,153) | - | (4,735) |
| Other deductible temporary differences | (1,226) | (80,131) | 32,404 | - | (48,953) |
| Exchange differences | - | (4,610) | (109,470) | - | (114,080) |
| Fair value gain on investment property | 1,751,801 | - | 349,868 | - | 2,101,669 |
| Fair value gains on investments | - | 159,096 | - | 400,917 | 560,013 |
| | 1,541,784 | 188,995 | 202,405 | 400,917 | 2,334,101 |

**Company**

| | At start of year Kshs'000 | Charged/ (credited) to P/L Kshs'000 | Charged/ (credited) to OCI Kshs'000 | At end of year Kshs'000 |
|---|---|---|---|---|
| Performance bonus provision | (568) | (15,028) | - | (15,596) |
| Leave pay provision | (5) | (195) | - | (200) |
| Other deductible temporary differences | (168) | 3,838 | - | 3,670 |
| Fair value gains on investments | 882,308 | - | 306,056 | 1,188,364 |
| | 881,567 | (11,385) | 306,056 | 1,176,238 |

## 17 DEFERRED INCOME TAX (CONTINUED)

| Company | At start of year Kshs'000 | Charged/ (credited) to P/L Kshs'000 | Charged/ (credited) to OCI Kshs'000 | At end of year Kshs'000 |
|---|---|---|---|---|
| Property, plant and equipment: | - | 2 | - | 2 |
| Performance bonus provision | (3,814) | 3,244 | - | (570) |
| Leave pay provision | (85) | 80 | - | (5) |
| Other deductible temporary differences | (1,418) | 1,250 | - | (168) |
| Fair value gains on investments | - | - | 882,308 | 882,308 |
| | (5,317) | 4,576 | 882,308 | 881,567 |

The deferred tax amounts include the following amounts which relate to carried forward tax losses of the respective subsidiaries. The tax losses relate to administrative and operating expenses incurred to 31 March 2016, prior to the subsidiaries generating revenue or accumulated losses for the group's early stage or development subsidiaries. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries. The subsidiaries are expected to generate taxable income from the next financial year onwards. In accordance with Kenya tax laws, the tax losses can be carried forward for a period of ten years.

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Two Rivers Development Limited | 488,410 | 91,407 |
| Almasi Beverages Limited | 400,904 | 31,723 |
| | 889,314 | 123,130 |

## 18 PREPAID OPERATING LEASE RENTALS

**Group**

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| At valuation | | |
| At start of year | 11,309 | - |
| On acquisition of subsidiary | - | 11,309 |
| At end of year | 11,309 | 11,309 |
| Amortisation | | |
| At start of year | (1,826) | - |
| Charge for the year | (322) | - |
| On acquisition of subsidiary | - | (1,826) |
| At end of year | (2,148) | (1,826) |
| Net book value at end of year | 9,161 | 9,483 |

## 19 INVESTMENT IN SUBSIDIARIES

### Company

The company's interest in its subsidiaries is set out below.

| Company | Ownership % | Cost 1.04.15 Ksh'000 | Cost Additions Ksh'000 | Cost 31.03.16 Ksh'000 | Cumulative fair value gains 1.04.15 Ksh'000 | Cumulative fair value gains In the year Ksh'000 | Cumulative fair value gains 31.03.16 Ksh'000 | Fair value 31.03.16 Ksh'000 | Fair value 31.03.15 Ksh'000 |
|---|---|---|---|---|---|---|---|---|---|
| Athena Properties Limited | 100% | 114,735 | - | 114,735 | 202,845 | 134,648 | 337,493 | 452,228 | 317,580 |
| Rasimu Limited | 100% | 100 | - | 100 | 692,797 | 27,102 | 719,899 | 719,999 | 692,897 |
| Centum BVI Limited | 100% | 8 | - | 8 | (105) | 97 | (8) | - | (97) |
| Two Rivers Development Limited | 58.33% | 200 | 1,636,258 | 1,636,458 | 3,038,044 | 6,478,543 | 9,516,587 | 11,153,045 | 3,038,244 |
| Uhuru Heights Limited | 100% | 100 | - | 100 | 170,720 | 36,303 | 207,023 | 207,123 | 170,820 |
| Centum Exotics Limited | 100% | 100 | - | 100 | 1,798,271 | (1,651,994) | 146,277 | 146,377 | 1,798,371 |
| Centum Development Limited | 100% | 91 | - | 91 | 439,527 | 624,496 | 1,064,023 | 1,064,114 | 439,618 |
| Nabo Capital Limited | 100% | 18,000 | - | 18,000 | 276,213 | 114,257 | 390,470 | 408,470 | 294,213 |
| Kilele Holdings Limited | 100.00% | 68 | - | 68 | 766,788 | 1,352,354 | 2,119,142 | 2,119,210 | 766,856 |
| GenAfrica Investment Management Limited | 73.35% | 1,079,453 | - | 1,079,453 | 25,045 | 53,075 | 78,120 | 1,157,573 | 1,104,498 |
| Mvuke Limited | 100% | 100 | - | 100 | (220) | 120 | (100) | - | (120) |
| Centum Business Solutions Limited | 100% | 100 | - | 100 | (39,859) | 39,859 | - | 100 | (39,759) |
| King Beverage Limited | 100% | 68,000 | - | 68,000 | (38,753) | (29,247) | (68,000) | - | 29,247 |
| Almasi Beverages Limited | 52.03% | 2,134,830 | 38,803 | 2,173,633 | 1,086,957 | 284,781 | 1,371,738 | 3,545,371 | 3,221,787 |
| Bakki Holdco Limited | 100% | 2,355,028 | 1,092,622 | 3,447,650 | 141,844 | 378,691 | 520,535 | 3,968,185 | 2,496,872 |
| Vipingo Development Limited | 100% | - | 100 | 100 | - | - | - | 100 | - |
| Vipingo Estates Limited | 100% | - | 386,209 | 386,209 | - | - | - | 386,209 | - |
| Greenblade Growers Limited | 100% | - | 89,059 | 89,059 | - | (6,609) | (6,609) | 82,450 | - |
| Mwaya Investments Company Limited | 100% | - | 1,000 | 1,000 | - | (382) | (382) | 618 | - |
| | | 5,771,013 | 3,244,051 | 9,015,064 | 8,560,014 | 7,836,094 | 16,396,108 | 25,411,172 | 14,331,027 |

## 19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(i) Incorporation and principal activity

| Company | Country of incorporation | Principal activity |
|---|---|---|
| Athena Properties Limited | Kenya | End-to-end project and development management services for real estate projects |
| Rasimu Limited | Kenya | Investment holding company. At 31 March 2016, the company's sole holding was a 3.65% stake in Two Rivers Development Limited |
| Centum BVI Limited | British Virgin Islands | Investment in infrastructural projects |
| Pearl Marina Estates Limited | Uganda | Real estate development in Uganda |
| Two Rivers Development Limited | Kenya | 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 (previously a 100% owned subsidiary) and a 100% stake in Two Rivers Luxury Apartments Limited, Two Rivers Power Company Limited, Two Rivers ICT Company Limited, Two Rivers Water and Sewerage Company Limited, Two Rivers Property Owners Limited, Two Rivers Office Suites Limited and Two Rivers Development Phase 2 Limited |
| Uhuru Heights Limited | Kenya | The company is an investment holding company . At 31 March 2016, the company's sole holding was a 1.05% stake in Two Rivers Development Limited |
| Centum Exotics Limited | Mauritius | The company is engaged in investment in quoted private equity investments. At 31 March 2016, the company held 100% stake in Oleibon Investments Limited |
| Centum Development Limited | Mauritius | The company is an investment holding company for real estate development. At 31 March 2016, the company's sole holding was in Pearl Marina Estates Limited |
| Nabo Capital Limited | Kenya | The company is involved in fund management and transaction advisory services |
| Investpool Holdings Limited | Mauritius | Investment Holding Company. At 31 March 2016, 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 | Provision of fund management services |
| Centum Business Solutions Limited | Kenya | Provision of shared services to Centum Investment Company Limited and its subsidiaries |
| King Beverage Limited | Kenya | Importation, distribution and sale of beverages |
| Almasi Beverages Limited | Kenya | 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 | Holding company for the Group's investment in Sidian Bank Limited (formerly K-Rep Bank Limited) |
| Vipingo Development Limited | Kenya | Real estate development |
| Vipingo Estates Limited | Kenya | Real estate development |
| Greenblade Growers Limited | Kenya | Agricultural production |
| Shefa Holdings Limited | Mauritius | Private equity investments |
| Mwaya Investment Company Limited | Mauritius | Private equity investments |

## 19 INVESTMENT 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 (NCI)

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 | |
|---|---|---|---|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Summarised balance sheet | | | | | | | | |
| Current assets | 338,501 | 302,354 | 7,195,054 | 2,413,286 | 2,800,878 | 2,447,108 | 4,846,732 | 8,098,474 |
| Current liabilities | (134,582) | (123,513) | (2,506,157) | (14,288,497) | (1,492,546) | (1,254,417) | (2,179,986) | (690,974) |
| Net current assets | 203,919 | 178,841 | 4,688,897 | (11,875,211) | 1,308,332 | 1,192,691 | 2,666,746 | 7,407,500 |
| Non-current assets | 21,463 | 8,325 | 12,735,828 | 14,403,980 | 5,280,828 | 3,788,913 | 11,250,688 | 8,734,213 |
| Non-current liabilities | - | - | (13,563,221) | - | (2,135,893) | (1,224,933) | (510,327) | - |
| Net non-current assets | 21,463 | 8,325 | (827,393) | 14,403,980 | 3,144,935 | 2,563,980 | 10,740,361 | 8,734,213 |
| Net assets | 225,382 | 187,167 | 3,861,504 | 2,528,769 | 4,453,267 | 3,756,671 | 13,407,107 | 16,141,713 |
| Accumulated NCI | 60,064 | 49,880 | 972,327 | 820,838 | 2,130,331 | 1,842,647 | 5,586,741 | 2,415,734 |

## 19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(iii) Non-controlling interests (NCI) (continued)

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group (continued)

| | GenAfrica Asset Managers Limited | | Sidian Bank Limited | | Almasi Beverages Limited | | Two Rivers Development Limited | |
|---|---|---|---|---|---|---|---|---|
| | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 |
| Income | 456,748 | 422,512 | 3,518,732 | 1,059,051 | 8,086,750 | - | 5,338,885 | 1,866,610 |
| Profit for the period | 149,829 | 149,197 | 338,028 | 183,343 | 824,571 | - | 4,062,041 | 1,511,355 |
| Other comprehensive income | - | - | - | 50,039 | - | - | - | - |
| Total comprehensive income | 149,829 | 149,197 | 338,028 | 233,382 | 824,571 | - | 4,062,041 | 1,511,355 |
| Profit allocated to NCI | 39,930 | 39,761 | 85,116 | 183,343 | 313,896 | - | 1,692,653 | 766,060 |
| Dividends paid to NCI | 32,594 | 46,681 | - | - | 43,538 | - | - | - |

## 19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (iv) Transactions with non-controlling interests

**(a) Disposal of interest in a subsidiary with loss of control**

On 18 December 2015, Two Rivers Lifestyle Center Limited ("TRLC") and Old Mutual Properties Africa Investment Company PTY Limited ('Old Mutual') entered into a share subscription agreement in which Old Mutual acquired a 10% equity stake in TRLC at a consideration of Ksh 713,286,000. The transaction was effected through TRLC issuing and Old Mutual subscribing to additional shares in TRLC, resulting in a deemed disposal of a 10% stake by the group. On the same date, the two parties entered into a convertible debt arrangement in which Old Mutual advanced Kshs 5,712,714,000 to TRLC, with the debt convertible to 40% in the equity of TRLC upon certain precedent conditions being fulfilled. The total amount received from Old Mutual for the 50% stake was therefore Kshs 6,426,000,000. At 31 March 2016, all the conditions precedent, as set out on the convertible debt agreement, had been fulfilled, resulting into a conversion of the debt into an additional 40% stake in TRLC. On the basis of the 50-50 ownership and control structure, TRLC was deemed as disposed by the group, with the group retaining joint control.

Prior to this transaction, TRLC was 100% owned by Two Rivers Development Limited in which Centum Investment Company Limited ("Centum") holds a 58.33% stake.

At 31 March 2016, TRLC was de-consolidated, with a corresponding investment in a joint venture recognised. The arising gain recognised in the income statement is set out below:

| | 2016<br>Ksh'000 |
|---|---|
| Fair value of interest retained | 6,426,000 |
| Net assets derecognised | (3,272,852) |
| Gain | 3,153,148 |

**(b) Disposal of interest in a subsidiary without loss of control**

On 1 April 2015, Two Rivers Development Limited ("TRDL") completed a transaction with AVIC and Industrial and Commercial Development Corporation (ICDC) in which the consideration for the acquisition by AVIC and ICDC of a combined 41.67% equity stake in TRLC was agreed and settled at Ksh 6,925,035,477. The transaction was effected through TRDL issuing and AVIC and ICDC subscribing to additional shares in TRDL, resulting in a deemed disposal of a 41.67% stake by the group. The shareholders loans previously held by AVIC and ICDC were offset against the consideration.

**(c) Acquisition of additional interest in a subsidiary**

On 8 March 2016, Investpool Limited, a wholly owned subsidiary of Centum, acquired the remaining 20.83% of the issued shares of Kilele Holdings Limited ("Kilele") for a purchase consideration of KES 413,773,000. The Group now holds 100% of the equity share capital of Kilele. The Group derecognised the non-controlling interests and recorded a decrease in equity attributable to owners of the parent.

The completion of the transaction on disposal of interest in TRDL without loss of control and the acquisition of additional interest in Kilele, Sidian Bank and Almasi resulted in a net gain on disposal recorded in equity of Ksh 2,581,349,000.

## 20 INVESTMENT IN ASSOCIATES

Set out below are the associates of the group as at 31 March 2016. 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 | |
|---|---|---|---|
| | | 2016 % | 2015 % |
| KWAL Holdings Limited | Kenya | 26.43 | 26.43 |
| Nairobi Bottlers Limited | Kenya | 27.62 | 27.62 |
| Longhorn Publishers Limited | Kenya | 31.50 | 34.00 |
| UAP Financial Services Limited | Uganda | 29.00 | 29.00 |
| Platcorp Holdings Limited | Mauritius | 35.63 | 45.00 |
| Akiira Geothermal Limited | Kenya | 37.50 | 37.50 |
| AON Minet Insurance Brokers Limited | Kenya | - | 21.50 |

Movements in investment in associates are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| At start of year | 3,967,486 | 5,770,851 | 7,178,711 | 6,594,340 |
| Share of profits after taxation | 1,074,114 | 447,710 | - | - |
| Share of other comprehensive income | (958,441) | 176,833 | - | - |
| Fair value (loss)/gain | - | - | (556,845) | 2,414,546 |
| Dividends received | (373,427) | (342,655) | - | - |
| Additions during the year | 740,027 | 146,953 | - | 146,953 |
| Conversion of shareholder loans to equity | 266,304 | - | - | - |
| Disposals at cost | - | - | (12,298) | (25,385) |
| Disposal on acquisition of control | - | (2,232,206) | - | - |
| Disposal at share of net assets | (238,358) | - | - | - |
| Transfers to investment in subsidiaries | - | - | - | (1,952,103) |
| Reserves released on disposal (Note 11) | - | - | (954,139) | 360 |
| | 4,477,705 | 3,967,486 | 5,655,429 | 7,178,711 |

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 2015 to account for the group's investment in associates using the equity method. Significant transactions in the intermediate period are adjusted.

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

## 20 INVESTMENT IN ASSOCIATES (CONTINUED)

The tables below provide summarised financial information for associates. The information disclosed reflects the amounts presented in the financial statements of the associates and not Centum Investment Company Limited's share of those amounts. They have been amended to reflect adjustments made when using the equity method. There were no modifications for differences in accounting policy in 2016 and 2015.

| | Fast moving consumer goods | | Financial services | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 |
| Summarised balance sheet | | | | | | | | |
| Current assets | | | | | | | | |
| Cash and cash equivalents | 686,687 | 480,257 | 544,071 | 364,873 | 3,811 | 60,159 | 1,234,569 | 905,289 |
| Other current assets | 4,703,285 | 4,010,839 | 518,188 | 209,852 | 1,247,382 | 879,102 | 6,468,855 | 5,099,793 |
| Total current assets | 5,389,972 | 4,491,096 | 1,062,259 | 574,725 | 1,251,193 | 939,261 | 7,703,424 | 6,005,082 |
| Non-current assets | 9,669,596 | 9,021,009 | 6,387,622 | 4,443,593 | 255,984 | 191,329 | 16,313,202 | 13,655,931 |
| Current liabilities | | | | | | | | |
| Financial liabilities (excluding trade payables) | (2,281,942) | (1,395,924) | - | - | (338,642) | (16,083) | (2,620,584) | (1,412,007) |
| Other current liabilities | (4,751,784) | (4,118,192) | (506,435) | (235,532) | (730,140) | (662,222) | (5,988,359) | (5,015,946) |
| Total current liabilities | (7,033,726) | (5,514,116) | (506,435) | (235,532) | (1,068,782) | (678,305) | (8,608,943) | (6,427,953) |
| Non current liabilities | | | | | | | | |
| Financial liabilities | (38,700) | (497,194) | (5,371,294) | (3,335,822) | - | - | (5,409,994) | (3,833,016) |
| Other non-current liabilities | (1,679,869) | (1,670,951) | - | - | - | - | (1,679,869) | (1,670,951) |
| Total non-current liabilities | (1,718,569) | (2,168,145) | (5,371,294) | (3,335,822) | - | - | (7,089,863) | (5,503,967) |
| Net assets | 6,307,273 | 5,829,844 | 1,572,152 | 1,446,964 | 438,395 | 452,285 | 8,317,820 | 7,729,093 |
| Reconciliation to carrying amounts: | | | | | | | | |
| Group | | | | | | | | |
| Opening net assets at 1 April 2015: | 5,829,844 | 5,355,310 | 1,446,964 | 1,622,760 | 452,285 | 400,682 | 7,729,093 | 7,378,752 |
| Profit for the period | 1,053,665 | 986,903 | 433,147 | 532,087 | 134,919 | 85,361 | 1,621,731 | 1,604,351 |
| Other comprehensive income | 58,325 | 60,730 | 187,330 | - | (31,809) | 13,042 | 213,846 | 73,772 |
| Dividends paid | (634,561) | (573,099) | (495,289) | (707,883) | (117,000) | (46,800) | (1,246,850) | (1,327,782) |
| Closing net assets | 6,307,273 | 5,829,844 | 1,572,152 | 1,446,964 | 438,395 | 452,285 | 8,317,820 | 7,729,093 |

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

## 20 INVESTMENT IN ASSOCIATES (CONTINUED)

The tables below provide summarised financial information for associates. The information disclosed reflects the amounts presented in the financial statements of the associates and not Centum Investment Company Limited's share of those amounts. They have been amended to reflect adjustments made when using the equity method, including fair value adjustments. There were no modifications for differences in accounting policy in 2016 and 2015.

| | Fast moving consumer goods | | Financial services | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 | 2016 Ksh'000 | 2015 Ksh'000 |
| Summarised statement of comprehensive income | | | | | | | | |
| Revenue | 19,292,074 | 18,276,662 | 680,564 | 1,858,926 | 813,054 | 516,793 | 20,785,692 | 20,652,381 |
| Interest income | 21,378 | 26,685 | 2,740,915 | 2,176,950 | - | - | 2,762,293 | 2,203,635 |
| Interest expense | (151,590) | (77,887) | (773,086) | (463,708) | 8,894 | 1 | (915,782) | (541,594) |
| Income tax expense | (489,050) | (469,326) | (225,238) | (252,120) | 36,730 | 19,146 | (677,558) | (702,300) |
| Profit/(loss) for the period | 1,053,665 | 986,903 | 384,159 | 495,626 | 85,702 | 44,673 | 1,523,526 | 1,527,202 |
| Other comprehensive income | 58,325 | 16,758 | 187,330 | - | (31,809) | 13,042 | 213,846 | 29,800 |
| Total comprehensive income | 1,111,990 | 1,003,661 | 571,489 | 495,626 | 53,893 | 57,715 | 1,737,372 | 1,557,002 |
| Dividends received from Associates | 175,266 | 233,435 | - | - | 40,950 | 38,271 | 216,216 | 271,706 |

Centum's 21.5% investment in AON Minet and 9% in Platcorp Limited were disposed off during the year. The realised gains were as follows:

| | 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| Proceeds on disposal | 1,792,567 | 1,027,651 |
| Carrying value | (480,603) | (12,298) |
| Gain | 1,311,964 | 1,015,353 |

***Commitments and contingent liabilities in respect of Associates***

There are no contingent liabilities relating to the Group's investment in associates.

## 21 INVESTMENT IN JOINT VENTURES

Set out below are the joint ventures of the group as at 31 March 2016. 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 | |
|---|---|---|---|
| | | 2016 | 2015 |
| Two Rivers Lifestyle Center Limited | Mauritius | 50% | 100% |
| Broll Kenya Limited | Kenya | 30% | 30% |
| Amu Power Limited | Kenya | 51% | 51% |
| Funscapes Two Rivers Limited | Kenya | - | 50% |

Movements in joint ventures are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| At start of year | 1,647,027 | - | 1,647,027 | - |
| Additions during the year | 373,288 | 1,629,559 | 373,288 | 1,629,559 |
| Disposal of subsidiary with retention of jont venture interest | 6,426,000 | - | - | - |
| Foreign exchange gains | 143,133 | 17,468 | 143,133 | 17,468 |
| Reclassification of joint venture assets on termination of business | (19,322) | - | (19,322) | - |
| | 8,570,126 | 1,647,027 | 2,144,126 | 1,647,027 |

The three entities were incorporated in the previous financial year and had not commenced operations at 31 March 2015.

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 for associates for the year ended 31 December 2015 to account for the group's joint ventures using the equity method. Significant transactions in the intermediate period are adjusted.

### Financial information of Joint Ventures

The significant joint ventures of the Group are Amu Power Limited and Two Rivers Lifestyle Center (following the deemed disposal as described under Note 19). The carrying amount of the investment in Amu Power Limited is at the historical cost and represents the group's investment in the company's power project. The carrying amount of the investment in Two Rivers Lifestyle Center Limited represents the fair value of the investment recorded as at 31 March 2016. The company's financial results for the year ended 31 March 2016 were consolidated in the group's performance. The company was then deconsolidated on 31 March 2016, as described under Note 19.

## 22 UNQUOTED INVESTMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Opening valuation | 6,678,014 | 5,699,310 | 6,027,867 | 5,495,272 |
| Movements in the year: | | | | |
| Additions | - | 712,414 | - | 51,533 |
| Reclassification | - | - | (59,232) | - |
| Disposals (Note 11) | - | (652,809) | - | (613,122) |
| Reserves released on disposal (Note 11) | - | (2,219,286) | - | (2,202,949) |
| Translation differences | - | 2,204 | - | - |
| Fair value (losses) / gains | (700,816) | 3,136,181 | (423,634) | 3,297,133 |
| | (700,816) | 978,704 | (482,866) | 532,595 |
| Closing valuation | 5,977,198 | 6,678,014 | 5,545,001 | 6,027,867 |

The fair value of unquoted investments is determined by using the earnings multiples method using multiples as derived from comparable companies at the year-end date, adjusted for points of difference between the comparable company and the company being valued. Unquoted investments are non-current assets.

## 23 QUOTED INVESTMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Opening valuation | 2,979,170 | 3,036,299 | 406,274 | 686,348 |
| Movements in the year: | | | | |
| Additions | 741,427 | 785,816 | - | - |
| On acquisition of subsidiary | - | 2,964 | - | - |
| Disposals (Note 11) | (1,539,208) | (904,719) | (161,032) | (174,966) |
| Reserves released on disposal (Note 11) | (914,456) | (638,958) | (781) | (175,655) |
| Translation differences | (65,284) | (8,089) | - | - |
| Fair value gains/(losses) | 167,383 | 705,857 | (88,342) | 70,547 |
| | (1,610,138) | (57,129) | (250,155) | (280,074) |
| Closing valuation | 1,369,032 | 2,979,170 | 156,119 | 406,274 |

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. Quoted investments are non-current assets.

## 24 LOAN AND ADVANCES

| | GROUP | |
|---|---|---|
| | 2016<br>Kshs'000 | 2015<br>Kshs'000 |
| Term loans | 12,799,261 | 10,821,206 |
| Overdrafts | 1,000,612 | 982,922 |
| Gross loans and advances | 13,799,873 | 11,804,128 |
| Interest in suspense | (151,835) | (85,944) |
| Provision for impaired loans and advances | (694,364) | (656,732) |
| | 12,953,674 | 11,061,452 |
| Analysis of gross loans and advances by maturity | | |
| Maturing within one year | 2,848,501 | 3,017,223 |
| Between two and three years | 1,658,601 | 3,833,992 |
| Over 3 years | 9,292,771 | 4,952,913 |
| | 13,799,873 | 11,804,128 |

Loans and advances relate to Sidian Bank Limited.

The aggregate amount of non-performing advances was Shs 1,807,420,000 (2015:Shs 1,255,074,000) against which provisions of Shs 694,364,000 (2015 Shs 656,732,000) in addition to the suspended interest as shown above. The weighted average effective interest rate on loans and advances as at 31 March 2016 was 21% (2015: Shs 21%).

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

| | 2016<br>Kshs'000 | 2015<br>Kshs'000 |
|---|---|---|
| Fair value of collateral held | 15,156,525 | 14,293,472 |

The movement in provisions for impairment of loans and advances are as follows:

| | GROUP | |
|---|---|---|
| | 2016<br>Kshs'000 | 2015<br>Kshs'000 |
| Profit and Loss: | | |
| Provision in the year | 243,238 | 74,616 |
| Recoveries on amounts previously provided for | - | (25,501) |
| | 243,238 | 49,115 |

## 24 LOAN AND ADVANCES (CONTINUED)

Statement of financial position (Group)

| Year ended 31 March 2016 | Individually assessed Shs'000 | Collectively assessed Shs'000 | Total Shs'000 |
|---|---|---|---|
| At start of year | 642,868 | 99,807 | 742,675 |
| Provision for loan impairment | 223,749 | 6,375 | 230,124 |
| Loans written off | (278,335) | - | (278,335) |
| Write back of provisions | - | - | - |
| Suspended interest | 151,835 | - | 151,835 |
| | 97,249 | 6,375 | 103,624 |
| At end of year | 740,117 | 106,182 | 846,299 |
| Year ended 31 March 2015 | | | |
| At start of year | 520,148 | 101,981 | 622,129 |
| Provision for loan impairment | 51,288 | - | 51,288 |
| Loans written off | (14,513) | - | (14,513) |
| Write back of provisions | - | - | - |
| Decrease in provisions for collectively assessed loans and advances | - | (2,174) | (2,174) |
| Interest in suspense | 85,945 | - | 85,945 |
| | 122,720 | (2,174) | 120,546 |
| At end of year | 642,868 | 99,807 | 742,675 |

## 25 GOVERNMENT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 |
|---|---|---|
| Opening valuation | 366,100 | 772,046 |
| Movements in the year: | | |
| Additions | 456,641 | 67,912 |
| Disposals | (207,000) | (472,001) |
| Accrued interest | 4,958 | - |
| Fair value losses (Note 6) | (35,960) | (1,857) |
| | 218,639 | (405,946) |
| Closing valuation | 584,739 | 366,100 |

Changes in fair values of government securities at fair value through profit and loss are recorded in 'income' in the income statement (Note 6).

## 26 GOVERNMENT SECURITIES AT AMORTISED COST

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 |
|---|---|---|
| At beginning of year | 2,734,420 | - |
| Movements in the year: | | |
| Additions | 1,555,432 | 844,886 |
| On acquisition of subsidiary | - | 1,828,383 |
| Disposals | (1,808,114) | - |
| Interest receivable | 20,759 | 61,151 |
| | (231,923) | 2,734,420 |
| At end of year | 2,502,497 | 2,734,420 |

## 27 CORPORATE BONDS AT AMORTISED COST

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 |
|---|---|---|
| At beginning of year | 326,099 | 299,000 |
| Movements in the year: | | |
| Additions | 859,806 | 185,599 |
| Accrued interest | 30,681 | - |
| Interest receipts | (15,011) | |
| Disposals | (297,982) | (158,500) |
| At end of year | 903,593 | 326,099 |

The maturity profile of government securities and corporate bonds is set out below:

| | 0-180 days Kshs'000 | 181 days - 1 year Kshs'000 | 1 - 5 years Kshs'000 | Over 5 years Kshs'000 |
|---|---|---|---|---|
| Government securities at fair value through profit and loss | - | 397,560 | 91,267 | 95,912 |
| Government securities at amortised cost | 194,020 | - | 899,129 | 1,409,348 |
| Corporate bonds at amortised cost | 105,972 | 50,000 | 447,621 | 300,000 |
| | 299,992 | 447,560 | 1,438,017 | 1,805,260 |

## 28 INVENTORIES

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 |
|---|---|---|
| Raw materials | 560,715 | 262,093 |
| Finished products | 166,901 | 147,534 |
| Bottles, crates and crowns | 20,107 | 466,048 |
| Spare parts and other inventories | 314,370 | 207,992 |
| Provision for obsolescence | (78,383) | - |
| | 983,710 | 1,083,667 |

Inventories are held in Almasi Beverages Limited and King Beverages Limited. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to Shs 5,365,147,000 (2015 Shs 22,881,000).

## 29 RECEIVABLES AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Trade receivables | 557,045 | 869,718 | - | - |
| Less: Provision for impairment | (28,304) | (68,148) | - | - |
| Net trade receivables | 528,741 | 801,570 | - | - |
| VAT recoverable | 532,276 | 675,720 | - | - |
| Other receivables | 620,989 | 212,053 | 340,561 | 3,018 |
| Prepayments | 226,586 | - | - | - |
| Dividends receivable | 3,398 | 100,136 | 3,398 | 100,137 |
| Interest receivable | - | 50,504 | - | 21,098 |
| Amounts due from related parties | - | - | 8,334,222 | 7,938,137 |
| | 1,911,990 | 1,839,983 | 8,678,181 | 8,062,390 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Movement in provision for impairment | | | | |
| At start of year | 68,148 | - | - | - |
| Charge in the year | - | 68,148 | - | - |
| Write back of provisions | (39,844) | - | - | - |
| At end of year | 28,304 | 68,148 | - | - |

## 30 CASH AND CASH EQUIVALENTS

| | GROUP 2016 Kshs'000 | GROUP 2015 Kshs'000 | COMPANY 2016 Kshs'000 | COMPANY 2015 Kshs'000 |
|---|---|---|---|---|
| Call deposits (maturing within 90 days) | 3,961,372 | 4,390,001 | 2,957,164 | 3,514,007 |
| Bank balances | 6,236,088 | 4,616,347 | 959,036 | 158,870 |
| | 10,197,460 | 9,006,348 | 3,916,200 | 3,672,877 |

At 31 March 2016 the Group had undrawn committed borrowing facilities amounting to Kshs 2,300,000,000 (2015: Kshs 2,700,000,000 ). The effective interest rate for the bank overdraft is 17.5% (2015: 14.5%). The overdraft facility is secured by a floating charge over all the listed Kenya securities.

## 31 SHARE CAPITAL AND PREMIUM

| | GROUP AND COMPANY | | |
|---|---|---|---|
| | Number of shares (in thousands) | Ordinary shares Kshs'000 | Share Premium Kshs'000 |
| At 1 April 2014, 31 March 2015 and 31 March 2016 | 665,442 | 332,721 | 589,753 |

The total authorised number of ordinary shares is 800,000,000 with a par value of Kshs 0.50 per share. 665,441,714 shares were issued and fully paid up as at 31 March 2015 and 2016.

## 32 OTHER RESERVES

| | GROUP | | | COMPANY |
|---|---|---|---|---|
| | Investment revaluation Kshs'000 | Currency translation Kshs'000 | Total other reserves Kshs'000 | Investment revaluation Kshs'000 |
| At 1 April 2014 | 6,170,187 | - | 6,170,187 | 15,962,362 |
| Reserves released on disposal of investments | (2,858,244) | - | (2,858,244) | (2,378,244) |
| Share of other comprehensive income of associates | 176,833 | - | 176,833 | - |
| Fair value gains in associates | - | - | - | 2,414,546 |
| Fair value gains in subsidiaries | - | - | - | 1,614,013 |
| Fair value gain in unquoted investments | 3,179,141 | - | 3,179,141 | 3,297,133 |
| Fair value gain in quoted investments | 705,857 | - | 705,857 | 70,547 |
| Revaluation surplus on property | 55,240 | - | 55,240 | - |
| Currency translation differences | - | (6,144) | (6,144) | - |
| Deferred tax on revaluation gains | (400,917) | - | (400,917) | (882,308) |
| At 31 March 2015 | 7,028,097 | (6,144) | 7,021,953 | 20,098,049 |
| At 1 April 2015 | 7,028,097 | (6,144) | 7,021,953 | 20,098,049 |
| Reserves released on disposal of investments | (1,108,625) | - | (1,108,625) | (954,920) |
| Share of other comprehensive income of associates | (958,441) | - | (958,441) | - |
| Fair value losses in associates | - | - | - | (556,845) |
| Fair value gains in subsidiaries | - | - | - | 7,836,094 |
| Fair value losses in unquoted investments | (700,816) | - | (700,816) | (423,634) |
| Fair value gain / (loss) in quoted investments | 167,383 | - | 167,383 | (88,342) |
| Currency translation differences | - | 119,586 | 119,586 | - |
| Deferred tax on revaluation gains | 133,917 | - | 133,917 | (306,056) |
| At 31 March 2016 | 4,561,515 | 113,442 | 4,674,957 | 25,604,346 |

## 32 OTHER RESERVES (CONTINUED)

### 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.

## 33 SHAREHOLDER LOANS

| | GROUP | |
|---|---|---|
| | 2016<br>Kshs'000 | 2015<br>Kshs'000 |
| Avic International-JWHC Mauritius Limited | - | 6,463,347 |
| Industrial and Commercial Development Corporation (ICDC) | - | 461,669 |
| At 1 April 2014 and 31 March 2015 | - | 6,925,016 |

In 2015, Avic International-JWHC Mauritius Limited and ICDC who are minority shareholders in Two Rivers Development Limited (TRDL) had advanced an amount of KES 6.9 billion to TRDL for the construction and development of the Two Rivers Project. The funds were advanced in the form of a shareholder loan at no interest rate and with an initial moratorium of 4 years that could be extended for an undefined period.

In 2016, the shareholder loans have been converted to equity in TRDL resulting in the two entities holding 38.9% and 2.80% respectively in the equity of TRDL.

## 34 CUSTOMER DEPOSITS

| | GROUP | |
|---|---|---|
| | 2016<br>Kshs'000 | 2015<br>Kshs'000 |
| Call and fixed deposits | 5,842,119 | 6,194,317 |
| Current and demand accounts | 3,040,465 | 3,486,312 |
| Savings accounts - Micro savers | 2,637,888 | 2,400,556 |
| - Other | 492,279 | 284,960 |
| Accrued interest | 27,113 | 34,473 |
| | 12,039,864 | 12,400,618 |
| **Analysis of customer deposits by maturity:** | | |
| Payable within one year | 9,533,707 | 10,933,705 |
| Between one year and three years | 2,506,157 | 1,466,913 |
| | 12,039,864 | 12,400,618 |

Customer deposits are held in Sidian Bank Limited.

## 35 BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Term loans | 659,326 | 1,015,632 | - | - |
| Bank borrowings | 2,549,113 | 4,254,832 | - | 3,316,749 |
| Corporate bond | 10,474,987 | 4,252,526 | 10,474,987 | 4,252,526 |
| Overnight borrowings | 2,672,794 | 459,610 | - | - |
| | 16,356,220 | 9,982,600 | 10,474,987 | 7,569,275 |
| **(a) Term loans** | | | | |
| European Investment Bank | 376,044 | 564,066 | - | - |
| Oiko Credit | 215,072 | 317,769 | - | - |
| Government of Kenya – SME | 68,210 | 133,797 | - | - |
| | 659,326 | 1,015,632 | - | - |

Term loans are held at Sidian Bank Limited.

The weighted average effective interest rate on the borrowings as at 31 March 2016 was 8.76% (2015: 7.79%). The borrowings are measured at amortised cost and are all unsecured.

The first tranche of the European Investment Bank (EIB) loan of Kshs 220 million was received in October 2012 at a fixed rate of 9.35% p.a. The total loan amount signed with EIB is 7 million Euros denominated in local currency. The principal of the first tranche is payable semi-annually after a grace period of 1 year over a period of 5 years. The second tranche of Kshs 564 million was received in June 2013 at a fixed rate of 9.19% p.a. The second tranche principal and interest are repayable semi-annually over a period of 5 years.

Oiko Credit loan of Kshs 300 million was received on 22 September 2014. It accrues interest at a rate of 11.07% for the first six months. Thereafter, the net interest rate will be reviewed by Oiko Credit and adjusted semi-annually based on the 182 day T bill rate plus a margin of 1.25% subject to a minimum rate of 10% p.a. The interest is repayable semi-annually. The loan will be paid in 3 equal instalments of Kshs 100 million after 12 months from the date of disbursement.

The Small and Medium Enterprises (SME) loan of Shs 250 million was received in June 2011. It is repayable in 4 annual installments with a grace period of 1 year. The loan attracts interest at a rate of 4%.

## 35 BORROWINGS (CONTINUED)

### (b) Bank borrowings

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| First Rand Bank Limited | - | 3,316,749 | - | 3,316,749 |
| Kenya Commercial Bank Limited | 1,030,781 | 751,003 | - | - |
| Coca Cola Export Corporation | 1,007,991 | 187,080 | - | - |
| Chase Bank Limited | 510,341 | - | - | - |
| | 2,549,113 | 4,254,832 | - | 3,316,749 |
| Movement in bank borrowings was as follows: | | | | |
| At start of year | 4,254,832 | - | 3,316,749 | - |
| Received during the year | 742,422 | 3,151,465 | - | 3,151,465 |
| On acquisition of subsidiary | - | 938,083 | - | - |
| Revaluation loss | (9,887) | 80,260 | 20,338 | 80,260 |
| Accrued interest | 583,860 | 85,024 | 139,798 | 85,024 |
| Repaid during the year | (3,022,114) | - | (3,476,885) | - |
| | 2,549,113 | 4,254,832 | - | 3,316,749 |

#### 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.

#### 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 2016 was 3.69%.

#### Chase Bank Kenya Limited

The loan from Chase Bank Limited was advanced to Two Rivers Development Limited 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.

#### First Rand Bank Limited

In 2015, Centum Investment Company Limited obtained a 12 month loan facility from FirstRand Bank Limited (acting through its Rand Merchant Division acting as agent) for US$ 35,000,000 at an interest rate of 5.75% plus US LIBOR per annum. The facility was secured by a charge over the company's shares in Nairobi Bottlers Limited and Almasi Beverages Limited.

The facility was fully repaid during the year.

## 35 BORROWINGS (CONTINUED)

### (c) Corporate bond

| | GROUP AND COMPANY 2016 Kshs'000 | 2015 Kshs'000 |
|---|---|---|
| At start of year | 4,252,526 | 4,201,029 |
| Additions | 6,000,001 | - |
| Accrued interest | 1,177,274 | 553,136 |
| Interest paid | (934,429) | (553,136) |
| Amortisation of bond related expenses | (135,415) | 37,524 |
| Additional accrued interest on Equity-linked note | 115,030 | 13,973 |
| | 10,474,987 | 4,252,526 |

Centum Investment Company Limited successfully issued a 5 year bond in 2012 and raised Kshs 4,167,900,000. This comprised of fixed rate notes of Kshs 2,917,530,000 at an interest rate of 13.5% and equity-linked notes of Kshs 1,250,370,000 at 12.75% 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 15% of the face value of the bond.

In 2015, the company successfully issued another 5 year bond and raised Kshs 6,000,000,000. This comprised of fixed rate notes of Kshs 3,899,226,700 at an interest rate of 13% and equity linked notes of Kshs 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.

## 36 TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Trade payables | 748,598 | - | - | - |
| Amounts due to property contractors | 309,091 | - | - | - |
| Accruals | 170,177 | - | - | - |
| Other payables | 1,092,850 | 2,011,781 | 47,320 | 36,381 |
| Leave pay accrual | 29,292 | 19,121 | 5,128 | 3,669 |
| Amounts due to related parties | - | - | 188,392 | 62,411 |
| Bonus accrual | 987,492 | 1,046,770 | 330,400 | 484,779 |
| | 3,337,500 | 3,077,672 | 571,240 | 587,240 |

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

## 37 UNCLAIMED DIVIDENDS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| At start of year | 78,027 | 28,987 | 77,271 | 28,987 |
| Remmitance to Unclaimed Financial Assets Authority (UFAA) | (71,250) | (517) | (70,494) | (517) |
| Dividend write back (Note 6) | - | 48,801 | - | 48,801 |
| On acquisition of subsidiary | - | 756 | - | - |
| At end of year | 6,777 | 78,027 | 6,777 | 77,271 |

## 38 EQUITY LINKED NOTE ASSET/LIABILITY

| | GROUP | |
|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 |
| At start of year | 4,928,006 | 843,073 |
| Additions | - | 8,606,327 |
| Disposals | (4,928,006) | (4,458,416) |
| Translation differences | - | (62,978) |
| | - | 4,928,006 |

The equity-linked notes are held in Centum Exotics Limited and are matched by specific equity investments.

## 39 CASH GENERATED FROM OPERATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Reconciliation of profit before income tax to cash generated from operations | | | | |
| Profit before income tax | 10,872,693 | 8,817,159 | 1,955,409 | 5,144,599 |
| Adjustments for: | | | | |
| Finance costs | 3,076,286 | 998,345 | 1,510,623 | 669,463 |
| Depreciation on property, plant and equipment | 1,061,382 | 53,868 | - | - |
| Amortisation of intangible assets | 74,547 | 20,647 | 652 | 337 |
| Gains on disposal of investments | (5,419,394) | (6,288,651) | (989,527) | (5,326,920) |
| Gain on remeasuring to fair value the existing interest in Sidian Bank on acquisition of control | - | (19,908) | - | - |
| Gain on remeasuring to fair value the existing interest in Almasi Beverages on acquisition of control | - | (807,063) | - | - |
| Fair value gains on investment property | (5,118,581) | (1,737,045) | - | - |
| Fair value loss on government securities through profit and loss | 35,960 | 1,857 | - | - |
| Gain on disposal of investment property | (165,015) | (78,707) | - | - |
| Share of profit from associates | (1,074,114) | (447,710) | - | - |
| Reversal of previously written back unclaimed dividend | - | 48,801 | | |
| Changes in working capital | | | | |
| - inventories | 99,957 | (25,119) | - | - |
| - receivables and prepayments | (72,007) | (1,003,449) | (219,706) | (96,754) |
| - payables and accrued expenses | 259,828 | 1,318,719 | (16,000) | 260,927 |
| Cash generated from operations | 3,631,542 | 851,744 | 2,241,451 | 651,652 |

## 40 RELATED PARTY TRANSACTIONS

Centum Investment Company Limited 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 | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| i) Purchase of goods and services | | | | |
| Office rent (paid to entity controlled by a director) | 12,547 | 9,804 | 3,406 | 9,804 |
| Management fees paid to a subsidiary | - | - | 133,623 | 141,825 |
| Asset management fees paid to a subsidiary | - | - | 2,222 | 10,006 |
| Insurance premiums (paid to an associate) | - | 18,706 | 6,054 | 18,706 |
| At end of year | 12,547 | 28,510 | 145,305 | 180,341 |

## 40 RELATED PARTY TRANSACTIONS (CONTINUED)

| | GROUP | |
|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 |
| **ii) Interest income** | | |
| Interest income earned on deposits placed with a subsidiary | 110,848 | - |

**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 | |
|---|---|---|---|---|
| | 2016 Kshs'000 | 2015 Kshs'000 | 2016 Kshs'000 | 2015 Kshs'000 |
| Salaries | 221,985 | 172,840 | 39,877 | 34,609 |
| Performance bonus | 472,760 | 340,545 | 290,279 | 204,115 |
| Retirement benefit scheme contribution | 16,758 | 11,415 | 2,996 | 3,405 |
| | 711,503 | 524,800 | 333,152 | 242,129 |
| **iv) Directors' remuneration** | | | | |
| Fees for services as a non-executive director | 85,479 | 32,995 | 15,897 | 12,533 |
| Other included in key management compensation above | 201,150 | 160,566 | 201,150 | 160,566 |
| | 286,629 | 193,561 | 217,047 | 173,099 |
| **(v) Outstanding related party balances** | | | | |
| Amounts due to subsidiaries | - | - | 188,392 | 62,411 |
| Amounts due from subsidiaries | - | - | 8,334,222 | 7,938,137 |

## 41 FINANCIAL INSTRUMENTS BY CATEGORY

### (a) Financial assets

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | At fair value through profit or loss Ksh'000 | Held to maturity Ksh'000 | Loans and receivables Ksh'000 | Available-for-sale Ksh'000 | At fair value through profit or loss Ksh'000 | Held to maturity Ksh'000 | Loans and receivables Ksh'000 | Available-for-sale Ksh'000 |
| At 31 March 2016: | | | | | | | | |
| Government securities | 584,739 | 2,502,497 | - | - | - | - | - | - |
| Corporate bonds | - | 903,593 | - | - | - | - | - | - |
| Loans and advances | - | - | 12,953,674 | - | - | - | - | - |
| Call deposits | - | - | 3,961,372 | - | - | - | 2,957,164 | - |
| Bank balances | - | - | 6,236,088 | - | - | - | 959,036 | - |
| Trade and other receivables | - | - | 1,681,869 | - | - | - | 8,678,181 | - |
| Investment in subsidiaries | - | - | - | - | - | - | - | 25,411,172 |
| Investment in associates | - | - | - | 4,477,705 | - | - | - | 5,655,429 |
| Investment in joint ventures | - | - | - | 8,570,126 | - | - | - | 2,144,126 |
| Unquoted investments | - | - | - | 5,977,198 | - | - | - | 5,545,001 |
| Quoted investments | - | - | - | 1,369,032 | - | - | - | 156,119 |
| Equity-linked note | - | - | - | - | - | - | - | - |
| | 584,739 | 3,406,090 | 24,833,003 | 20,394,061 | - | - | 12,594,381 | 38,911,847 |
| At 31 March 2015: | | | | | | | | |
| Government securities | 366,100 | 2,734,420 | - | - | - | - | - | - |
| Corporate bonds | - | 326,099 | - | - | - | - | - | - |
| Loans and advances | - | - | 11,061,452 | - | - | - | - | - |
| Call deposits | - | - | 4,390,001 | - | - | - | 3,514,007 | - |
| Bank balances | - | - | 4,616,347 | - | - | - | 158,870 | - |
| Trade and other receivables | - | - | 1,839,983 | - | - | - | 8,062,390 | - |
| Investment in subsidiaries | - | - | - | - | - | - | - | 14,331,027 |
| Investment in associates | - | - | - | 3,967,486 | - | - | - | 7,178,711 |
| Investment in joint ventures | - | - | - | 1,647,027 | - | - | - | 1,647,027 |
| Unquoted investments | - | - | - | 6,678,014 | - | - | - | 6,027,867 |
| Quoted investments | - | - | - | 2,979,170 | - | - | - | 406,274 |
| Equity-linked note | - | - | - | 4,928,006 | - | - | - | - |
| | 366,100 | 3,060,519 | 21,907,783 | 20,199,703 | - | - | 11,735,267 | 29,590,906 |

### (b) Financial liabilities

All the Group's financial liabilities are measured at amortised cost, except the equity-linked note liability which is measured at fair value. The carrying value of the Group's and the Company's financial liabilities at the end of 2016 and 2015 is shown on note 4.

## 42 COMMITMENTS

### (a) Capital commitments

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2016 Kshs'000** | 2015 Kshs'000 | **2016 Kshs'000** | 2015 Kshs'000 |
| Authorised and contracted for | 3,662,414 | 118,501 | - | - |
| Authorised but not contracted for | - | 772,616 | - | - |
| | 3,662,414 | 891,117 | - | - |

### (b) Operating lease commitments

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2016 Kshs'000** | 2015 Kshs'000 | **2016 Kshs'000** | 2015 Kshs'000 |
| Within one year | 80,303 | 154,691 | 1,229 | 1,170 |
| Within the second to fourth years inclusive | 171,119 | 416,793 | 4,667 | 4,445 |
| | 251,422 | 571,484 | 5,896 | 5,615 |

## 43 CONTINGENCIES

### (a) Legal suits

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.

### (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 | |
|---|---|---|
| | **2016 Kshs'000** | 2015 Kshs'000 |
| Letters of credit and performance bonds | 220,728 | 124,597 |

## 44 BUSINESS COMBINATIONS

Year ended 31 March 2016

(i) Vipingo Estates Limited

On 15 December 2015, Centum Investment Company Limited acquired 100% of the shares in Vipingo Estates Limited, previously owned by Rea Vipingo Limited. Vipingo Estates Limited is a land holding company.

The following table summarises the consideration paid for Vipingo Estates Limited, the fair value of assets acquired and liabilities assumed at the acquisition date.

| | 2016<br>Kshs'000 |
|---|---|
| Cash consideration paid | 386,235 |
| Fair value of assets acquired (see below) | (386,235) |
| Goodwill | - |
| Fair value of assets acquired | |
| Investment property | 387,196 |
| Cash and cash equivalents | 40 |
| Other receivables | 2,602 |
| Accrued liabilities | (3,603) |
| | 386,235 |

## 44 BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 March 2015

(i) K-Rep Bank Limited (Now renamed Sidian Bank Limited)

On 20 November 2015, Bakki Holdco Limited obtained control of K-Rep Bank Limited, a company involved in the provision of banking services, by acquiring 65.88 % of the shares and voting interests in the company. Bakki Holdco Limited is a wholly owned subsidiary of Centum Investment Company Limited ("Centum"), which owns 65.88% of K-Rep Bank Limited. Centum is listed on the Nairobi Securities Exchange and owns a further 1.66% of the Bank. The acquisition of the shares of the Bank by Bakki Holdco Limited was in exercise of Centum's pre-emptive rights as provided in the Bank's memorandum and articles of association.

The following table summarises the consideration paid for K-Rep Bank Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

| | Kshs'000 |
|---|---|
| Cash consideration paid | 2,355,028 |
| Fair value of previously held interest | 59,707 |
| Total consideration | 2,414,735 |
| Fair value of assets acquired (see below) | (2,318,754) |
| Non-controlling interest at acquisition | 752,667 |
| Goodwill | 848,648 |
| Fair value of assets acquired | |
| Cash and cash equivalents | 2,173,485 |
| Property, plant and equipment | 406,837 |
| Government securities | 1,828,383 |
| Loans and advances | 10,312,847 |
| Receivables and other assets | 212,026 |
| Bank borrowings | (999,923) |
| Customer deposits | (11,297,701) |
| Payables and other liabilities | (317,200) |
| | 2,318,754 |
| Non-controlling interest at acquisition | 752,667 |
| Majority interest at acquisition | 1,566,087 |
| | 2,318,754 |

The revenue included in the consolidated statement of comprehensive income since 30 November 2015 contributed by K-Rep Bank Limited was Kshs 1,059,050,622 and the profit after tax contribution for the same period was Kshs 233,729,763. Had K-Rep Bank Limited been consolidated from 1 April 2015, the consolidated statement of income would include revenue of Kshs 3,134,555,570 and profit after tax of Kshs 493,933,813.

The Company and Group recognised a gain of Kshs 19,908,131 as a result of measuring at fair value its 1.66% equity interest in K-Rep Bank Limited held before the business combination. The gain is included in income in the Group's consolidated income statement for the year ended 31 March 2015 and in other comprehensive income in the Company's statement of comprehensive income.

## 44 BUSINESS COMBINATIONS (CONTINUED)

### Year ended 31 March 2015 (continued)

### (ii) Almasi Beverages Limited

On 31 March 2015, Centum Investment Company Limited obtained control of Almasi Beverages Limited, an investment holding company by acquiring an additional 3% of the shares and voting interests in the company thereby increasing Centum Investment Comany Limited's shareholding to 50.95%. Almasi Beverages Limited is the investment holding company for Mount Kenya Bottlers Limited, Kisii Bottlers Limited 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.

The following table summarises the consideration paid for Almasi Beverages Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

| | Kshs'000 |
|---|---|
| Cash consideration paid | 182,727 |
| Fair value of previously held interest | 3,039,060 |
| Total consideration | 3,221,787 |
| Fair value of assets acquired (see below) | (3,756,671) |
| Non-controlling interest at acquisition | 1,886,423 |
| Goodwill | 1,351,539 |
| Fair value of assets acquired | |
| Cash and cash equivalents | 952,989 |
| Property, plant and equipment | 3,774,506 |
| Inventories | 1,058,548 |
| Receivables and other assets | 449,978 |
| Bank borrowings | (938,083) |
| Tax payable | (114,905) |
| Deferred tax liability | (228,375) |
| Payables and other liabilities | (1,197,987) |
| | 3,756,671 |
| Non-controlling interest at acquisition | 1,886,423 |
| Majority interest at acquisition | 1,870,248 |
| Total net assets acquired during the year | 3,756,671 |

The Company and Group recognised a gain of Kshs 807,062,808 as a result of measuring at fair value its 47.95% equity interest in Almasi Beverages Limited held before the business combination. The gain was included in income in the Group's consolidated income statement for the year ended 31 March 2015 and in other comprehensive income in the Company's statement of comprehensive income.

## 44 BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 March 2015 (continued)

### (iii) GenaAfrica Asset Managers Limited

On 1 December 2013, Centum Investment Company Limited obtained control of GenaAfrica Asset Managers Limited, a company involved in the provision of fund management services, by acquiring 73.35% of the shares and voting interests in the company. The following table summarises the consideration paid for GenaAfrica Asset Managers Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

| | Kshs'000 |
|---|---|
| Cash consideration paid | 1,079,453 |
| Fair value of assets acquired (see below) | (153,023) |
| Non-controlling interest at acquisition | 40,780 |
| Goodwill | 967,210 |
| Fair value of assets acquired | |
| Cash and cash equivalents | 128,436 |
| Property and equipment | 8,178 |
| Receivables and other assets | 92,173 |
| Deferred tax asset | 3,876 |
| Payables and other liabilities | (77,240) |
| Tax payable | (2,400) |
| | 153,023 |
| Non-controlling interest at acquisition | 40,780 |
| Majority interest at acquisition | 112,243 |
| Total net assets acquired during the year | 153,023 |

## 45 DIVIDEND PER SHARE

At the Annual General Meeting to be held on 29 September 2016, a first and final dividend in respect of the year ended 31 March 2016 of Shs 1.00 (2015: Nil) per share amounting to a total of Shs 665,441,714 (2015: Nil) is to be proposed. These financial statements do not reflect this dividend payable, the proposed dividend has however been transferred to a separate category of equity.

## 46 EVENTS OCCURING AFTER THE REPORTING PERIOD

On 20 May 2016, Centum Investment Company Limited ("Centum") acquired effective control of Longhorn Publishers Limited ("Longhorn") through the acquisition of 118,314,853 new shares, following a rights issue by the company. Prior to the rights issue, Centum had 45,699,225 ordinary shares in Longhorn, representing a 31.25 per cent stake. Centum now holds 164,014,078 ordinary shares in Longhorn, representing a 60.29 per cent stake.

The cash paid in the acquisition of the new shares was KShs 393, 870,534.

The financial effects of this transaction have not been recognised at 31 March 2016. The operating results and assets and liabilities of the acquired company will be consolidated from 20 May 2016. At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the acquisition of Lognhorn. In particular, the fair values of the assets and liabilities of Longhorn will be determined subsequent to the issue of the financial statements.

# ADDITIONAL DISCLOSURES

## HISTORICAL PERFORMANCE

Company's Five Year Financial Review

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION KES' MILLION** | | | | | |
| Investment in property-subsidiaries | 17,502 | 9,096 | 10,271 | 5,100 | 3,993 |
| Investments in associates and joint ventures | 7,800 | 8,826 | 6,594 | 6,153 | 7,129 |
| Unquoted investments | 5,545 | 6,028 | 5,495 | 3,539 | 1,427 |
| Quoted investments | 156 | 406 | 686 | 1,089 | 1,290 |
| Bonds at fair value | - | - | - | 106 | 480 |
| Other assets | 20,540 | 5,765 | 5,765 | 5,420 | 1,402 |
| Total Assets | 51,543 | 41,328 | 28,811 | 21,407 | 15,721 |
| Shareholder funds | 39,314 | 31,939 | 22,936 | 16,137 | 13,685 |
| Liabilities | 12,229 | 9,389 | 5,875 | 5,270 | 2,036 |
| Total Equity and Liabilities | 51,543 | 41,328 | 28,811 | 21,407 | 15,721 |
| **STATEMENT OF COMPREHENSIVE INCOME KES' MILLION** | | | | | |
| Income | 4,343 | 6,681 | 1,988 | 1,914 | 764 |
| Expenses | (2,388) | (1,536) | (893) | (843) | (277) |
| Profit before tax | 1,955 | 5,145 | 1,095 | 1,071 | 487 |
| Tax | (87) | (278) | (48) | (37) | (41) |
| Profit for the year | 1,868 | 4,867 | 1,047 | 1,034 | 446 |
| Other comprehensive income | 5,506 | 4,136 | 5,753 | 1,417 | 687 |
| Total comprehensive income | 7,374 | 9,003 | 6,800 | 2,451 | 1,133 |
| **KEY PERFORMANCE INDICATORS** | | | | | |
| Return on opening equity | 23% | 39% | 42% | 18% | 9% |
| Earnings per share | 11.75 | 10.45 | 4.54 | 3.77 | 1.79 |
| Net asset value per share | 59.07 | 48.00 | 34.47 | 24.30 | 20.60 |
| Gearing % | 16.70% | 12.00% | 25.70% | 25.70% | 7.30% |
| Price to book value per share | 0.76 | 1.32 | 1.06 | 0.82 | 0.60 |
| Cost effeciency | 1.7% | 2.1% | 1.5% | 2.3% | 1.6% |

### BOND COVENANTS

The following are to be used by the notes trustee over the period the bonds will be outstanding:

| Ratio | Covenant | Ratio Description | Ratio Formulae |
|---|---|---|---|
| Debt Service coverage | 1.5:1 | This is the ratio of the Group's internally generated cash flows to the finance costs | $\frac{\text{Internally generated cashflows}}{\text{Finance costs}}$ |
| Net debt to Equity Ratio | 1:2 | This is the ratio of Net Debt (Outstanding debt less cash and cash equivalents) to the Company's NAV | $\frac{\text{Net Debt}}{\text{Company's NAV}}$ |

## HISTORICAL PERFORMANCE

Restated Cash Flow Statements conforming with Centum's Business Model

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Operating inflows: | | | | | |
| Dividends receivable | 736,426 | 970,542 | 661,481 | 523,715 | 430,892 |
| Rent income | - | - | 17 | 7,062 | 6,136 |
| Interest receivable | 3,894,549 | 1,016,041 | 225,480 | 222,211 | 45,446 |
| Other income | 1,289,981 | 261,266 | 307,183 | (148,714) | 31,172 |
| Customer deposits | (360,754) | 1,102,917 | - | - | - |
| Proceeds from disposal of investments | 5,114,074 | 8,701,680 | 2,778,770 | 3,286,280 | 6,105,779 |
| Sale of goods | 8,240,531 | - | - | - | |
| | 18,914,807 | 12,052,446 | 3,972,931 | 3,890,554 | 6,619,425 |
| Operating outflows: | | | | | |
| Operating and administrative expenses | (9,894,452) | (1,019,796) | (129,443) | (297,496) | (299,181) |
| Loans and advances | (1,892,222) | (783,007) | - | - | - |
| Taxes paid | (1,142,320) | (552,191) | (50,825) | (25,726) | (9,897) |
| | (12,928,994) | (2,354,994) | (180,268) | (323,222) | (309,078) |
| Cash from operations | 5,985,813 | 9,697,452 | 3,792,663 | 3,567,332 | 6,310,347 |
| Cash flows from investing activities: | | | | | |
| Investments in equity | (9,808,365) | (8,744,233) | (5,051,105) | (5,095,520) | (4,769,396) |
| Investment in motor vehicle and equipment | (4,059,656) | (183,156) | (37,031) | (27,406) | (4,303) |
| | (13,868,021) | (8,927,389) | (5,088,136) | (5,122,926) | (4,773,699) |
| Cash flows from financing activities: | | | | | |
| Net proceeds from borrowings | 6,494,189 | 3,151,465 | - | 4,149,532 | - |
| Dividends paid to Company's shareholders | - | (517) | (3,517) | (1,933) | (612) |
| Dividends paid to non-controlling interests | - | (46,681) | (41,739) | - | - |
| Loan repayment | - | - | - | (1,000,000) | - |
| Interest paid | (3,031,040) | (1,251,153) | (608,493) | (400,763) | (229,872) |
| Issue of shares in subsidiary to non-controlling interests | 6,426,000 | 100 | - | - | - |
| Proceeds from shareholder loans | - | 6,834,610 | - | - | - |
| | 9,889,149 | 8,687,824 | (653,749) | 2,746,836 | (230,484) |
| Net increase/(decrease) in cash | 2,006,941 | 9,457,887 | (1,949,222) | 1,191,242 | 1,306,164 |
| Movement in cash and cash equivalents | | | | | |
| At start of year | 9,006,348 | (447,453) | 1,501,769 | 322,410 | (981,204) |
| Increase/(decrease) | 2,006,941 | 9,457,887 | (1,949,222) | 1,191,242 | 1,306,164 |
| Cash derecognised on disposal of subsidiary | (815,829) | - | - | - | - |
| Exchange losses on cash equivalents | - | (4,086) | - | (11,883) | (2,550) |
| At end of year | 10,197,460 | 9,006,348 | (447,453) | 1,501,769 | 322,410 |

| Dividend Calendar of Events | |
|---|---|
| 29th September 2016 | Annual General Meeting |
| 3rd October 2016 | Closure of register |
| 31st October 2016 | Dividend payment |
| *NOTE: the program above is subject to the approval of the Shareholders* | |

## TO REGISTER FOR ELECTRONIC COMMUNICATIONS

If you would prefer to receive shareholder communications electronically in the future including annual reports and notices of meetings, please visit our Registrar's website www.sharepowerline.com and follow the instructions to register.

For Investor Relations Information and General Enquiries:
Please visit www.centum.co.ke on the investor relations page

## HALF YEARLY REPORTS ONLINE

The 2017 half yearly information will only be available online. Please register on our website www.centum.co.ke to ensure you are notified when it becomes available.

# NOTES

# PROXY FORM

I/We:_______________________________________________

Share A/c no_____________________________________________

Of (address)_____________________________________________

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

or failing him/her the duly appointed Chairman of the Meeting to be my/our proxy, to vote for me/us and on my/our behalf at the 49th Annual General Meeting of the Company, to be held on Thursday, 29th September 2016 at Two Rivers, Limuru Road, Nairobi at 11.00 a.m. and at any adjournment thereof.

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

As witness I/We lay my/our hand(s) this ______ day of __________ 2016

Signature(s) _____________________________________________

**NOTES:**

1. This proxy form is to be delivered to the Secretary's office not later than 11.00 a.m. on Tuesday, 27th September 2016.
2. In the case of a Corporation, the proxy must be under the Common Seal or under the hand of an Officer or Attorney duly authorized.
3. There is a form provided to each shareholder to be used for voting for or against or to withhold your vote on the resolutions. If neither for nor against is struck out or your vote is not withheld you will be deemed to have authorised the Proxy to vote as they think fit.
4. Please note that voting will only take place if a poll is demanded at the meeting in accordance with sections 295 and 303 of the Companies Act No. 17 of 2015.

Mimi/Sisi_____________________________________________

Nambari ya akaunti ya hisa ________________________________

Anwani_____________________________________________

kama mwanahisa / wanahisa wa Centum investment Company limited, namteua / tunamteua ________________________________________

na akikosa, nateua/tunamteua Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu kwenye Mkutano Mkuu wa Mwaka Makala ya 49 utaofanyika Alhamisi, 29 Septemba 2016 katika Two Rivers, Limuru Road, Nairobi 11.00 a.m. ama siku yoyote ile endapo mkutano hua utahirishwa.

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

Sahihi hii/hizi imewekwa/zimewekwa Tarehe______ ya _________2016.

Sahihi _____________________________________________

**MAELEZO:**

1. Ni lazima fomu hii ya uwakilishi ijazwe kikamilifu na kufikishwa kwa Katibu wa Kampuni kabla ya saa tano asubuhi Jumanne, 27 Septemba, 2016.
2. Iwapo mteuaji ni shirika, fomu hii ya uwakilishi ni lazima ipigwe muhuri wa kampuni hiyo na walio idhinishwa.
3. Kuna fomu ya upigaji kura ambayo inafaa kutimika kuunga mkono/ dhidi ya/kuizuia kura yako. Ikiwa maamuzi ya kuunga mkono ama dhidi ya ama kuzuia kura yako haijaelekezwa katika fomu ya upigaji kura basi itaeleweka kwamba umemuidhinisha muwakilishi wako kupiga kura kama anavyofikiria.
4. Upigaji kura utafanyika iwapo kura itaitishwa katika mkutano ikiambatana na kifungu 295 na 303 ya Sheria za Kampuni (No. 17 of 2015).

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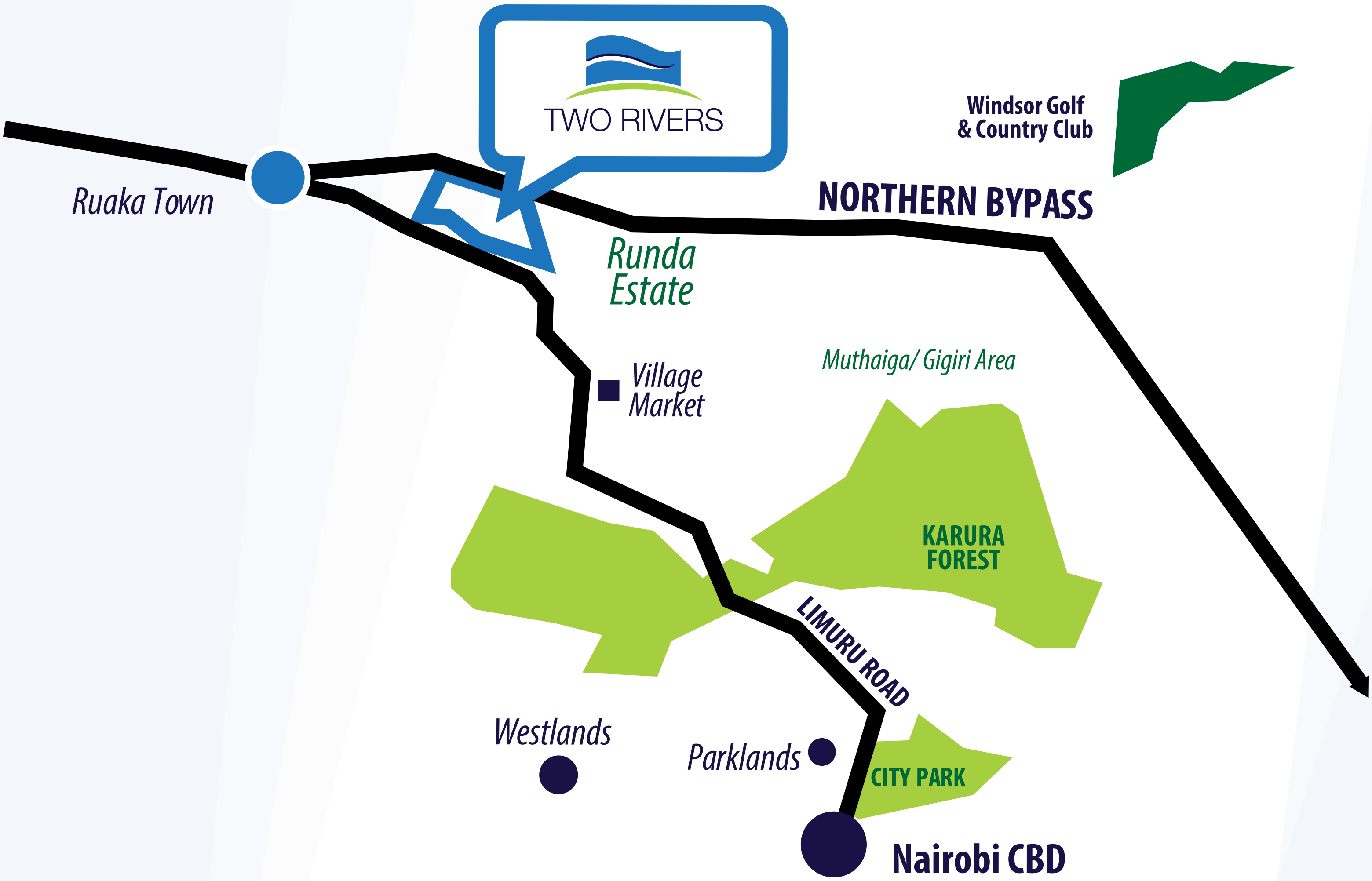
The Company Secretary
Centum Investment Company Limited
International House, 5th Floor, Mama Ngina Street
P O Box 10518, 00100
Nairobi, Kenya

# MAP TO TWO RIVERS



# REGISTRAR FORM

Experience Our Expertise

Custody and Registrars Services Limited

**CHANGE OF ADDRESS AND PAYMENT MANDATE FORM FOR CENTUM INVESTMENT COMPANY LIMITED**

Completed dividend mandate forms should be posted to Custody and Registrars Services Limited, P O Box 8484, 00100 GPO, Nairobi, Kenya or delivered by hand to 6th Floor, Bruce House, Standard Street, Nairobi, Kenya.
Email Address: centumupdate@candrgroup.co.ke Telephone: 0727804548 or 0727804635 (for CENTUM updates only)

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I/We, the undersigned, hereby authorise and instruct CENTUM INVESTMENT COMPANY LIMITED and Custody and Registrars Services Limited to maintain or update our details for payment of all dividends that may hereafter and from time to time, become due and payable to me/us by the Issuer with the payment details below. I/We, the undersigned, note that M-Pesa dividend mandates are maintained by the Registrar but that postal and bank mandate details for CDSC accounts can only be done through my/our brokers and not the Registrar. I/We understand that if our mandate details on CDSC accounts not related to M-Pesa require an update through our broker we will be notified by the Registrar.

(TICK PREFFERED METHOD OF PAYMENT):

☐ Depositing the same at any branch of the bank mentioned below for the credit of my/our account detailed below.

☐ By cheque to the new address stated below

☐ By Mpesa though Shareholder Safariom Mobile Phone number (Maximum amount of 70,000 Ksh)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

I/We understand and agree that any such deposit shall constitute a full and sufficient discharge of the Issuer's and Custody and Registrars Services Limited's obligations to make such payments to me/us and neither the Issuer nor Custody and Registrars Services Limited shall be responsible in anyway for any loss which I/we may suffer consequent to such deposits being made pursuant to this authority and instruction.
I/We confirm that the details set out below are true and correct. In the event that the details set out below change in any way, I/we agree to cancel this authority and instruction forthwith and notify the Registrar and/or my/our broker as necessary.

SHAREHOLDER'S FULL NAME/(S): ______________________________

IDENTIFICATION NO ( ID /Passport/ Company registration no ______________________________

| SHARES OR CDSC A/C No | | |
|---|---|---|
| Current Postal Address<br>(Include postal code and post office name) | Telephone No: (Compulsory) | Signature** |
| | Email Address: | |

*** For joint account holders, all holders to sign. For Corporate shareholder provide introductory letter of two directors to sign, introduced by the Company Secretary or another director who is not signing.*

**BANK ACCOUNT NAME: ______________________________
**Name of Bank and Branch: ______________________________
** Bank & Branch Postal Address: ______________________________
**Verification by the bank official: Name ______________ Signature ______________Stamp______________

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Account number: | | | | | | | | | | | | | | |
| **Bank Code: | | | | | | | | | | | | | | |
| **Branch Code: | | | | | | | | | | | | | | |
| **SWIFT Code | | | | | | | | | | | | | | |

All normal charges by banks for processing Electronic Funds Transfers are applicable. Please enquire with your bank.
Important: For verification please attach

1. A certified copy of your identification document/(s) (Kenya ID or Valid passport as per account) ( for all individual or joint holders)
2. An original CR12 dated and stamped within past 6 months by the Companies Registry (for Corporate shareholders)
3. A certified copy of either a dividend notice OR CDSC statement OR shares certificate
4. A copy of your bank statement, which must be certified by the bank.

All the above copies should be certified by a magistrate, lawyer or at our offices upon presentation of originals. Any copies certified outside of Kenya must be done by a Notary Public. These instructions will supersede any previous instructions.


LC Waikiki
Levi's
Kidzz
Bata
HOTEL


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